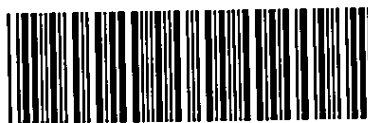


SUTTON COURT HOMES LIMITED

(Registered No. 3191679)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

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SUTTON COURT HOMES LIMITED

REPORT OF THE DIRECTORS for the year ended 31 December 2006

The Directors present their annual report and the audited financial statements for the year ended 31 December 2006

1. Review of the business and principal activities

Principal activities

The principal activities of the Company are the owning and operating of nursing and residential homes for the elderly

Results and dividends

The profit for the year, after taxation, amounted to £332,000 (27 March 2005 to 31 December 2005 - £254,000)

The Company has net assets of £6,839,000 (2005 - £6,507,000)

No dividend was declared and paid during the year (27 March 2005 to 31 December 2005 – £nil)

Development

Organic profit growth has been achieved through a combination of annual fee increases and tight cost management, particularly the costs of agency staff. As a result the Company has made good financial progress during the year

On 31 December 2006 ANS Homes Limited, a fellow Group company, acquired the trade and the assets of the Company at net book value which was equal to fair value

Principal risks and uncertainties

Both the Company's management and its strategy are subject to a number of risks and uncertainties. Management consider that the key risks and uncertainties arise as a result of challenges to occupancy both of privately funded residents and local authority commissioned placements, pressure on fees from the public sector, increasing legislation and regulation, competition for staff and increases on staff costs and management of the cost base of the business

Further information relating to the Company, as applicable to the BUPA Group as a whole, is provided within the discussion of business risks and uncertainties section of the Group's annual report and accounts, which does not form part of this report

Key performance indicators

We have made significant progress on the Company's overriding objectives and key elements to the strategy for growth. The board monitors progress on the overall strategy and the individual strategic elements by reference to the key performance indicators below

	Year ended 31 December 2006	Period ended 31 December 2005	Analysis
Revenue (£'000)	2,595	2,028	Revenue on an equivalent basis is consistent with the previous period
Operating profit (£'000)	586	518	Operating profit on an equivalent basis has fallen slightly from the last period due to a reduction in occupancy
Occupancy percentage (%)	91.2	95.5	The strategy is to maximise and maintain occupancy. Occupancy percentage has fallen during the year although in line with the industry norm
Available beds	78	78	The strategy is to provide an enhanced environment for our residents

SUTTON COURT HOMES LIMITED

REPORT OF THE DIRECTORS for the year ended 31 December 2006

1 Review of the business and principal activities (continued)

Definitions and method of calculation

Available beds are the number of beds available for occupation at the end of the year

Occupancy percentage is defined as the total occupied beds divided by total available beds for the year

2. Conversion to International Financial Reporting Standards

The ultimate parent undertaking, The British United Provident Association Limited (BUPA), has prepared Group accounts in accordance with International Financial Reporting Standards (IFRS). The Company is not required to report under IFRS and therefore these accounts are prepared in accordance with applicable UK accounting standards

3. Directors and directors' interests

Details of the present directors and any other person who served as a director during the period are set out below

J P Davies
M Ellerby
N R Taylor
N T Beazley
B D J Kent

The Directors had no interests requiring disclosure under Section 234 of the Companies Act 1985

4. Companies (Audit, Investigations and Community Enterprise) Act 2004

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify certain directors, to the extent permitted by law and the Company's articles of association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company

5. Employees and remuneration

Details of the number of persons employed and gross remuneration are contained in note 3 to the financial statements

Every effort is made by the directors and management to inform, consult and encourage the full involvement of staff on matters concerning them as employees and affecting the Company's performance

The Company continues to pursue its stated policy of giving every consideration to the employment of disabled persons. Employees who are registered disabled persons are, to the greatest possible extent, treated on the same basis as all other employees and given every opportunity to develop their full working potential within the Company, through training, career development and promotion. Where employees have become disabled whilst in the service of the Company, every effort is made to rehabilitate them in their former occupation or some suitable alternative.

SUTTON COURT HOMES LIMITED

REPORT OF THE DIRECTORS
for the year ended 31 December 2006

6. Disclosure of information to auditors

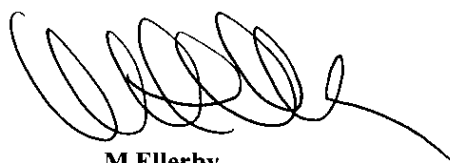
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

7 Auditors

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office

Registered Office
Bridge House
Outwood Lane
Horsforth
Leeds
LS18 4UP

By Order of the Board

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

M Ellerby
Director

8 March 2007

SUTTON COURT HOMES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUTTON COURT HOMES LIMITED

We have audited the financial statements of Sutton Court Homes Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.


KPMG Audit Plc

Chartered Accountants

Registered Auditor

8 March 2007

1 The Embankment

Neville Street

Leeds LS1 4DW

SUTTON COURT HOMES LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2006

	Note	Year ended 31 December 2006 £'000	27 March 2005 to 31 December 2005 £'000
Turnover	1	2,595	2,028
Operating expenses		<u>(2,009)</u>	<u>(1,510)</u>
Operating profit		586	518
Interest receivable and similar income	4	26	-
Interest payable and similar charges	5	<u>(190)</u>	<u>(126)</u>
Profit on ordinary activities before taxation	6	422	392
Tax on profit on ordinary activities	7	<u>(90)</u>	<u>(138)</u>
Profit for the financial period		<u>332</u>	<u>254</u>

The operating profit is all derived from discontinued operations

There were no recognised gains or losses other than the profit for the current and prior period

There were no material differences between reported profit and losses and historical profit and losses on ordinary activities before and after taxation

The accounting policies and notes on pages 9 to 14 form part of these financial statements

SUTTON COURT HOMES LIMITED

BALANCE SHEET
as at 31 December 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Tangible assets	8	<u>-</u>	<u>9,373</u>
Current assets			
Debtors	9	10,658	102
Cash at bank and in hand		<u>19</u>	<u>865</u>
		10,677	967
Creditors amounts falling due within one year	10	<u>(3,838)</u>	<u>(3,782)</u>
Net current assets/(liabilities)		<u>6,839</u>	<u>(2,815)</u>
Total assets less current liabilities		6,839	6,558
Provisions for liabilities and charges	11	<u>-</u>	<u>(51)</u>
Net assets		<u>6,839</u>	<u>6,507</u>
Capital and reserves			
Called up share capital	12	-	-
Revaluation reserve	13	-	6,117
Profit and loss account	13	<u>6,839</u>	<u>390</u>
Shareholders' funds		<u>6,839</u>	<u>6,507</u>

These financial statements were approved by the Board of Directors on 8 March 2007 and were signed on its behalf by



N R Taylor
Director

The accounting policies and notes on pages 9 to 14 form part of these financial statements

SUTTON COURT HOMES LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 December 2006

	Year ended 31 December 2006 £'000	27 March 2005 to 31 December 2005 £'000
Profit for the financial period and net addition to shareholders' funds	332	254
Opening shareholders' funds	<u>6,507</u>	<u>6,253</u>
Closing shareholders' funds	<u>6,839</u>	<u>6,507</u>

SUTTON COURT HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2006

1. STATEMENT OF ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost accounting convention as modified to include the revaluation of land and buildings and on a going concern basis

As the Company is a wholly owned subsidiary undertaking of BUPA, a company registered in England and Wales and which publishes consolidated accounts, the Company has, pursuant to paragraph 17 of Financial Reporting Standard No 8 Related Party Disclosures (FRS 8), not included details of transactions with other companies which are subsidiary undertakings of the BUPA Group. There were no other related party transactions.

Accounting conventions

A summary of the more significant accounting policies, which have been applied consistently, is set out below

(b) Cash flow statement

Under Financial Reporting Standard No 1 Cash Flow Statements (revised 1996) (FRS 1) the Company is exempt from the requirement to prepare a cash flow statement, on the grounds that it is a wholly owned subsidiary undertaking of BUPA, a company that prepares a consolidated cash flow statement for the BUPA Group

(c) Turnover

Turnover represents the total amount earned by the Company in the ordinary course of business for services rendered after deducting trade discounts and Value Added Tax, where applicable. All turnover arises within the United Kingdom

(d) Fixed assets and depreciation

Freehold properties are stated at current valuation. Other tangible assets are stated at cost. Land and buildings are valued by external valuers every three years. No depreciation is provided on freehold land and properties under construction. Other tangible assets are depreciated so as to write off the cost or valuation by equal instalments over their useful economic lives, as follows

Freehold buildings	- 50 years
Fixtures, fittings & equipment	- 3 to 50 years

(e) Taxation including deferred taxation

The charge for taxation is based on the result for the period and takes into account deferred tax

Deferred tax is provided in full on all timing differences that have originated, but not reversed, at the balance sheet date which result in an obligation to pay more, or a right to pay less or to receive more, tax with the following exceptions

- Provision is made for tax on gains arising from the revaluation of property to its market value, the fair value adjustment of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned and without it being possible to claim rollover relief. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold
- Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted

SUTTON COURT HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2006

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(e) Taxation including deferred taxation (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on current tax rates and laws

Trading losses surrendered to other Group subsidiary undertakings are made on a full payment basis

2 IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

The immediate parent undertaking of the Company is ANS Plc, a company registered in England and Wales

The ultimate parent undertaking of the Company is BUPA, a company registered in England and Wales in whose accounts these financial statements are consolidated. The smallest group in which these accounts are consolidated is that headed by BUPA Finance Plc, a company registered in England and Wales. Copies of the accounts of BUPA and BUPA Finance Plc can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

3. STAFF COSTS AND DIRECTORS' REMUNERATION

a) Employees

The average number of full-time equivalent employees employed by the Company during the period (including directors), analysed by category was as follows

	Number of employees	
	Year ended	27 March
	31	2005 to 31
	December	December
	2006	2005
Health care	83	93

The aggregate payroll costs of these persons were as follows

	Year ended	27 March
	31	2005 to 31
	December	December
	2006	2005
	£'000	£'000
Wages and salaries	1,332	973
Social security costs	109	83
	1,441	1,056

b) Directors' remuneration

The emoluments of the Directors are borne by other Group companies and are disclosed in the financial statements of those companies

SUTTON COURT HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2006

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2006 £'000	27 March 2005 to 31 December 2005 £'000
Group undertakings	<u>26</u>	<u>-</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2006 £'000	27 March 2005 to 31 December 2005 £'000
Group undertakings	<u>190</u>	<u>126</u>

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 December 2006 £'000	27 March 2005 to 31 December 2005 £'000
Profit on ordinary activities before taxation is stated after charging		
Depreciation and other amounts written off owned tangible fixed assets	156	146
Fees for the audit of the Company	<u>1</u>	<u>1</u>

Fees for the audit of the Company represent the amount receivable by the Company's auditors. The amount may not be borne by the Company. The 2005 disclosure has been restated using a consistent basis.

Fees paid to the Company's auditors, KPMG Audit Plc, and its associates for services other than the statutory audit of the Company are not disclosed in these accounts since the consolidated accounts of BUPA, the ultimate parent undertaking, are required to disclose non-audit fees on a consolidated basis.

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

(i) Analysis of tax charge in period

	Year ended 31 December 2006 £'000	27 March 2005 to 31 December 2005 £'000
Current tax		
UK corporation tax on profits of the period	140	141
Adjustment in respect of prior periods	<u>1</u>	<u>-</u>
	141	141
Deferred tax		
Origination and reversal of timing differences	(51)	1
Adjustment in respect of prior periods	<u>-</u>	<u>(4)</u>
Tax on profit on ordinary activities	<u>90</u>	<u>138</u>

SUTTON COURT HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2006

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

(ii) Factors affecting the tax charge

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained below

	Year ended 31 December 2006 £'000	27 March 2005 to 31 December 2005 £'000
Profit on ordinary activities before tax	422	392
Tax charge on profit on ordinary activities at 30%	127	118
Effects of		
Expenses not deductible for tax purposes	35	24
Capitalised interest adjustment	(65)	-
Accelerated capital allowances	(10)	(10)
Deferred tax on short-term and other timing differences	61	9
Fixed assets transfers	(8)	-
Adjustment in respect of prior periods	1	-
Total current tax charge for the period	141	141

(iii) Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for at 31 December 2006 is £nil (2005 - £1,736,000). At present it is not envisaged that any tax will become payable in the foreseeable future.

8. TANGIBLE FIXED ASSETS

	Land & buildings £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost or valuation			
At 1 January 2006	9,193	368	9,561
Additions	-	59	59
Disposals	(9,193)	(427)	(9,620)
At 31 December 2006	-	-	-
Depreciation			
At 1 January 2006	44	144	188
Charge for the period	109	47	156
Disposal adjustments	(153)	(191)	(344)
At 31 December 2006	-	-	-
Net Book Value			
At 31 December 2006	-	-	-
At 31 December 2005	9,149	224	9,373

SUTTON COURT HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2006

8. TANGIBLE FIXED ASSETS (CONTINUED)

The Company's freehold land and buildings were valued by Knight Frank, Chartered Surveyors at 5 August 2005 on the basis of existing use. The valuation has been made in accordance with the RICS Statement of Asset Valuation Practice and Guidance Notes. These valuations were incorporated into the balance sheet at 5 August 2005. Other tangible assets are stated at cost.

Analysis of cost or valuation of land and buildings:	2006 £'000	2005 £'000
At open market value	-	9,193
Aggregate depreciation thereon	-	(44)
	<u>-</u>	<u>9,149</u>
Historical cost of revalued assets	-	3,314
Aggregate depreciation based on historical cost	-	(240)
	<u>-</u>	<u>3,074</u>
Historical cost net book value	<u>-</u>	<u>3,074</u>

9. DEBTORS

	2006 £'000	2005 £'000
Trade debtors	-	89
Prepayments and accrued income	-	13
Amounts owed by Group undertaking	<u>10,658</u>	<u>-</u>
	<u>10,658</u>	<u>102</u>

10. CREDITORS – amounts falling due within one year

	2006 £'000	2005 £'000
Amounts owed to Group undertakings	3,838	3,292
Corporation Tax	-	139
Taxation and social security	-	35
Other creditors	-	44
Accruals and deferred income	<u>-</u>	<u>272</u>
	<u>3,838</u>	<u>3,782</u>

SUTTON COURT HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2006

11. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax liabilities are analysed as follows

	2006 £'000	2005 £'000
Accelerated capital allowances	-	(10)
Other timing differences	-	61
	<u>-</u>	<u>51</u>

The movement for the year in the net deferred tax provision is as follows

	2006 £'000
At 1 January 2006	51
Deferred tax credit for the year	<u>(51)</u>
At 31 December 2006	<u>-</u>

12. SHARE CAPITAL

	2006 £	2005 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
	2006 £	2005 £
Allotted, called-up and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

13. RESERVES

	Revaluation reserve £'000	Profit and loss Account £'000
At 1 January 2006	6,117	390
Realised revaluation surplus	(6,117)	6,117
Profit for the financial year	<u>-</u>	<u>332</u>
At 31 December 2006	<u>-</u>	<u>6,839</u>

14 COMMITMENTS

The Company had no capital commitments at the end of either period