

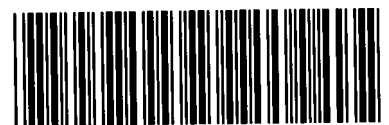
**BUPA CARE HOMES (CARRICK) LIMITED**

**Registered Number: SC151487**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED**

**31 DECEMBER 2017**

THURSDAY



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## Strategic Report

The Directors present their Strategic Report for Bupa Care Homes (Carrick) Limited ("the Company") for the year ended 31 December 2017.

### Business Review

The principal activity of the Company for the year was that of owning and operating nursing and residential care homes primarily for the elderly. The Company, together with fellow UK subsidiary undertakings of The British United Provident Association Limited ("Bupa"), with similar activities, form Bupa Care Services ("BCS").

### Significant Events

During the year the Company sold all 11 of its care homes to other Bupa group undertakings.

### Results

The profit for the year, after taxation, amounted to £1,126,000 (2016: £2,243,000). The Company had net assets of £21,428,000 (2016: £20,302,000).

### Key Performance Indicators

The key drivers of the Company's results are:

	2017	2016	Analysis
Profit before tax (£'000)	666	2,286	Profit before tax has reduced as a result of the profit on sale of fixed assets of £1,782,000 in the prior year.

The key performance indicators used to assess the Company in the prior year are no longer relevant as the company is not trading as a care home operator.

### Business Model

The Company no longer trades having disposed of its care homes in the year to another Bupa Group undertaking.

The Company operates as part of the wider BCS business, which is a leading care homes operator in the UK. BCS provides care in 146 care homes to around 7,300 residents of which 65% are funded wholly or partly by the public sector.

BCS is focused on meeting the changing healthcare needs and concerns of its customers and society. By investing in its people and services, BCS will continue to address the health and care needs of the UK's growing ageing population whilst making the case for appropriate investment from national and local government in the health and social care system to meet the cost of delivering care.

The UK aged care sector remains under pressure with increased costs including the ongoing impact of the National Living Wage, first introduced in April 2016. BCS continues to take a disciplined approach to fee negotiations with LAs, CCGs and other commissioners in order to recover the true cost of caring for publicly-funded residents.

The combination of a national shortage of appropriately qualified nurses, and increased agency dependency across the sector, has seen the cost of nursing care increase. In response, in 2016, there was an increase in the NHS Funded Nursing Care ("FNC") payments contribution in England to the cost of providing registered nursing care.

### Future outlook

The company no longer trades but intends to maintain sufficient net assets to cover any obligations that may arise.

## Strategic Report (continued)

### Principal Risks and Uncertainties

The Company 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 chronic underfunding of social care in the UK and policy changes such as the introduction of a National Living Wage, making it difficult to plan and mitigate for such policies effectively.

The UK Government triggered Article 50 on 29 March 2017 to start the formal process of leaving the EU. While there will be commercial, operational and legal impacts from the UK's eventual exit from the EU, there remains significant uncertainty as to how the UK's exit will affect the Company's business, customers and employees. While the UK Government has committed to ensuring EU citizens currently resident in the UK will be able to remain following the UK's exit from the EU, uncertainties remain relating to changes in immigration rules post-Brexit and the impact on the health and social care sector's ability to recruit sufficient staff. Uncertainty also remains regarding the wider impact on the UK economy.

Further information relating to the Company, as applicable to Bupa and its subsidiaries and holding companies or subsidiaries of such holding companies ("Bupa Group") as a whole, is provided within the discussion of business risks and uncertainties section of the Bupa Group's annual report and accounts, which does not form part of this report.

Registered Office:

By Order of the Board

39 Victoria Road  
Glasgow  
G78 1NQ

18 June 2018



J M Elliott  
Director

## Directors' Report

The Directors present their annual report and the financial statements of the Company for the year ended 31 December 2017.

### Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding adoption of the going concern basis can be found in the accounting policies of the financial statements.

### International Financial Reporting Standards and Financial Reporting Requirements

The ultimate parent undertaking, Bupa, has prepared group accounts in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The Company is not required to report under IFRS and therefore these accounts are prepared in accordance with applicable UK accounting standards. As the Company is a wholly owned subsidiary undertaking of Bupa, the Company qualifies for application of Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"), which has been adopted for these financial statements. FRS 101 uses the recognition and measurement bases of IFRS, while allowing exemptions from a number of disclosures required by full IFRS.

### Directors

Details of the present Directors and any other persons who served as a Director during the year are set out below:

N S Barker	appointed	27/04/2018
M Harrison	appointed	27/04/2018
C E Barton	resigned	27/04/2018
J M Elliott		
J S Picken	resigned	27/04/2018

### 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 the 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.

### Employees

Details of the number of persons employed and gross remuneration are contained in note 9 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.

#### *Employment of disabled persons*

The Company is committed to providing equal opportunities to employees. The employment of disabled persons is included in this commitment and the recruitment, training, career development and promotion of disabled persons is based on the aptitudes and abilities of the individual. Should employees become disabled during employment, every effort would be made to continue their employment and, if necessary, appropriate training would be provided.

## Directors' Report (continued)

### Employees (continued)

#### *Employment policy*

The Company continues to regard communication with its employees as a key aspect of its policies. Information is given to employees about employment matters and about the financial and economic factors affecting the Company's performance through management channels. Employees are encouraged to discuss operational and strategic issues with their line management and to make suggestions aimed at improving performance.

### Disclosure of Information to Auditor

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 auditor is unaware; and
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

### Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Registered Office:

By Order of the Board

39 Victoria Road  
Glasgow  
G78 1NQ



J M Elliott  
Director

18 June 2018

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic 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), including FRS 101.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they 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 judgements 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

# **Independent Auditor's Report to the Members of Bupa Care Homes (Carrick) Limited**

## **Opinion**

We have audited the financial statements of Bupa Care Homes (Carrick) Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Account and Other Comprehensive income, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## **Strategic report and Directors' report**

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.



# **Independent Auditor's Report to the Members of Bupa Care Homes (Carrick) Limited (continued)**

## **Directors' responsibilities**

As explained more fully in their statement set out on page 5, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


## **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.



**Chris Butt (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA  
26 June 2018

**Profit and Loss Account and Other Comprehensive Income  
for the year ended 31 December 2017**

	Note	2017 £'000	2016 £'000
Turnover	4	22,904	23,347
Cost of sales	5	(19,975)	(20,083)
<b>Gross profit</b>		<b>2,929</b>	<b>3,264</b>
Administrative expenses	6	(1,113)	(1,137)
Other operating income	7	-	1,679
Other operating expenses	8	(1,498)	(1,397)
Other interest receivable and similar income	10	348	-
Interest payable and similar charges	11	-	(123)
<b>Profit before taxation</b>		<b>666</b>	<b>2,286</b>
Tax on profit on ordinary activities	13	460	(43)
<b>Profit for the financial year</b>		<b>1,126</b>	<b>2,243</b>
<i>Items that will not be reclassified to profit or loss:</i>			
Movement on deferred tax relating to deficit on impairment of properties	18	-	(776)
Other comprehensive expenses for the year, net of tax		-	(776)
<b>Total comprehensive income for the year</b>		<b>1,126</b>	<b>1,467</b>

All activities relate to discontinued operations.

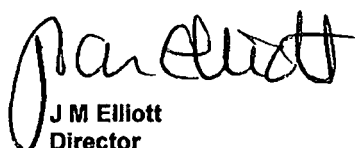
The notes on pages 11 to 22 form part of these financial statements.

## Balance Sheet

as at 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Tangible assets (including £nil (2016: £8,098,000) held for sale)	14	-	8,098
<b>Current assets</b>			
Debtors			
- due within one year	15	8,791	688
- due after one year	15	19,784	19,324
Cash at bank and in hand		-	1
		28,575	20,013
<b>Creditors: amounts falling due within one year</b>	16	(44)	(350)
<b>Net current assets</b>		28,531	19,663
<b>Total assets less current liabilities</b>		28,531	27,761
<b>Creditors: amounts falling due after more than one year</b>	17	(7,103)	(6,990)
<b>Deferred tax liability</b>	18	-	(469)
<b>Net assets</b>		21,428	20,302
<b>Capital and reserves</b>			
Called up share capital	19	151	151
Revaluation reserve		-	-
Profit and loss account		21,277	20,151
<b>Shareholders' funds</b>		21,428	20,302

These financial statements were approved by the Board of Directors and were signed on its behalf by:

  
J M Elliott  
Director

Registered number: SC151487

18 June 2018

The notes on pages 11 to 22 form part of these financial statements.

## Statement of Changes in Equity for the year ended 31 December 2017

	Note	Called up share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2017		151	-	20,151	20,302
Profit for the year		-	-	1,126	1,126
Other comprehensive income for the year		-	-	-	-
<b>Balance as at 31 December 2017</b>		<b>151</b>	<b>-</b>	<b>21,277</b>	<b>21,428</b>

	Note	Called up share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2016		151	8,553	10,131	18,835
Profit for the year		-	-	2,243	2,243
Other comprehensive income for the year:					
Realised gains		-	(7,777)	7,777	-
Movement on deferred tax relating to revaluation reserve	18	-	(776)	-	(776)
<b>Balance as at 31 December 2016</b>		<b>151</b>	<b>-</b>	<b>20,151</b>	<b>20,302</b>

The notes on pages 11 to 22 form part of these financial statements.

## Notes to the Financial Statements

### 1. Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Basis of Preparation

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

These financial statements have been prepared in accordance with FRS 101. The amendments to FRS 101 (2016/17 Cycle) issued in July 2017 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of IFRS, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

#### (b) Exemptions From the Requirements of IFRS

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for investments;
- Disclosures in respect of transactions with wholly owned subsidiaries within the consolidated group;
- Disclosures in respect of capital management;
- An additional balance sheet for the beginning of the earliest comparative period following the transition to FRS 101;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

As the consolidated financial statements of Bupa include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

## Notes to the Financial Statements (continued)

### Accounting Policies (continued)

#### (c) Going Concern

The Company is no longer trading but at 31 December 2017 the Company had sufficient assets to support its obligations. It is Bupa Group's policy to ensure assets are greater than liabilities and to raise capital to ensure the Company remains solvent. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### (d) Turnover

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognises turnover when the amount of turnover can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Company primarily provides care homes services to residents and recognises turnover when the service has been delivered to the residents.

#### (e) Interest Income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

#### (f) Employee Benefits

Bupa operates a defined contribution pension scheme, The Bupa Retirement Savings Plan, in which the Company participates. The assets of the scheme are held separately from those of the Company in independently administered funds. This scheme was opened with effect from 1 October 2002 and is available to join on a voluntary basis to permanent employees of Bupa.

Contributions to defined contribution pension schemes are recognised as an expense in the Profit and Loss account as incurred.

The National Employment Savings Trust (NEST) has been used to meet the Company's automatic enrolment duties for UK employees.

#### (g) Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

## Notes to the Financial Statements (continued)

### Accounting Policies (continued)

#### (h) Taxation and Deferred Taxation

The taxation expense on the profit for the year comprises current and deferred taxation. Income taxation is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised directly in the statement of comprehensive income.

Current taxation is the expected taxation payable on the taxable profit for the year, using taxation rates enacted or substantively enacted at the balance sheet date, and any adjustments to taxation payable in respect of previous years.

Deferred taxation is recognised in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not recognised: goodwill not deductible for taxation purposes and the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The amount of deferred taxation recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation rates enacted or substantively enacted at the balance sheet date.

Deferred taxation is recognised on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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

#### (i) Tangible Fixed Assets

Land and buildings comprise mainly care homes and offices. Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount and at every three years, with associated cost and depreciation balances restated as required.

All other tangible fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in shareholders' funds. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve; all other decreases are charged to the profit and loss account of the period they are incurred.

## Notes to the Financial Statements (continued)

### Accounting Policies (continued)

#### (i) Tangible Fixed Assets (continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold buildings	50 years
Leasehold improvements	Term of the lease
Fixtures, fittings and equipment	3 to 50 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in the profit and loss account in the period they arise.

When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings.

#### (j) Financial Assets

##### Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise they are classified as non-current investments.

##### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables.

##### Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss' category are presented in the profit and loss account within interest income or expenses in the period in which they arise.



## Notes to the Financial Statements (continued)

### Accounting Policies (continued)

#### (j) Financial Assets (continued)

##### Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

#### (k) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

#### (l) Share Capital

Ordinary shares are classified as equity.

#### (m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 2. Critical Accounting Estimates and Judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### (a) Property valuations

The Company has a significant portfolio of care homes and fluctuations in the value of this portfolio can have significant impact on the profit and loss account and balance sheet of the Company.

## Notes to the Financial Statements (continued)

### 2. Critical Accounting Estimates and Judgments (continued)

(b) Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

### 3. Immediate and Ultimate Parent Company

The immediate parent undertaking of the Company is Bupa Care Homes (ANS) Limited, with its registered office at 1 Angel Court, London, EC2R 7HJ.

The ultimate parent undertaking of the Company, and the largest group into which these financial statements are consolidated, is Bupa, with its registered office at 1 Angel Court, London, EC2R 7HJ. The smallest group into which these financial statements are consolidated is that headed by Bupa Finance plc, with its registered office at 1 Angel Court, London, EC2R 7HJ.

Copies of the accounts of all companies can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

### 4. Turnover

Turnover comprises

	2017 £'000	2016 £'000
Care homes operations	22,904	23,347

### 5. Cost of Sales

Cost of sales comprises

	2017 £'000	2016 £'000
Staff	15,047	14,914
Property	2,128	1,513
Catering and housekeeping	1,208	1,257
Agency	1,205	1,282
Depreciation	-	1,094
Impairment losses	361	-
Other cost of sales	26	23
	19,975	20,083

### 6. Administrative Expenses

Administrative expenses comprises

	2017 £'000	2016 £'000
Printing	182	199
Other administrative expenses	931	938
	1,113	1,137

## Notes to the Financial Statements (continued)

### 7. Other Operating Income

Other operating income comprises

	2017 £'000	2016 £'000
Other	-	1,679

### 8. Other Operating Expenses

Other operating expenses comprises

	2017 £'000	2016 £'000
Staff	1,406	1,397
Other	92	-
Other operating expenses	1,498	1,397

### 9. Staff Costs and Directors' Remuneration

#### (i) Staff costs

The average monthly number of persons employed by the Company during the year, analysed by category, was:

	2017	2016
Health care	734	768

The aggregate payroll costs of those persons were as follows:

	2017 £'000	2016 £'000
Wages and salaries	15,428	15,343
Social security costs	1,003	949
Other pension costs	22	19
	16,453	16,311

#### (ii) Directors' remuneration

The emoluments of the Directors are borne entirely by other Group companies. The value of the qualifying services provided by the Directors to the Company during the year was £36,000 (2016: £29,000).

### 10. Other Interest Receivable and Similar Income

	2017 £'000	2016 £'000
Bupa Group undertakings	348	-

### 11. Interest Payable and Similar Charges

	2017 £'000	2016 £'000
Bupa Group undertakings	-	123

## Notes to the Financial Statements (continued)

### 12. Profit on Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging:

	2017 £'000	2016 £'000
Depreciation of tangible fixed assets:		
- Owned	-	1,094
Operating lease rentals:		
- Land and building	361	498
- Plant and machinery	-	37
Fees payable to the Company's auditor for the audit of the Company's annual accounts	6	7

Fees for the audit of the Company represent the amount receivable by the Company's auditor. The amount is not borne by the Company.

### 13. Tax on Profit on Ordinary Activities

#### (i) Tax included in profit or loss

	2017 £'000	2016 £'000
UK corporation tax on profit for the year	121	252
Adjustments in respect of prior periods	(112)	(10)
<b>Total current tax charge</b>	<b>9</b>	<b>242</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(633)	(461)
Change in tax rates	-	82
Adjustments in respect of prior periods	164	180
<b>Total deferred tax credit</b>	<b>(469)</b>	<b>(199)</b>
<b>Total tax (credit)/charge on profit on ordinary activities</b>	<b>(460)</b>	<b>43</b>

#### (ii) Current and deferred taxation recognised directly in other comprehensive income

	2017 £'000	2016 £'000
Deferred taxation charge in respect of:		
Unrealised profit/(loss) on revaluation of property	-	776
<b>Total tax charge included in other comprehensive expense</b>	<b>-</b>	<b>776</b>

#### (iii) Reconciliation of effective tax rate

	2017 £'000	2016 £'000
Profit on ordinary activities before taxation	666	2,286
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.25% (2016: 20%)	128	457
Effects of:		
Expenses not deductible for tax purposes	89	120
Release of deferred tax following property transfer	(814)	-
Non-assessable income	-	(867)
Adjustments in respect of current income tax of previous years	(112)	(9)
Adjustments in respect of deferred tax of previous years	164	81
Change in taxation rates	85	261
<b>Tax (credit)/charge on profit on ordinary activities</b>	<b>(460)</b>	<b>43</b>

## Notes to the Financial Statements (continued)

### 14. Tangible Fixed Assets

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Held for sale £'000	Total £'000
<b>Cost or valuation</b>				
At 1 January 2017	-	-	12,587	12,587
Disposal	-	-	(12,587)	(12,587)
<b>At 31 December 2017</b>	-	-	-	-
<b>Depreciation</b>				
At 1 January 2017	-	-	4,489	4,489
Disposal	-	-	(4,489)	(4,489)
<b>At 31 December 2017</b>	-	-	-	-
<b>Net Book Value</b>				
At 31 December 2017	-	-	-	-
<b>At 31 December 2016</b>	-	-	8,098	8,098

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Held for sale £'000	Total £'000
<b>Cost or valuation</b>				
At 1 January 2016	35,456	12,441	-	47,897
Reclassification	(1,697)	(12,587)	12,587	(1,697)
Additions	-	484	-	484
Disposal	(33,759)	(338)	-	(34,097)
<b>At 31 December 2016</b>	-	-	12,587	12,587
<b>Depreciation</b>				
At 1 January 2016	17,871	3,787	-	21,658
Reclassification	(1,697)	(4,489)	4,489	(1,697)
Charge for the year	97	997	-	1,094
Disposal	(16,271)	(295)	-	(16,566)
<b>At 31 December 2016</b>	-	-	4,489	4,489
<b>Net Book Value</b>				
At 31 December 2016	-	-	8,098	8,098
<b>At 31 December 2015</b>	17,585	8,654	-	26,239

During the year the Company sold care home equipment to another Bupa group undertaking for nil gain nil loss.

## Notes to the Financial Statements (continued)

### 15. Debtors

Due within one year	2017 £'000	2016 £'000
Amounts owed by Bupa Group undertakings	8,791	688

Amounts owed by Bupa Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

Due after one year	2017 £'000	2016 £'000
Amounts owed by Bupa Group undertakings	19,784	19,324

Loans to Bupa Group undertakings are repayable after five years as follows.

	Date issued	Repayment date	Interest rate	2017 £'000	2016 £'000
Bupa Care Homes (CFG) Plc	June 2017	June 2027	Six months LIBOR plus 110 basis points	19,784	19,324

### 16. Creditors – Amounts Falling Due Within One Year

	2017 £'000	2016 £'000
Accruals	44	-
Amounts owed to Bupa Group undertakings	-	350
	44	350

Amounts owed to Bupa Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

### 17. Creditors – Amounts Falling Due After More Than One Year

	2017 £'000	2016 £'000
Loans from Bupa Group undertakings	7,103	6,990

Loans from Bupa Group undertakings are repayable after five years as follows.

	Date Issued	Repayment date	Interest rate	2017 £'000	2016 £'000
Bupa Care Homes (ANS) Limited	September 2015	September 2025	Six months LIBOR plus 110 basis points	7,103	6,990

## Notes to the Financial Statements (continued)

### 18. Deferred Tax

Deferred taxation is analysed as follows

	2017 Assets £'000	2017 Liabilities £'000	2017 Total £'000	2016 Assets £'000	2016 Liabilities £'000	2016 Total £'000
Accelerated capital allowances	-	-	-	-	(485)	(485)
Tax value of losses carried forward	-	-	-	16	-	16
	-	-	-	16	(485)	(469)

The movement in deferred taxation is as follows

	At 1 January 2017 £'000	Recognised in profit and loss account £'000	Recognised in other comprehensive income £'000	At 31 December 2017 £'000
Accelerated capital allowances	(485)	485	-	-
Tax value of losses carried forward	16	(16)	-	-
	(469)	469	-	-

	At 1 January 2016 £'000	Recognised in profit and loss account £'000	Recognised in other comprehensive income £'000	At 31 December 2016 £'000
Accelerated capital allowances	(460)	(25)	-	(485)
Revaluation of properties to fair value	551	225	(776)	-
Tax value of losses carried forward	17	(1)	-	16
	108	199	(776)	(469)

### 19. Called up Share Capital

	2017 £'000	2016 £'000
Equity interest		
Allotted, called up and fully paid		
151,000 (2016: 151,000) ordinary shares of £ 1 each	151	151

### 20. Contingent Liabilities, Guarantees and Other Financial Commitments

#### (i) Contingent liabilities

The Company has no outstanding contingent liabilities at the end of either year.

#### (ii) Guarantees

The Company has no outstanding guarantees at the end of either year.

#### (iii) Financial commitments

	2017 £'000	2016 £'000
Land and buildings		
Expiry date		
- Not later than one year	-	1,114

## Notes to the Financial Statements (continued)

### 21. Related Party Transactions

The Company has applied the disclosure exemptions available under FRS 101 in respect of transactions with wholly owned subsidiaries within the consolidated group.

See note 9 for disclosure of the Directors' remuneration.