

Bupa Care Homes (CFG) plc

**Annual report and financial statements
for the year ended 31 December 2018**



Bupa Care Homes (CFG) plc

Company information

Directors	N S Barker J M Elliott M Harrison C A Richardson
Company Secretary	J P Sanders
Registered number	01969735
Registered office	1 Angel Court London United Kingdom EC2R 7HJ
Independent auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA

Bupa Care Homes (CFG) plc

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Bupa Care Homes (CFG) plc

Strategic Report for the year ended 31 December 2018

The Directors present their Strategic Report for Bupa Care Homes (CFG) plc ("the Company") for the year ended 31 December 2018.

Business review

The principal activity of the Company for the year was to act as a holding company for a number of direct subsidiaries that are engaged in owning and operating nursing and residential homes for the elderly. The Company, together with a fellow UK subsidiary undertaking of The British United Provident Association Limited ("Bupa"), with similar activities, form Bupa Care Services ("BCS").

Results and Key Performance Indicators

The profit for the year, after taxation, amounted to £411,000 (2017: loss £348,000). The Company had net assets of £49,204,000 (2017: £48,793,000). As a holding company, the most significant impact towards the result for the year has been the interest payable and receivable on group loans.

Business model

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.

Bupa Care Homes (CFG) plc

Strategic Report (continued) for the year ended 31 December 2018

Future outlook

BCS is committed to working to ensure that public funds for adult social care are used to the best effect. It will continue its disciplined approach to fee negotiations and has seen success in its focus on recovering the cost of caring for residents from local authority contracts.

Since the 2015 Spending Review which announced new powers for councils to meet their funding obligations for social care, the Government have taken further, albeit limited, steps to increase funds for adult social care. The 2017 Budget announced new funding for councils to meet their funding obligations for social care, including an extension and increase to the annual Council Tax precept to 3% as well as increased allocations into the Better Care Fund and Adult Social Care Support Grant. More recently, the Government announced an additional injection of short-term funding in the 2018 Autumn Budget. While this funding is welcome, it is insufficient to address the long-term funding issues faced by the social care sector.

The outlook for longer term reform of the social care funding system in England remains unclear. The Government has committed to publishing proposals for long term reform of the social care funding system for consultation in the form of a Green Paper. Due to be published in Summer 2018, the consultation document has been delayed a number of times and it is still unclear when it will be released.

BCS, along with others in the sector, will continue to push for adequate funding in the sector, both in the short term and over the longer term, and for local authorities and other public sector commissioners to pay for the true cost of care.

BCS is committed to providing high quality facilities and services for the UK's growing ageing population and will continue to invest in its portfolio of care homes.

Bupa Care Homes (CFG) plc

Strategic Report (continued) for the year ended 31 December 2018

Principal risks and uncertainties

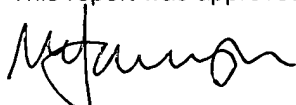
The Company and its strategy are subject to a number of risks and uncertainties. Management consider that the key risks and uncertainties arise as a result of chronic underfunding of social care in the UK and policy changes such as the introduction of a National Living Wage, making it difficult to plan and mitigate for such policies effectively. New guidance on the application of consumer law in care homes, published by the Competition and Market Authority (CMA), has also led to a number of amendments to our T&Cs.

The process of the UK leaving the EU also brings significant risks and uncertainties as a deal between the UK and EU has still not been agreed. The potential of a 'no deal' is still plausible and could lead to significant commercial, operational and legal impacts on UK businesses.

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, its draft post-Brexit immigration rules mainly focus on high-skilled migrants and will impact 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.

This report was approved by the Board on 29 March 2019 and signed on its behalf.



M Harrison
Director

Registered Office:

1 Angel Court
London
EC2R 7HJ

Bupa Care Homes (CFG) plc

Directors' Report for the year ended 31 December 2018

The Directors present their annual report and the financial statements of Bupa Care Homes (CFG) plc ("the Company") for the year ended 31 December 2018.

Going concern

The principal activity of the Company for the year was to act as a holding company for a number of direct subsidiaries that are engaged in owning and operating nursing and residential homes for the elderly.

Notwithstanding net current liabilities of £189,095,000 as at 31 December 2018 the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts collectively for the entities which make up Bupa Care Services (BCS) for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, BCS will have sufficient funds to meet liabilities as they fall due for that period.

Those forecasts however are not specific to individual entities within the BCS companies, as such, no absolute certainty can be gained from them for each individual entity. As such the Company is dependent on Bupa Finance plc providing additional financial support during that period if required and not seeking repayment of the amounts currently due to the group, which at balance sheet date amounted to £190,000,000. Bupa Finance plc has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Future developments

An indication of the likely future developments of the Company is included in the Strategic Report.

Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: £nil).

International Financial Reporting Standards and Financial Reporting Requirements

The ultimate parent undertaking, The British United Provident Association Limited ("Bupa"), has prepared group financial statements 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 financial statements 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.

Bupa Care Homes (CFG) plc

Directors' Report (continued) for the year ended 31 December 2018

Directors

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

C E Barton (resigned 27 April 2018)
N S Barker (appointed 27 April 2018)
J M Elliott
M Harrison (appointed 27 April 2018)
C A Jaureguizar Ruiz-Jarabo (resigned 15 February 2019)
J S Picken (resigned 27 April 2018)
C A Richardson (appointed 27 April 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.

Political contributions

No political contributions were made, nor any political expenditure incurred.

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.

This report was approved by the Board on 29 March 2019 and signed on its behalf.



M Harrison
Director

Registered Office:

1 Angel Court
London
EC2R 7HJ

Bupa Care Homes (CFG) plc

Statement of Directors' Responsibilities for the year ended 31 December 2018

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 Reduced Disclosure Framework.

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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS101, 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 (CFG) Plc

Opinion

We have audited the financial statements of Bupa Care Homes (CFG) plc ("the company") for the year ended 31 December 2018 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 2018 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Directors, such as the recoverability of investments and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Independent Auditor's Report To The Members Of Bupa Care Homes (CFG) Plc (continued)

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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 (CFG) Plc (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 6, 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.

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
LS14DA
29 March 2019

Bupa Care Homes (CFG) plc

Profit and Loss Account and Other Comprehensive Income for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Interest receivable and similar income	6	8,202	4,413
Interest payable and similar charges	7	(8,703)	(4,819)
Loss before taxation	4	(501)	(406)
Tax on loss	8	912	58
Profit/(loss) for the financial year		411	(348)
Total comprehensive income/(expense) for the year		411	(348)

All activities relate to continuing operations.

The notes on pages 13 to 24 form part of these financial statements.

Bupa Care Homes (CFG) plc

Registered number: 01969735

Balance Sheet as at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Investments	9	715,524	729,071
		<u>715,524</u>	<u>729,071</u>
Current assets			
Debtors	10	-	77
Creditors: amounts falling due within one year	11	(189,095)	(190,007)
Net current liabilities		<u>(189,095)</u>	<u>(189,930)</u>
Total assets less current liabilities		<u>526,429</u>	<u>539,141</u>
Creditors: amounts falling due after more than one year	12	(477,225)	(490,348)
Net assets		<u><u>49,204</u></u>	<u><u>48,793</u></u>
Capital and reserves			
Called up share capital	14	40,553	40,553
Share premium		114,141	114,141
Capital redemption reserve		2,110	2,110
Profit and loss account		(107,600)	(108,011)
Shareholders' funds		<u><u>49,204</u></u>	<u><u>48,793</u></u>

The financial statements were approved by the Board of Directors and were signed on its behalf on 29 March 2019 by:



M Harrison
Director

The notes on pages 13 to 24 form part of these financial statements.

Bupa Care Homes (CFG) plc

Statement of Changes in Equity for the year ended 31 December 2018

	Called up share capital	Share premium	Capital redemption reserve	Profit and loss account	Shareholders' funds
	£000	£000	£000	£000	£000
At 1 January 2018	40,553	114,141	2,110	(108,011)	48,793
Profit for the year	-	-	-	411	411
At 31 December 2018	<u>40,553</u>	<u>114,141</u>	<u>2,110</u>	<u>(107,600)</u>	<u>49,204</u>

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

	Called up share capital	Share premium	Capital redemption reserve	Profit and loss account	Shareholders' funds
	£000	£000	£000	£000	£000
At 1 January 2017	40,553	114,141	2,110	(107,663)	49,141
Loss for the year	-	-	-	(348)	(348)
At 31 December 2017	<u>40,553</u>	<u>114,141</u>	<u>2,110</u>	<u>(108,011)</u>	<u>48,793</u>

The notes on pages 13 to 24 form part of these financial statements.

Bupa Care Homes (CFG) plc

Notes to the Financial Statements for the year ended 31 December 2018

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.

1.1 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.

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.

1.2 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.

1.3 New standards, amendments and IFRIC interpretations

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 December 2018. These new standards do not have a material impact on the Company. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2018.

IFRS 16 is a new standard that is effective for the year ending 31 December 2019. This standard will not have a material impact on the Company.

Bupa Care Homes (CFG) plc

Notes to the Financial Statements for the year ended 31 December 2018

1. Accounting policies (continued)

1.4 Going concern

The principal activity of the Company for the year was to act as a holding company for a number of direct subsidiaries that are engaged in owning and operating nursing and residential homes for the elderly.

Notwithstanding net current liabilities of £189,095,000 as at 31 December 2018 the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts collectively for the entities which make up Bupa Care Services (BCS) for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, BCS will have sufficient funds to meet liabilities as they fall due for that period.

Those forecasts however are not specific to individual entities within the BCS companies, as such, no absolute certainty can be gained from them for each individual entity. As such the Company is dependent on Bupa Finance plc providing additional financial support during that period if required and not seeking repayment of the amounts currently due to the group, which at balance sheet date amounted to £190,000,000. Bupa Finance plc has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.5 Exemption from consolidation

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

1.6 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.

Bupa Care Homes (CFG) plc

Notes to the Financial Statements for the year ended 31 December 2018

1. Accounting policies (continued)

1.7 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.

1.8 Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

1.9 Share capital

Ordinary shares are classified as equity.

Bupa Care Homes (CFG) plc

Notes to the Financial Statements for the year ended 31 December 2018

1. Accounting policies (continued)

1.10 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 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 the profit or loss in the period in which they are incurred.

2. Critical accounting estimates and judgements

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 of subsidiary undertakings

The Company's subsidiary undertakings have a significant portfolio of care homes and fluctuations in the value of this portfolio can have significant impact of the profit and loss account and balance sheet of the Company.

3. Immediate and ultimate parent undertaking

The immediate parent undertaking of the Company is Grupo Bupa Sanitas S.L.U., with its registered office at Calle Ribera Del Loira, 52, 28042, Madrid, Spain.

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 financial statements of all companies can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

Bupa Care Homes (CFG) plc

Notes to the Financial Statements for the year ended 31 December 2018

4. Loss before taxation

Loss before taxation is stated after charging:

	2018 £000	2017 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	2	2

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

5. Staff Costs and Directors' Remuneration

Staff costs

There were no staff costs for the year ended 31 December 2018 (2017: £nil).

Directors' remuneration

The emoluments of the Directors are borne entirely by the other Bupa Group companies and are disclosed in the financial statements of those companies. The Company acts as a holding company and had no other employee costs during the current of preceding year.

6. Other interest receivable and similar income

	2018 £000	2017 £000
Bupa Group undertakings	8,202	4,413

7. Interest payable and similar charges

	2018 £000	2017 £000
Bupa Group undertakings	8,703	4,819

Bupa Care Homes (CFG) plc

Notes to the Financial Statements for the year ended 31 December 2018

8. Tax on loss

	2018 £000	2017 £000
Corporation tax		
UK corporation tax on profit/(loss) for the year	(912)	(78)
Total current tax	<u>(912)</u>	<u>(78)</u>
Deferred tax		
Adjustments in respect of prior periods	-	20
Total deferred tax	<u>-</u>	<u>20</u>
Tax on loss	<u>(912)</u>	<u>(58)</u>

Factors affecting tax credit for the year

The tax assessed for the year is lower (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
Loss before tax	<u>(501)</u>	<u>(406)</u>
Loss multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(95)	(78)
Effects of:		
Adjustments in respect of deferred tax of previous years	-	20
Transfer pricing adjustments	(817)	-
Total tax credit for the year	<u>(912)</u>	<u>(58)</u>

Bupa Care Homes (CFG) plc

Notes to the Financial Statements for the year ended 31 December 2018

8. Tax on loss (continued)

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

9. Investments

	Shares in subsidiary undertakings £000	Loans to group undertakings £000	Total £000
Cost			
At 1 January 2018	531,882	459,202	991,084
Disposals	-	(13,547)	(13,547)
At 31 December 2018	531,882	445,655	977,537
Provisions for impairment			
At 1 January and 31 December 2018	262,013	-	262,013
Net book value			
At 31 December 2018	269,869	445,655	715,524
At 31 December 2017	269,869	459,202	729,071

Bupa Care Homes (CFG) plc

Notes to the Financial Statements for the year ended 31 December 2018

9. Investments (continued)

In compliance with Section 409 of the Companies Act 2006, a full list of related undertakings of the Company as at 31 December 2018, all of which have their registered office at 1 Angel Court, London, EC2R 7HJ and are wholly owned unless stated otherwise, are disclosed below:

Directly held related undertakings

Name	Share class
Bupa Care Homes (ANS) Limited	Ordinary, Special
Bupa Care Homes Group Limited (In Liquidation)*	Ordinary

Indirectly held related undertakings

Name	Share class
Bupa Care Homes (AKW) Limited	Ordinary
Bupa Care Homes (Bedfordshire) Limited	Ordinary
Bupa Care Homes (BNH) Limited	Ordinary
Bupa Care Homes (BNHP) Limited	Ordinary
Bupa Care Homes (Carrick) Limited**	Ordinary
Bupa Care Homes (CFCHomes) Limited	Ordinary
Bupa Care Homes (CFHCare) Limited	Ordinary, Redeemable Preference
Bupa Care Homes (Developments) Limited	Ordinary
Bupa Care Homes (GL) Limited	Ordinary
Bupa Care Homes (HH Bradford) Limited	Ordinary
Bupa Care Homes (HH Hull) Limited	Ordinary
Bupa Care Homes (HH Leeds) Limited	Ordinary
Bupa Care Homes (HH Northumberland) Limited	Ordinary
Bupa Care Homes (HH Scunthorpe) Limited	Ordinary
Bupa Care Homes (HH) Limited	Ordinary
Bupa Care Homes (Partnerships) Limited	Ordinary
Bupa Care Homes (PT Lindsay Prop) Limited	Ordinary
Bupa Care Homes (PT Lindsay) Limited	Ordinary
Bupa Care Homes (PT Links Prop) Limited	Ordinary
Bupa Care Homes (PT Links) Limited	Ordinary
Bupa Care Homes (PT) Limited	Ordinary
Fulford Grange Medical Centre Limited***	A Ordinary
Watertight Investments Limited	Ordinary

* Registered office: Bridge House, Outwood Lane, Horsforth, Leeds, LS18 4UP

** Registered office: 39 Victoria Road, Glasgow, G78 1NQ

*** Ultimate ownership by the Company is 50%. B Ordinary shares held 100% externally.

Bupa Care Homes (CFG) plc

Notes to the Financial Statements for the year ended 31 December 2018

9. Investments (continued)

Loans to group undertakings

The Company shared in loans to subsidiary undertakings measured at cost and loans to group undertakings measured at FV and subsequently amortised cost.

	Date issued	Repayment date	Interest rate	2018 £000	2017 £000
Bupa Care Homes (GL) Limited	December 2013	December 2023	Six months LIBOR plus 110 basis points	59,984	61,255
Bupa Care Homes (CFCHomes) Limited	December 2013	December 2023	Six months LIBOR plus 110 basis points	95,469	103,741
Bupa Care Homes (CFHCare) Limited	December 2013	December 2023	Six months LIBOR plus 110 basis points	166,339	169,146
Bupa Care Homes (BNH) Limited	May 2014	May 2024	Six months LIBOR plus 110 basis points	123,863	125,060
				445,655	459,202

Bupa Care Homes (CFG) plc

Notes to the Financial Statements for the year ended 31 December 2018

10. Debtors

	2018 £000	2017 £000
Amounts owed by Bupa Group undertakings	-	77

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

11. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Amounts owed to Bupa Group undertakings	189,088	190,000
Accruals and deferred income	7	7
	<u>189,095</u>	<u>190,007</u>

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

Trade debtors and creditors arising from the care home operations are collected and settled by other Bupa group undertakings. The working capital movements associated with the payments are settled through its intercompany current accounts with other Bupa group undertakings.

12. Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Loans from Bupa Group undertakings	<u>477,225</u>	<u>490,348</u>

Bupa Care Homes (CFG) plc

Notes to the Financial Statements for the year ended 31 December 2018

12. Creditors: amounts falling due after more than one year (continued)

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

	Date issued	Repayment date	Interest rate	2018 £000	2017 £000
Bupa Finance plc	December 2013	December 2023	110 basis points over six-month LIBOR	422,757	415,329
Bupa Care Homes (Bedfordshire) Limited	December 2013	December 2023	110 basis points over six-month LIBOR	11,160	11,323
Bupa Care Homes (Partnerships) Limited	December 2013	December 2023	110 basis points over six-month LIBOR	2,919	4,069
Bupa Care Homes (AKW) Limited			110 basis points over six-month LIBOR	3,156	3,028
Bupa Care Homes (Carrick) Limited	June 2017	June 2027	110 basis points over six-month LIBOR	20,145	19,784
Bupa Care Homes (ANS) Limited	July 2016	December 2026	110 basis points over six-month LIBOR	17,088	36,815
				477,225	490,348

13. Deferred tax

	2018 £000	2017 £000
At 1 January	-	20
Charge to profit and loss account	-	(20)
At 31 December	-	-

14. Called up share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
162,213,958 (2017: 162,213,958) ordinary shares of 25 pence each	40,553	40,553

Bupa Care Homes (CFG) plc

Notes to the Financial Statements for the year ended 31 December 2018

15. Contingent liabilities

At 31 December 2018, the Company was party to a £800 million revolving credit facility. The Company has joint and several liabilities for all obligations under the agreement.

16. Guarantees

The Company has given a guarantee in respect of a £350 million bond issue by Bupa Finance plc.

17. Capital commitments

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

18. Financial commitments

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

19. 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 5 for disclosure of the Directors' remuneration.