Barchester Healthcare Limited

Annual report and consolidated financial statements

Registered number 02792285

31 December 2011

Contents

Company information

Directors	Margaret Ford (Chairman) John Bateson Anthony Bourne David Duncan John Hegarty Edward Irwin Michael Parsons Richard Stockford Francesca Welbore Ker
Secretary	Ian Portal
Registered office	Suite 201 The Chambers Chelsea Harbour London SW10 0XF
Auditor	KPMG LLP 100 Temple Street Bristol BS1 6AG
Solicitors	Berwin Leighton Paisner Adelaide House London Bridge London EC4R 9HA
Bankers	The Royal Bank of Scotland plc AIB Group Bank of Ireland Bank of Scotland Barclays Bank Plc

Chairman's statement

Dear Shareholder

The Barchester Group ('Barchester') manage and operate nursıng and resıdentıal care facılıtıes ın the Unıted Kıngdom

I am pleased to present the 2011 annual report and accounts for Barchester I was prıvıleged to be appoınted as Chaırman ın January 2012 and sınce then have had the opportunıty to vısıt many of our homes and meet a wıde range of staff and resıdents I have been very ımpressed by the dedıcatıon and commıtment of those staff members I have had the pleasure to meet, and the very hıgh qualıty of our facılıtıes

Barchester ıs approachıng ıts 20th Annıversary and as we do, we remaın very focussed on maıntaınıng and contınually enhancıng the hıgh standards of care and qualıty that are our hallmark It ıs also very ımportant to us that the Company ıs well resourced and soundly run, and as we approach an ımportant refinancıng of our parent company, Grove, we wıll contınue to focus on delıverıng efficıency and creatıng value ın all that we do

Results for the year ended 31 December 2011

The consolıdated profit after taxatıon attrıbutable to shareholders for the year was £28 208 mıllıon *(2010 profit £30 942 mıllıon)* on revenues of £446 864 *(2010 £432 724 mıllıon)*

Group operatıng profits were £42 550 mıllıon ın the year *(2010 £46 927 mıllıon)*

The consolıdated statement of financıal posıtıon at 31 December 2011 shows total equıty of £245 825 mıllıon *(2010 £217 422 mıllıon)*

Conclusıon

The Dırectors are confident that Barchester wıll contınue to make strong progress ın 2012

I would lıke to thank the management and staff for theır commıtment and skıll durıng the year and on behalf of the Board express apprecıatıon to Denıs Brosnan for hıs contrıbutıon to the Company durıng hıs tıme as chaırman

Fınally I would lıke to express my apprecıatıon to my fellow Dırectors for theır contrıbutıon durıng 2011 and the support of the shareholders

Yours faıthfully

Margaret Ford
Chaırman

29 JUNE 2012

Directors' report

The directors present their directors' report and the consolidated financial statements for the year ended 31 December 2011

Principal activity

The principal activity of the Company continues to be the administration of a group involved in the operation and management of nursing and residential care facilities including domiciliary care of the frail elderly, the younger disabled and dementia care Barchester Healthcare Limited's main subsidiary is Barchester Healthcare Homes Limited Barchester Healthcare Homes Limited is an operating company which holds the trade of the group and pays rental to the property company, Bluehood Limited, who own all of the care homes by way of an internal lease arrangement The property company is a related undertaking since it has the same parent undertaking as Barchester Healthcare Limited

Business review

Details of financial performance is disclosed within the Chairman's statement

Barchester's primary activity is the provision of residential nursing care for the elderly The group also provides nursing care services to individuals with specialist higher acuity care needs Specialist care services include elderly mentally infirm and young physically disabled and there is a strategy of seeking to establish further specialist care provision

Barchester commands a leading position in the UK long term care sector and is in the UK's top four largest providers The Group provides in excess of 11,700 registered beds, spread across its portfolio of 180 high quality homes with a national footprint across the UK, the largest proportion located within London and the South East and the remainder evenly spread throughout the UK The Group has a significant number of private pay residents

The key performance measures that the Board use to monitor the group's progress against its objectives are

- Quality of care, the health and wellbeing of our residents,
- Occupancy rates,
- Fee levels,
- EBITDA and EBITDA per bed,
- Margin,
- Staff and agency cost, and

The Group's strategy is one of continued growth through extension of existing facilities, and also through appropriate acquisitions of nursing homes of a suitable quality Barchester is especially focused on the private pay market and also on residents with specialist care needs

The Group is continually reviewing its environmental policies

Financial instruments

Treasury policy is that deposits will only be made and other financial instruments entered into with bank counterparties, which have been approved by the Board

Key risks and uncertainties

The Board of Directors has a well established process for identifying business risks, evaluating controls and establishing and executing action plans

The Group supports its current operations and future growth from a combination of internally generated profits and externally raised funds

Directors' report *(continued)*

Key risks and uncertainties *(continued)*

The Board considers that the key risk and uncertainty facing the Group is fluctuations in interest rates and breaches in loan covenants, given its level of gearing However, the Group has 91% of its borrowings hedged which mitigates the risk of any increase in interest rates This, together with the strong UK demographics supporting ongoing trading, should insulate the Group from the current difficult banking conditions There have been no instances of breaches during the current year and none are forecast in the future

The Group believes that, due to the economic situation, another area that may be perceived as a risk is the ability in the future to secure financing to enable the Group to continue to finance the business and any acquisitions or extensions The current loan facilities are due to expire in October 2013 and the directors are planning the refinancing process

The business is supported by strong future demand based on the demographics of the UK population The long term growth in older population and rising affluence continue to offer opportunities for investment in the sector The directors continue to believe these projections still hold true despite the current economic situation

Political and charitable contributions

The group made no political contributions during the year

Charitable donations totalling £176,154 were made during the year *(2010 £187,000)* including a donation of £137,500 *(2010 £150,000)* to the Barchester Healthcare Foundation Some of the directors of the company are also trustees of the Barchester Healthcare Foundation

Directors and directors' interests

The directors who held office during the period were as follows

John Bateson
Anthony Bourne (appointed 13 December 2011)
Denis Brosnan (resigned 15 January 2012)
David Duncan
Margaret Ford (appointed 13 December 2011)
John Hegarty (appointed 20 September 2011)
Carole Hunt (resigned 13 October 2011)
John Hughes (resigned 20 October 2011)
Edward Irwin
Charles McCreevy (resigned 16 May 2012)
Eamon McElroy (resigned 19 July 2011)
Owen McGartoll (resigned 22 March 2011)
Michael Parsons
Richard Stockford (appointed 22 November 2011)
Greg Swire (resigned 13 October 2011)
Francesca Welbore Ker
Kenneth Wilson (resigned 24 April 2012)

Directors' report *(continued)*

Proposed dividend

The directors do not recommend the payment of a dividend *(2010 £nil)*

Employees

The directors recognise the importance of human resources Practices to provide good communications and relations with employees include providing them with information on matters of concern to them as employees Employees or their representatives are consulted on a regular basis so that their views can be taken into account in making decisions which are likely to affect their interests

It is Group policy to give fair consideration to the employment needs of disabled people and to comply with current legislation with regard to their employment Wherever practicable, we continue to employ and promote the careers of existing employees who become disabled and to consider disabled persons for employment, subsequent training, career development and promotion on the basis of their aptitudes and abilities

Future Prospects

The directors are pleased with the performance of the group for the period ended 31 December 2011 and expect to see continued growth in the coming period

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

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

By order of the board

Ian Portal
Secretary

Suite 201
The Chambers
Chelsea Harbour
London
SW10 0XF

29 June 2012

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The dırectors are responsıble for preparıng the Annual Report and the group and parent company financıal statements, ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare group and parent company financıal statements for each financıal year Under that law they are requıred to prepare the group financıal statements ın accordance wıth IFRSs as adopted by the EU and applıcable law and have elected to prepare the parent company financıal statements ın accordance wıth UK Accountıng Standards and applıcable law (UK Generally Accepted Accountıng Practıce)

Under company law the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the group and parent company and of theır profit or loss for that perıod In preparıng each of the group and parent company financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make judgments and estımates that are reasonable and prudent,
- for the group financıal statements, state whether they have been prepared ın accordance wıth IFRSs as adopted by the EU,
- for the parent company financıal statements, state whether applıcable UK Accountıng Standards have been followed, subject to any materıal departures dısclosed and explaıned ın the parent company financıal statements, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınappropriate to presume that the company wıll contınue ın busıness

The dırectors are responsıble for keepıng adequate accountıng records that are suffıcıent to show and explaın the parent company's transactıons and dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the parent company and enable them to ensure that ıts financıal statements comply wıth the Companıes Act 2006 They have general responsıbılıty for takıng such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other ırregularıtıes

KPMG LLP
100 Temple Street
Bristol
BS1 6AG
United Kingdom

Independent auditor's report to the members of Barchester Healthcare Limited

We have audited the financial statements of Barchester Healthcare Limited for the year ended 31 December 2011 set out on pages 9 to 48 The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities 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 Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation

Opinion on other matter prescribed by the Companies Act 2006

In our opinion

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Barchester Healthcare Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements to be audited 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

N. P Hall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol

BS1 6AG

29 June 2012

Consolidated statement of comprehensive income
for year ended 31 December 2011

	Note	**2011 £000**	2010 £000
Revenue	*1,2*	**446,864**	432,724
Cost of sales		**(377,182)**	(356,834)
Gross profit		**69,682**	75,890
Other operating income / (expense)	*3*	**1,898**	(21)
Administrative expenses		**(29,030)**	(28,942)
Results from operating activities	*1,3*	**42,550**	46,927
Finance income	*6*	**118**	136
Finance expenses	*6*	**(4,956)**	(6,252)
Net financing expenses		**(4,838)**	(6,116)
Profit before tax	*4*	**37,712**	40,811
Taxation	*7*	**(9,504)**	(9,869)
Total comprehensive income for the year	*18*	**28,208**	30,942
Attributable to			
Equity holders of the parent		**28,208**	30,942

There were no discontinued activities in either year

There is no difference between the results as stated above and the results on a historical cost basis

Consolidated statement of changes in equity
for year ended 31 December 2011

Attributable to equity holders of the Company

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total Equity £000
Balance at 1 January 2010	12,913	6,643	186	166,508	186,250
Total comprehensive income for the year					
Profit or loss	-	-	-	30,942	30,942
Total comprehensive income for the year	-	-	-	30,942	30,942
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Share-based payment transactions	-	-	-	230	230
Total contributions by and distributions to owners	-	-	-	230	230
Balance at 31 December 2010	**12,913**	**6,643**	**186**	**197,680**	**217,422**
Balance at 1 January 2011	12,913	6,643	186	197,680	217,422
Total comprehensive income for the year					
Profit or loss	-	-	-	28,208	28,208
Total comprehensive income for the year	-	-	-	28,208	28,208
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Share-based payment transactions	-	-	-	195	195
Total contributions by and distributions to owners	-	-	-	195	195
Balance at 31 December 2011	**12,913**	**6,643**	**186**	**226,083**	**245,825**

Consolidated statement of financial position
at 31 December 2011

	Note	2011 £000	2010 £000
Non-current assets			
Property, plant and equipment	8	**82,961**	78,969
Intangible assets	9	**147,499**	154,958
Total non-current assets		**230,460**	233,927
Current assets			
Inventories	12	**7,053**	6,757
Trade and other receivables	13	**219,776**	217,085
Cash and cash equivalents	14	**16,762**	25,467
Total current assets		**243,591**	249,309
Total assets		**474,051**	483,236
Current liabilities			
Interest-bearing loans and borrowings	15	**22,173**	14,353
Trade and other payables	16	**158,121**	153,052
Tax payable		**3,349**	3,989
Provisions	17	**344**	320
Total current liabilities		**183,987**	171,714
Non-current liabilities			
Interest-bearing loans and borrowings	15	**34,597**	81,511
Provisions	17	**1,114**	1,482
Deferred tax liabilities	11	**8,528**	11,107
Total non-current liabilities		**44,239**	94,100
Total liabilities		**228,226**	265,814
Equity			
Share capital	19	**12,913**	12,913
Share premium	18	**6,643**	6,643
Capital redemption reserve	18	**186**	186
Retained earnings	18	**226,083**	197,680
Total equity		**245,825**	217,422
Total equity and liabilities		**474,051**	483,236

The notes from pages 13 to 42 form a part of the financial statements

These financial statements were approved by the board of directors on 29 June 2012 and were signed on its behalf by

DDuncan

David Duncan
Director
Company Number 02792285

Consolidated statement of cash flows
for year ended 31 December 2011

	Note	**2011** **£000**	2010 £000
Cash flows from operating activities			
Profit for the year		**28,208**	30,942
Adjustments for			
Depreciation, amortisation and impairment		**18,398**	15,270
Financial income		**(118)**	(136)
Financial expense		**4,956**	6,252
Equity-settled share-based payment expense		**195**	230
(Profit) / Loss on sale of property, plant and equipment		**(1,898)**	21
Taxation		**9,504**	9,869
		59,245	62,448
Increase in trade and other receivables		**(2,691)**	(27,465)
Increase in inventories		**(296)**	(1,812)
Increase in trade and other payables		**6,951**	32,884
Decrease in provisions and employee benefits		**(2,923)**	(1,009)
Cash generated from operations		**60,286**	65,046
Interest paid		**(6,184)**	(7,710)
Tax paid		**(10,144)**	(16,927)
Net cash from operating activities		**43,958**	40,409
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**4,533**	351
Interest received		**118**	136
Acquisition of trade, net of cash acquired		**1**	-
Acquisition of property, plant and equipment		**(16,632)**	(12,401)
Net cash from investing activities		**(11,980)**	(11,914)
Cash flows from financing activities			
Repayment of borrowings		**(39,147)**	(21,375)
Payment of finance lease liabilities		**(1,536)**	(1,002)
Net cash from financing activities		**(40,683)**	(22,377)
Net (decrease) / increase in cash and cash equivalents		**(8,705)**	6,118
Cash and cash equivalents at 1 January		**25,467**	19,349
Cash and cash equivalents at 31 December	*14*	**16,762**	25,467

Notes
(forming part of the financial statements)

1 Accounting policies

Barchester Healthcare Limited (the "Company") is a company incorporated in the UK

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") The parent company financial statements present information about the Company as a separate entity and not about its Group

Going Concern

The directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook

The Group is party to a number of financing arrangements The Group's forecasts and projections, sensitised to take into account all reasonably foreseeable changes in trading performance, show that the Group has sufficient funding and headroom within its current financing arrangements which expire in October 2013

The Group's current financing arrangements are due to expire in October 2013 The directors have opened renewal negotiations with the banks, however, at this stage they have not sought any written commitment that the facility will be renewed However, the company has held discussions with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis in preparing the annual financial statements

Statement of compliance

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") The Company has elected to prepare its parent company financial statements in accordance with UK GAAP, these are presented on pages 43 to 48

Basis of preparation

The financial statements are presented in sterling, rounded to the nearest thousand They are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by Group entities, except as noted below

The preparation of financial statements in conformity with Adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods

Judgements and estimates made by management in the application of Adopted IFRS that have significant effects on the financial statements are discussed in note 27

The consolidated financial statements have been prepared applying the following new financial reporting requirements

- IFRS 3 'Business Combinations' (revised) is effective for financial periods beginning on or after 1 July 2009 The revised standard continues to apply the acquisition method to business combinations, with some significant changes All transaction costs must be expensed through the income statement All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently re-measured through the income statement There is a choice on a transaction by transaction basis to measure the non-controlling interest either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of identifiable net assets ('partial goodwill method') The Group has applied IFRS 3 (revised) prospectively from 1 January 2010 There has been no impact on the financial statements

Notes *(continued)*

***Basis of preparation** (continued)*

- IAS 27 'Consolidated and separate financial statements' (revised) requires the effect of all transactions with non-controlling interests to be recorded in equity if there is no change in control Therefore, those transactions with non-controlling interests no longer result in goodwill nor gains and losses in the income statement Where control is lost, any remaining interest in the entity is required to be re-measured to fair value and any resulting gain or loss recognised in the income statement This standard was effective for financial periods beginning on or after 1 July 2009, therefore the Group has applied IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010 There has been no impact on the financial statements

- The amendment to IAS 39 'Financial Instruments recognition and measurement' clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations The amendment prohibits designating inflation as a hedged component of a fixed rate debt It also prohibits including time value in the one sided hedged risk when designating options as hedges This amendment is applicable for financial periods beginning on or after 1 July 2009, therefore the Group has applied the amendment to IAS 39 from 1 January 2010 There has been no impact on the financial statements

- IAS 38 (amendment) 'Intangible Assets' was part of the IASB annual improvements project published in April 2009 The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has a similar useful economic life The amendment has had no impact in the Group's financial statements

- The amendments to IFRS 2 'Share-based Payments' clarify the accounting for group cash-settled share-based payment transactions The amendments clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers The amendments make clear that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash This amendment was applicable for financial periods beginning on or after 1 January 2010, therefore the Group has applied the amendment to IFRS 2 from 1 January 2010 There has been no impact on the financial statements

- IAS 24 Related Party Disclosures is effective from 1 January 2011 and amends the definition of a related party The main amendments to the standard results in entities that are influenced by associates and close family members of controlling shareholders being defined as related parties for the entity This is not expected to have an impact currently for the Group

- Amendments to IFRS7 'Financial Instruments Disclosures' clarifies and enhances existing disclosure requirements about the nature and extent of liquidity risk arising from financial instruments Enhanced disclosure requirements result in disclosures that better enable users to evaluate an entity's exposure to liquidity risk arising from financial instruments and how the entity manages this risk This amendment is applicable for financial periods beginning on or after 1 January 2011

-

The following are financial reporting standards applicable to the Group for future financial periods and have not been applied in preparing these consolidated financial statements

- IAS 17 Leases is an ongoing project by the IASB to reconsider the accounting treatment for leasing arrangements The project is being conducted jointly by the FASB The discussion paper that has been issued proposes for lessees, to eliminate the requirement to classify a lease contract as an operating or finance lease, and to require a single accounting model to be applied to all leases The paper proposes that a lessee recognize in its financial statements a "right of use" asset representing its right to use the leased asset, and a liability representing its obligation to pay lease rentals The proposals for lessor accounting are still being discussed The IASB have proposed an exemption from these requirements for lessors of investment property measured at fair value No effective date has yet been announced This will result in Barchester Healthcare Limited having to recognise in their statement of financial position the lease arrangements

Notes *(continued)*

1 Accounting policies *(continued)*

Basis of consolidation

Subsidiaries are entities controlled by the Group Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities In assessing control, potential voting rights that are currently exercisable or convertible are taken into account The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements

Revenue

Revenue relates to income received from residents of the Group's nursing and care homes and from the sale of close care units, and arises entirely in the United Kingdom Revenue from residents of the Group's nursing and care homes is recognised, as earned, through the provision of contracted services

Each new finance lease which is granted on the close care units is recognised as a sale Revenue from the sale of close care units is recognised on grant of lease Substantially all risks and rewards of ownership are transferred to the lessee and all rentals are received upfront

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's board of directors All revenue from transactions with other operating segments of the same entity has been eliminated

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease Lease incentives received are recognised in the income statement as an integral part of the total lease expense

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability

Net financing costs

Net financing costs comprise interest payable, finance charges on finance leases, interest receivable on funds invested and dividend income (see derivative financial instruments and hedging accounting policy)

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method Dividend income is recognised in the income statement on the date the entity's right to receive payments is established

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred

Share-based payment transactions

The share option programme allows Group employees to acquire shares of the ultimate parent company, Grove Limited These awards are granted by the ultimate parent The fair value of options granted is recognised as an employee expense with a corresponding adjustment to equity The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting

Notes *(continued)*

1 Accounting policies *(continued)*

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided on 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 provided for the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax 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

Property, plant and equipment

Property, plant and equipment are held at cost less accumulated depreciation and impairment losses

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses Lease payments are accounted for as described below

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised net within 'other operating income' in the income statement

Depreciation is charged to the income statement to write off the cost less the estimated residual value on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment Freehold land is not depreciated Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term The estimated useful lives are as follows

• Leasehold improvements	over the life of the lease
• Freehold buildings	50 years
• plant and equipment	4 to 10 years
• fixtures and fittings	4 to 10 years
• assets in the course of construction	not depreciated

Depreciation methods, useful lives and residual values are reviewed at each reporting date

Policy for interest and capitalisation

The cost of land and buildings includes interest on the capital employed in nursing home developments and development costs associated with initiating and monitoring the construction of nursing homes Such interest is capitalised only until the date of completion of the relevant home The rate of interest used is the applicable cost of funds during the period

Notes *(continued)*

1 Accounting policies *(continued)*

Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method Goodwill represents amounts arising on acquisition of subsidiaries In respect of business combinations that have occurred since 1 January 2005, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable

Goodwill is stated at cost less any accumulated impairment losses Goodwill is allocated to cash-generating units and is tested annually for impairment

Negative goodwill arising on an acquisition is recognised in the income statement

Other intangibles

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses

Amortisation of intangibles

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite Other intangible assets are amortised from the date they are available for use The estimated useful lives are as follows

- Intellectual property 10 years

Intellectual property is defined as processes, procedures and know-how that enhance the performance of the Group and consists largely of computer software and design rights

The valuation of intellectual property is based on a fully-loaded royalty relief method

Impairment

The carrying amounts of the Group's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment If any such indication exists, the asset's recoverable amount is estimated

For goodwill, the recoverable amount is estimated at each balance sheet date

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount Impairment losses are recognised in the income statement

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets

Reversals of impairment

An impairment loss in respect of goodwill is not reversed

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist or there has been a change in the estimates used to determine the recoverable amount

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

Inventory

Close care units are stated at the lower of cost and net realisable value Costs are expenditure incurred in acquiring the inventories and bringing them to their existing location and condition Net realisable value is the estimated selling price, less the estimated costs of completion and selling expenses

Consumables are held at the lower of cost and estimated value in use

Trade and other receivables

Trade and other receivables are stated at amortised cost

Notes *(continued)*

1 Accounting policies *(continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement

Classification of financial instruments issued by the Group

Objectives and policies

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group, and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of finance expenses Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value The gain or loss on re-measurement to fair value is recognised immediately in the income statement However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below)

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve Any ineffective portion of the hedge is recognised immediately in the income statement

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability

Notes *(continued)*

2 Operating segments

The Group has adopted IFRS 8 'Operating Segments' which determines and presents operating segments based on information presented to the Group's Chief Operating Decision Maker ("CODM"), the Board of Directors The Group is operated and managed on a home by home basis The homes are similar in characteristic, and offer similar generic products and services Given the number of homes, the CODM receives information on an aggregated basis in respect of homes, forming one reportable segment, and information relating to close care units as another reportable segment In accordance with IFRS 8, the close care units have not been disclosed separately since they do not meet the threshold for a separate reporting segment

All revenues relate to the provision of services and can be split by geographic region as follows

	2011 £000	2010 £000
Geographic region		
Jersey	**3,812**	3,472
UK	**443,052**	429,252
	446,864	432,724

The Board reviews the performance of the business in terms of both net profit before tax and Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA), as such the Board has included a reconciliation of EBITDA to the profit before tax

	2011 £000	2010 £000
Profit before tax	37,712	40,811
Net finance expense	4,838	6,116
Depreciation of plant, property and equipment	10,018	6,890
(Profit) / loss on sale of plant, property and equipment	(1,898)	21
Amortisation of intangibles	8,380	8,380
IFRS 2 adjustment	195	230
(Decrease) / increase in provisions	(2,923)	1,009
EBITDA	56,322	63,457

There are no differences between the measurements of the reportable segment's assets or liabilities and the entity's assets or liabilities in either year

3 Other operating (income) / expenses

	2011 £000	2010 £000
Net (profit) / loss on disposal of property, plant and equipment	**(1,898)**	21

The profit in the year relates to the sale of land at market value to a related undertaking

Notes *(continued)*

4 Profit before tax

Included in profit before tax are the following

	2011 £000	2010 £000
Amortisation of intangibles	**8,380**	8,380
Movement in provisions	**2,923**	1,009
Depreciation of plant, property and equipment	**10,018**	6,890
Operating lease payments	**89,179**	82,283

Auditor's remuneration

		2011 £000	2010 £000
Group	- audit of these financial statements	**16**	16
	- audit of financial statements of subsidiaries	**207**	210

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis

5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows

	Number of employees 2011	2010
Directors	**4**	4
Office staff	**886**	873
Care staff	**13,838**	13,627
	14,728	14,504

The aggregate payroll costs of these persons were as follows·

	2011 £000	2010 £000
Wages and salaries	**198,355**	195,421
Share based payments	**195**	230
Social security costs	**15,362**	15,577
Other pension costs	**1,529**	1,651
	215,441	212,879

	£000	£000
Remuneration of directors		
Wages and salaries	**1,695**	1,342
Company pension contribution to money purchase schemes	**176**	221
	1,871	1,563

No directors exercised share options during the current or prior year

The company makes contributions into money purchase schemes on behalf of the directors

The aggregate emoluments of the highest paid director were £857,000 *(2010 £707,000)* and company pension contributions of £60,000 *(2010 £180,000)* were made to a money purchase scheme on his behalf

Notes *(contınued)*

6 Fınance ıncome and expense

	2011 £000	2010 £000
Fınancıal ıncome	**118**	136
Interest expense		
On bank loans and overdrafts	**(1,681)**	(2,128)
On loan notes	**-**	(1)
On loans from related undertakıngs	**(2,191)**	(3,314)
Other financıng costs	**(128)**	(135)
Amortısed loan ıssue costs	**(330)**	(243)
Fınance charges payable ın respect of finance leases	**(626)**	(431)
Fınancıal expenses	**(4,956)**	(6,252)
Net financıal expenses	**(4,838)**	(6,116)

The amount of ınterest capıtalısed ın the year was £nıl *(2010 £37,000)* as dısclosed ın note 8

7 Income tax expense

Recognised in the statement of comprehensıve ıncome

	2011 £000	2010 £000
Current tax expense		
Current year	**12,311**	11,353
Prıor year	**(228)**	1,707
	12,083	13,060
Deferred tax expense		
Orıgınatıon and reversal of temporary dıfferences	**(1,599)**	120
Adjustments ın respect of prıor perıods	**(298)**	(2,900)
Effects of change ın corporatıon tax rate	**(682)**	(411)
	(2,579)	(3,191)
Total tax ın statement of comprehensıve ıncome	**9,504**	9,869

Reconcılıatıon of effective tax rate

	2011 £000	2010 £000
Profit before tax	**37,712**	40,811
Tax usıng the UK corporatıon tax rate of 26 5% *(2010 28%)*	**9,994**	11,427
Effects of		
Non-deductıble expenses	**1,072**	1,022
Non-qualıfyıng depreciatıon and amortısatıon	**702**	105
Impact of dıfferent tax rates	**(137)**	(149)
Group relıef not paıd for	**(122)**	(919)
Transfer prıcıng adjustments wıth no compensatıng payment	**(298)**	(20)
Adjustment ın respect of prıor perıods	**(525)**	(1,193)
Loss on dısposal of qualıfyıng assets	**(500)**	7
Effects of change ın corporatıon tax rate	**(682)**	(411)
	9,504	9,869

Notes *(continued)*

7 Income tax expense *(continued)*

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012

This will reduce the group's future current tax charge accordingly and further reduce the deferred tax liability at 31 December 2011 (which has been calculated based on the rate of 25% substantively enacted at the balance sheet date) by £600,316

8 Property, plant and equipment

	Freehold land and buildings £000	Leasehold improvements £000	Plant and equipment £000	Assets in the course of construction £000	Total £000
Cost					
Balance at 1 January 2010	7,849	23,270	53,517	2,560	87,196
Additions	-	93	7,824	6,159	14,076
Transfer	-	2,947	2,464	(5,411)	-
Disposals	(200)	-	(1,484)	(101)	(1,785)
Balance at 31 December 2010	7,649	26,310	62,321	3,207	99,487
Balance at 1 January 2011	7,649	26,310	62,321	3,207	99,487
Additions	-	152	9,849	6,631	16,632
Transfer	-	2,927	1,976	(4,903)	-
Disposals	-	(650)	(2,387)	(1,231)	(4,268)
Balance at 31 December 2011	**7,649**	**28,739**	**71,759**	**3,704**	**111,851**
Depreciation and impairment					
Balance at 1 January 2010	863	418	13,760	-	15,041
Depreciation charge for the year	60	256	6,574	-	6,890
Disposals	(6)	-	(1,407)	-	(1,413)
Balance at 31 December 2010	917	674	18,927	-	20,518
Balance at 1 January 2011	917	674	18,927	-	20,518
Depreciation charge for the year	2,376	306	7,336	-	10,018
Disposals	-	-	(1,646)	-	(1,646)
Balance at 31 December 2011	**3,293**	**980**	**24,617**	-	**28,890**
Net book value					
At 1 January 2010	6,986	22,852	39,757	2,560	72,155
At 31 December 2010 and 1 January 2011	6,732	25,636	43,394	3,207	78,969
At 31 December 2011	**4,356**	**27,759**	**47,142**	**3,704**	**82,961**

Notes *(continued)*

8 Property, plant and equipment *(continued)*

Capitalised interest

The amount of interest capitalised in the year was £nil *(2010 £37,000)* Accumulated interest capitalised in the cost of plant is £2,499,000 *(2010 £2,499,000)*

Leased plant and equipment

Included in the total net book value of plant is £3,940,623 *(2010 £3,980,000)* in respect of assets held under finance leases and similar hire purchase contracts Depreciation charged on these assets in the year was £1,041,587 *(2010 £1,000,000)*

Security

Bank loans and other loans are secured over all buildings of the Group by way of fixed and floating charges

Assets in the course of construction

The additions to property, plant and equipment under construction is primarily in relation to construction of new facilities or extensions to existing facilities

Impairment

During the year ended 31 December 2011, the Group reviewed property, plant and equipment for impairment An impairment of £nil *(2010 £nil)* has been recognised

Notes *(continued)*

9 Intangible assets

	Goodwill £000	Intellectual property £000	Total £000
Cost			
Balance at 1 January 2010	123,233	83,800	207,033
Balance at 31 December 2010	123,233	83,800	207,033
Balance at 1 January 2011	123,233	83,800	207,033
Additions	921	-	921
Balance at 31 December 2011	**124,154**	**83,800**	**207,954**
Amortisation and impairment			
Balance at 1 January 2010	-	43,695	43,695
Amortisation for the year	-	8,380	8,380
Balance at 31 December 2010	-	52,075	52,075
Balance at 1 January 2011	-	52,075	52,075
Amortisation for the year	-	8,380	8,380
Balance at 31 December 2011	-	**60,455**	**60,455**
Net book value			
At 1 January 2010	123,233	40,105	163,338
At 31 December 2010 and 1 January 2011	123,233	31,725	154,958
At 31 December 2011	**124,154**	**23,345**	**147,499**

The amortisation and impairment charges are recognised in the administrative expenses line within the income statement

The recoverability of goodwill and intellectual property is assessed in comparison to the Group as a whole The Group has restructured since the acquisition of Westminster and the cash generating unit acquired has been assumed into that of the wider Group and is no longer separately identifiable

Intellectual property is defined as processes, procedures and know-how that enhance the performance of the Group It includes computer software and design rights

Goodwill is tested at least annually for impairment in accordance with IAS 36 'Impairment of Assets' and IAS 38 'Intangible Assets'

Impairment testing

An impairment review at 31 December 2011 indicated that the income generating unit's market value of operating trade (deemed to be future earnings and hence equated to goodwill) exceeded its carrying amount, therefore the exercise resulted in no charge to goodwill impairment expense within the income statement

Impairment calculations used earnings before interest, tax, depreciation and amortisation (EBITDA) analysis based on financial budgets and forecasts approved by management

Notes *(continued)*

10 Investments in subsidiaries

Interests in subsidiary undertakings

The directors are of the opinion that the number of undertakings in respect of which disclosure is required would lead to a statement of excessive length Therefore only undertakings whose results or financial position principally affect figures in the accounts have been disclosed below

The results of all companies listed below are consolidated into those of the Group from the date of acquisition

The main trading company of the group is Barchester Healthcare Homes Limited The results of the company are included in the consolidated accounts The profit for the relevant period and net assets are presented in the individual accounts of the company

	Registered in	Principal activity during the year	Class and percentage of shares held Group	Company
Barchester Healthcare Homes Limited	England and Wales	Management of nursing and care homes	Ordinary – 100%	Ordinary – 100%
Lakeside Residential Home Limited	Jersey	Management of a care home	Ordinary – 100%	-
Mermaid Tavern (2002) Limited	Jersey	Management of a public house	Ordinary – 100%	-
Barchester Assisted Living Properties Limited	England and Wales	Senior living services	Ordinary – 100%	-
Barchester Assisted Living Properties (Chorleywood) Limited	England and Wales	Senior living services	Ordinary – 100%	-
Barchester Assisted Living Properties (Edgbaston) Limited	England and Wales	Senior living services	Ordinary – 100%	-
Barchester Assisted Living Properties (Southgate) Limited	England and Wales	Senior living services	Ordinary – 100%	-
Barchester Assisted Living Properties (Stamford Bridge) Limited	England and Wales	Senior living services	Ordinary – 100%	-

Notes *(continued)*

11 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Assets		Liabilities		Net	
	2011	2010	**2011**	2010	**2011**	2010
	£000	£000	**£000**	£000	**£000**	£000
Property, plant and equipment	**-**	-	**2,783**	3,130	**2,783**	3,130
Intangible assets	**-**	-	**5,836**	8,566	**5,836**	8,566
Provisions	**(24)**	(171)	**-**	-	**(24)**	(171)
Tax value of loss carry-forwards	**(67)**	(418)	**-**	-	**(67)**	(418)
Tax liabilities	**(91)**	(589)	**8,619**	11,696	**8,528**	11,107

Movement in deferred tax during the year

	1 January 2011 £000	Recognised in income £000	31 December 2011 £000
Property, plant and equipment	3,130	**(347)**	**2,783**
Intangible assets	8,566	**(2,730)**	**5,836**
Provisions	(171)	**147**	**(24)**
Tax value of loss carry-forwards	(418)	**351**	**(67)**
	11,107	**(2,579)**	**8,528**

Movement in deferred tax during the prior year

	1 January 2010 £000	Recognised in income £000	31 December 2010 £000
Property, plant and equipment	3,327	(197)	3,130
Intangible assets	11,217	(2,651)	8,566
Provisions	(245)	74	(171)
Tax value of loss carry-forwards	-	(418)	(418)
	14,299	(3,192)	11,107

Notes *(contınued)*

12 Inventorıes

	2011	2010
	£000	£000
Raw materıals and consumables	**745**	747
Close care unıts	**6,308**	6,010
	7,053	6,757

Close care unıts whıch have been developed by the Group and are held pendıng resale under long term lease arrangements The unıts held ın ınventory at year end are held at the lower of cost and faır value less costs to sell, based on management's best estımate

The ınventory value of close care unıts, that has been recognısed wıthın cost of sales ın the profit and loss account for the current year ıs £4,591,335 *(2010 £4,070,580)* Thıs ıs ın relatıon to revenue recognısed on the sale of close care unıts durıng the year There are no provısıons held ın respect of eıther raw materıals and consumables or close care unıts *(2010 £nıl)*

13 Trade and other receıvables

	2011	2010
	£000	£000
Trade receıvables	**17,438**	17,323
Receıvables due from group undertakıngs	**178,754**	178,796
Other receıvables and prepayments	**23,584**	20,966
	219,776	217,085

The amounts due from group undertakıngs are unsecured and not subject to any fixed repayment date
The Group's exposure to credıt rısks are dısclosed ın note 20

14 Cash and cash equıvalents

	2011	2010
	£000	£000
Cash and cash equıvalents per balance sheet and cash flow statement	**16,762**	25,467

The Group's exposure to ınterest rate rısk ıs dısclosed ın note 20

Notes *(contınued)*

15 Interest-bearıng loans and borrowıngs

Thıs note provıdes ınformatıon about the contractual terms of the Group's ınterest-bearıng loans and borrowıngs For more ınformatıon about the Group's exposure to ınterest rate and foreıgn currency rısk, see note 20

	2011	2010
	£000	£000
Non-current lıabılıtıes		
Secured bank loans	**19,912**	51,925
Fınance lease lıabılıtıes	**2,685**	2,586
Eurobonds	**12,000**	27,000
	34,597	81,511
Current lıabılıtıes		
Current portıon of secured bank loans	**20,802**	12,916
Current portıon of finance lease lıabılıtıes	**1,371**	1,437
	22,173	14,353

The Euro Bonds were ıssued by Barchester Healthcare Lımıted and fully taken up by Grove Lımıted, the parent company, on 3 February 2005 The bonds matured on 26 February 2009 wıth ınterest payable at 8% per annum over LIBOR Durıng 2009, the Group negotıated that the Euro Bonds wıll be extended for 5 years untıl 2014 £3,500,000 was redeemed 24/06/2011, £7,500,000 was redeemed 28/09/11 and a further £4,000,000 on 21/12/2011

Notes *(continued)*

15 Interest-bearing loans and borrowings *(continued)*

Terms and debt repayment schedule

Analysis of total borrowings (excluding other financial liabilities, finance leases and interest bearing inter-company borrowings)

	2011	2010
	£000	£000
Bank loans and other loans falling due		
In one year or less	20,802	12,916
Between one and two years	31,912	26,432
Between two and five years	-	52,493
	52,714	91,841

The bank loans and other loans are secured over certain assets of the Group by way of fixed and floating charges, and obligations under finance leases are secured over the assets to which they relate The other loan notes bear interest with reference to LIBOR

Repayments every six months were £6,300,000 from March 2011, £4,449,000 from September 2011 thereafter until the termination of the loan in October 2013 There are two further payments of £11,904,000 due in December 2012 and September 2013

The bank loans all bear interest at a margin over LIBOR The following were the rates applying at the year end

	Amount outstanding at 2011 year end £000	Amount outstanding at 2010 year end £000	Margin %
Bank loans (gross of unamortised finance costs)			
Tranche A	16,905	27,202	2 25
Tranche B	23,808	25,100	2 75
Extension tranche	-	12,558	2 75
	40,713	64,860	

Finance lease liabilities

The maturity of obligations under finance leases and hire purchase contracts is as follows

	2011	2010
	£000	£000
Within one year	1,971	1,857
In the second to fifth years	3,860	3,342
	5,831	5,199
Less future finance charges	(1,775)	(1,176)
	4,056	4,023

Notes *(continued)*

16 Trade and other payables

	2011	2010
	£000	£000
Current		
Other trade payables	**4,653**	5,952
Non-trade payables and accrued expenses	**44,425**	40,244
Interest payable	**1,047**	2,275
Payables due to Group undertakings	**107,996**	104,581
	158,121	153,052

The amounts owed to group undertakings are unsecured, interest free and not subject to any fixed repayment date

17 Provisions

	Onerous lease	**Deferred tax**	**Total**
	£000	**£000**	**£000**
Balance at 1 January 2011	1,802	11,107	12,909
Provisions utilised during the year	(344)	-	(344)
Provisions (released)/provided during the year	-	(2,579)	(2,579)
Balance at 31 December 2011	**1,458**	**8,528**	**9,986**
Current	344	-	344
Non-current	1,114	8,528	9,642
	1,458	**8,528**	**9,986**

Expected timing of any resulting outflows

The onerous lease relates to rent due on a building that is no longer required The lease runs to 2018

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012

This will reduce the group's future current tax charge accordingly and further reduce the deferred tax liability at 31 December 2011 (which has been calculated based on the rate of 25% substantively enacted at the balance sheet date) by £600,316

Notes *(continued)*

18 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2010	12,913	6,643	186	166,508	186,250
Total comprehensive income for the year	-	-	-	30,942	30,942
Adjustment in respect of IFRS 2, equity settled share adjustment	-	-	-	230	230
Balance at 31 December 2010	12,913	6,643	186	197,680	217,422
Balance at 1 January 2011	12,913	6,643	186	197,680	217,422
Total comprehensive income for the year	-	-	-	28,208	28,208
Adjustment in respect of IFRS 2, equity settled share adjustment	-	-	-	195	195
Balance at 31 December 2011	**12,913**	**6,643**	**186**	**226,083**	**245,825**

19 Share capital

Ordinary shares of 25p each	**2011 £000**	2010 £000
Allotted, called up and fully paid		
51,650,824 shares *(2010 51,650,824)*	**12,913**	12,913

Notes *(continued)*

20 Financial instruments

The financial instruments note is in relation to the Barchester Healthcare Limited and its subsidiaries

The Group has exposure to the following risks from its normal course of the Group's business

- Credit risk
- Liquidity risk
- Interest rate risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations

The Group Audit Committee oversees the adequacy of the risk management framework in relation to the risks faced by the Group

The Group obtains finance from a mixture of bank loans and capital market issues in sterling at fixed and floating rates of interest Facilities are monitored against predicted borrowing levels and are increased or cancelled as necessary to ensure that there is sufficient committed headroom to accommodate foreseen operational requirements Uncommitted bank facilities are maintained and used to provide flexibility and more advantageous terms The Group's main financial covenants in longer term facilities are in respect of interest cover

The Treasury policy is that deposits will only be made, and other financial instruments entered into, with bank counterparties, that have been approved by the board

Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain future development of the business

The capital structure of the Group consists of debt which includes the borrowings disclosed in note 15 and shareholders' equity comprising issued share capital, reserves and retained earnings disclosed in notes 18 and 19

The capital structure of the Group is reviewed annually with reference to the costs applicable to each element of capital, future requirements of the Group, flexibility of capital drawdown and availability of further capital should it be required

The Group's borrowings allow developments to existing properties without the need to secure specific funding for individual projects

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, and arises principally from the Group's receivables from customers

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer The demographics of the Group's customer base, including the default risk of the industry and country in which the customers domicile has less of an influence on credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis Credit evaluations are performed on all customers requiring credit over a certain predetermined amount The majority of the Group's customers are required to pay for services in advance

At the balance sheet date there were no significant concentrations of credit risk The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet

Notes *(continued)*

20 Financial instruments *(continued)*

Credit risk (continued)

The carrying amount of financial assets represents the maximum credit exposure The maximum exposure to credit risk at the reporting date was

	Carrying amount 2011 £000	2010 £000
Loans and receivables*	**163,007**	121,221
Cash and cash equivalents	**16,762**	25,467
	179,768	146,688

* This balance represents trade and other receivables net of interest bearing loans and borrowings

The maximum exposure to credit risk for trade receivables at the balance sheet date by geographic region was

	2011 £000	2010 £000
Geographic region		
	17	65
Jersey	**17,421**	17,258
UK		
	17,438	17,323

The maximum exposure to credit risk for trade receivables at the balance sheet date by type of counterparty was

	2011 £000	2010 £000
Type of counterparty		
Public sector	**10,095**	10,344
Individuals	**7,343**	6,979
	17,438	17,323

The ageing of trade receivables that have not been provided for are

	2011 £000	2010 £000
Not yet due		
Current	**3,868**	3,843
Overdue		
1-29 days	**6,571**	6,573
30-59 days	**1,925**	1,725
60-89 days	**959**	1,106
90-119 days	**775**	1,014
120 days +	**3,340**	3,062
	17,438	17,323

Based in historic payment profiles, the Board of Directors are confident that the overdue amounts are recoverable

Notes *(continued)*

20 Financial instruments *(continued)*

Credit risk (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows

	2011 £000	2010 £000
Balance at beginning of year	1,479	1,751
Impairment loss reversed	(28)	(272)
Balance at end of year	1,451	1,479

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible, at that point the amounts considered irrecoverable are written off against the trade receivables directly

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due

The Group uses financial instruments, comprising bank overdraft and various items including trade receivables and trade payables that arise directly from its operations The main purpose of these financial instruments is to raise finance for the Group's operations The Group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably Short-term flexibility is achieved by overdraft facilities

Notes *(continued)*

20 Financial instruments *(continued)*

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements

	2011					2010				
	Carrying amount £000	**Contractual cash flows £000**	**1 year or less £000**	**1 to <2years £000**	**2 to <5years £000**	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000
Non-derivative financial liabilities										
Secured bank loans	**40,713**	**42,375**	**21,986**	**20,389**	**-**	64,860	69,873	14,983	28,510	26,380
Finance lease liabilities	**4,056**	**5,831**	**1,971**	**1,971**	**1,889**	4,023	5,199	1,857	1,857	1,485
Trade and other payables	**158,121**	**158,121**	**158,121**	**-**	**-**	153,052	153,052	153,052	-	-
	202,890	**206,327**	**182,078**	**22,360**	**1,889**	221,935	228,124	169,892	30,367	27,865

There were no derivative financial liabilities outstanding at year end The group previously designated interest rate swaps as cash flow hedges and stated them at fair value Swaps expired in May 2009 and consequently no borrowings are currently hedged at 31 December 2011

The above assumes that interest rates remain constant at the year end rate See below for sensitivity analysis regarding fluctuations in interest rates

Interest rate risk

Interest rate risk is the risk that the Group will be susceptible to large fluctuations in interest rates and hence the interest payable on its bank debts

The Group has floating interest rates on bank debts

Notes *(continued)*

20 Financial instruments *(continued)*

Sensitivity analysis

An increase of 100 basis points in interest rates at the balance sheet date would have decreased equity and profit or loss by the amounts shown below This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps The analysis is performed on the same basis as for the year ended 31 December 2011

	2011	2010
	£000	£000
Equity		
Decrease	-	-
Profit		
Decrease	**(733)**	(1,048)

Interest rate profile of financial instruments at the year end

The interest rate profile of the financial liabilities of the Group is set out in the table below

	2011	2010
	£000	£000
Floating rate financial liabilities	**56,769**	95,864

The floating rate borrowings bear interest at rates based on LIBOR for periods ranging from one day to six months

The interest rate profile of the financial assets of the Group is set out in the table below

	2011	2010
	£000	£000
Floating rate assets	**16,762**	25,467

The cash and liquid resources, where interest bearing, attract interest at floating rates based on LIBOR for three months or less

Notes *(continued)*

20 Financial instruments *(continued)*

Fair value

The estimated fair value of the Group's financial instruments is set out below

Financial assets

	2011		2010	
	Book value £000	**Fair value £000**	Book value £000	Fair value £000
Trade and other receivables	**219,776**	**219,776**	217,085	217,085
Cash and cash equivalents	**16,762**	**16,762**	25,467	25,467
Total financial assets	**236,538**	**236,538**	242,552	242,552

Financial liabilities

	2011		2010	
	Book value £000	**Fair value £000**	Book value £000	Fair value £000
Borrowings due within one year	**22,173**	**22,173**	14,353	14,353
Borrowings due after one year	**34,597**	**34,596**	81,511	81,511
	56,770	**56,769**	95,864	95,864

Cash at bank and liquid resources

The carrying value approximates to fair value because of the short maturity of obtaining the cash

	Carrying amount and fair value 2011 £000	Carrying amount and fair value 2010 £000
IAS 39 categories of financial instruments		
Other interest-bearing loans and borrowings (note 15)	**4,056**	4,023
Trade and other payables (note 16)	**158,121**	153,052
Other financial liabilities measured at amortised cost (note 15)	**52,714**	91,841
Total financial liabilities	**214,891**	248,916

Notes *(continued)*

21 Acquisitions

Barchester Healthcare Homes Limited acquired 100% of the trade and assets of Gorseway Care Limited on 8th May 2011 The net assets acquired and consideration paid is set out below

	Book value and fair value £000
Fixed assets	
Intangible	-
Current assets	
Debtors	121
Cash	1
Total assets	122
Creditors	(193)
Net liabilities	**(71)**
Goodwill	**921**
Purchase consideration and costs of acquisition	**850**

The acquisition was accounted for by the acquisition method of accounting

For the period ended 31 December 2010, Gorseway Care Limited reported audited turnover of £1,941,000 and a profit after tax of £1,226,000

Notes *(continued)*

22 Employee share schemes

Share based payments – Group

The company operates a programme that allows certain employees to acquire shares of the ultimate parent company, Grove Limited

The terms and conditions of grants are as follows, whereby all options are settled by physical delivery of shares

Grant date / nature of scheme	Number of instruments	Number of instruments outstanding at the year end	Vesting conditions	Contractual life of options
Consultants Share Option grant to key management on 1 May 2005	120,000	95,000	Vested	2 years
Approved Share Options grant to key management on 31 August 2004	589,414	32,000	Vested	2 years
Approved Share Options grant to key management on 8 February 2005	1,680,710	47,500	Vested	2 years
Approved Share Options grant to key management on 11 April 2006	214,570	166,428	Vested	2 years
Share Options grant to key management on 11 April 2006	86,430	58,572	Vested	2 years
Unapproved Share Option Plan grant to key management on 15 December 2010	311,708	311,708	Unvested	2 5 years
Unapproved Share Option Plan grant to key management on 30 April 2010	1,464	1,464	Unvested	2 5 years
Approved share option plan to key management on 30 April 2010	359,828	358,828	Unvested	2 years

The number and weighted average exercise prices of share options are as follows

	2011	**2011**	2010	2010
	£		£	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**4 87**	**1,071,000**	2 73	475,500
Forfeited/expired during the year	**4 67**	**(57,000)**	2 98	(27,500)
Granted during the year	-	-	6 15	673,000
Exercised during the year	-	-	2 80	(50,000)
Outstanding at the end of the period	**4 88**	**1,014,000**	4 87	1,071,000
Exercisable at the end of the period	**2 72**	**375,500**	2 72	399,500

The weighted average share price at the date of exercise of share options exercised during the period was £nil *(2010 £2 80)*

The options outstanding at the year end have an exercise price in the range of £1 75 to £6 15

The total expenses recognised for the year arising from share based payments are as follows

	2011	2010
	£000	£000
Approved Share Options granted in 2008	**195**	230
Social Security expense linked to share based payments	-	-
Total expense recognised as employee costs	**195**	230
Total carrying amount of liabilities for cash settled arrangements	**78**	78
Total intrinsic value of liabilities in respect of vested benefits	**611**	611

Notes *(contınued)*

22 Employee share schemes *(contınued)*

Share based payments – Company

Barchester Healthcare Lımıted, the company had no share optıons granted or exercısed and had no optıons whıch vested durıng the perıod

There are no outstandıng optıons at the year end Consequently, the charge for the year ıs £nıl *(2010 £nıl)*

23 Operatıng leases

Non-cancellable operatıng lease rentals are payable as follows

	2011	2010
	£000	£000
Less than one year	**89,179**	87,906
Between one and five years	**356,169**	351,077
More than five years	**1,741,611**	1,791,190
	2,186,959	2,230,173

Durıng the year £89,192,000 was recognısed as an expense ın the ıncome statement ın respect of operatıng leases *(2010* £82,283,000*)*

Leases represent nursıng homes leased from Bluehood Lımıted, Barchester PropCo Lımıted, Barchester PropCo Two Lımıted, and Barchester PropCo Three Lımıted, whıch are related undertakıngs Leases have also been entered ınto ın the year wıth Castleoak, an external company

24 Capıtal commıtments

Capıtal commıtments at the end of the financıal year for whıch no provısıon has been made are as follows

	2011	2010
	£000	£000
Contracted but not provıded (land and buıldıngs)	**2,455**	1,785

25 Contıngencıes

Certaın subsıdıary companıes have sold close care unıts under arrangements whereby the group could have to re-purchase the unıts, ın certaın cırcumstances, at the hıgher of a dıscount to the cost or a dıscount to the market value As at 31 December 2011 the total potentıal repurchase commıtment notıfied to the Group was £1,699,850 (*2010* £3,015,000) Due to uncertaıntıes relatıng to the amount and tımıng of outflow the aggregate potentıal maxımum repurchase oblıgatıon ıs estımated at £21,872,553 (*2010* £17,054,000) The dırectors do not estımate any ımpaırment of the recoverable value of the underlyıng propertıes

26 Pension scheme

Certaın Group companıes operate defined contrıbutıon pensıon schemes The assets of the scheme are held separately from those of the company ın an ındependently admınıstered fund The Group also pays amounts dırectly to other employees for contrıbutıon ınto theır own pensıon funds The pensıon cost charge for the year represents contrıbutıons payable by the Group and amounted to £1,529,118 *(2010* £1,651,058*)*

At the year end there were £87,141 *(2010* £92,066*)* of outstandıng contrıbutıons

Notes *(contınued)*

27 Accountıng estimates and judgements

Management dıscussed wıth the Audıt Commıttee the development, selectıon and dısclosure of the Group's crıtıcal accountıng polıcıes and estımates and the applıcatıon of these polıcıes and estımates

Key sources of estımatıon uncertaınty

Note 8 and note 1 gıves detaıled analysıs about the useful economıc lıves of deprecıable assets Note 9 and note 1 gıves an analysıs about goodwıll Note 22 gıves detaıled analysıs about the assumptıons gıven for employee share schemes

Crıtıcal accountıng judgements ın applyıng the Group's accountıng polıcıes

Certaın crıtıcal accountıng judgements ın applyıng the Group's accountıng polıcıes are descrıbed below

Fınance and operatıng leases

The close care unıts, treat each new sıgnıng of a lease as a "sale", recognısıng the full amount of profit on completıon

The ınternal lease arrangement between the operatıng companıes (subsıdıarıes of Barchester Healthcare Lımıted) and Bluehood Lımıted and Barchester PropCo Two Lımıted, whıch are related undertakıngs, ıs treated as an operatıng lease The Castleoak leases entered ınto ın the current year are also treated as operatıng leases as per the crıterıa accordıng to IAS 17

The provısıon and assumptıons ın relatıon to the onerous lease (see note 17)

In recognısıng the tax losses an assumptıon has been made about the future profit of the group It has been assumed that there wıll be suffıcıent profit to offset the prıor losses

That ıt ıs approprıate not to recognıse any ımpaırment losses ın relatıon to the ıntangıble fixed assets and tangıble fixed assets, except as otherwıse stated

It ıs approprıate to measure the share based payments based on the assumptıon that they are equıty settled

28 Related partıes

Identıty of related partıes

The Group has a related party relatıonshıp wıth ıts parent undertakıng, the parent's subsıdıarıes, ıts own subsıdıarıes and wıth ıts dırectors

Included ın non-current ınterest-bearıng loans and borrowıngs ıs £12,000,000 (*2010* £27,000,000) due to the parent company, Grove Lımıted, ın relatıon to long-term fundıng arrangements

Transactıons wıth key management personnel

There were no transactıons wıth key management personnel, except for remuneratıon and share optıon transactıons whıch are dısclosed ın note 22

Other related party transactıons

Durıng the year, Barchester Healthcare Homes Lımıted made a charıtable donatıon of £137,500 *(2010* £150,000*)* to the Barchester Healthcare Foundatıon, of whıch Mıke Parsons ıs a trustee

Bluehood Lımıted, Barchester PropCo Lımıted, Barchester PropCo Two Lımıted, and Barchester PropCo Three Lımıted, all 100% owned subsıdıarıes of Grove Lımıted, lease the propertıes to the Barchester Healthcare Lımıted group on an operatıng lease These transactıons were part of an ongoıng restructurıng program to form an operatıng/property structure that allowed an ıncrease ın borrowıng capacıty and allowed exıstıng bank borrowıngs and securıtısatıon financıng to be repaıd

The total amount payable to the above related partıes for rent durıng the year was £89,192,000 *(2010* £82,283,000*)* Prepayments of £20,890,990 *(2010* £19,229,000*)* were outstandıng at year end ın respect of rent payments by the group

Notes *(continued)*

29 Ultimate parent company and parent company of larger group

The Company is a wholly owned subsidiary undertaking of Barchester HoldCo (Jersey) Limited, a company incorporated and registered in Jersey

The Company's ultimate parent undertaking is Grove Limited, a company incorporated and registered in Jersey

The smallest group in which the results of the Company are consolidated is that headed by Barchester HoldCo (Jersey) Limited

The largest group in which the results of the Company are consolidated is that headed by Grove Limited The consolidated accounts of Grove Limited are available to the public and may be obtained from

Queensway House
Hilgrove Street
St Helier
Jersey
JE1 1ES
Channel Islands

Company balance sheet
at 31 December 2011

	Note	2011 £000	2011 £000	2010 £000	2010 £000
Fixed assets					
Investments	35		8,556		8,556
Current assets					
Debtors	36	661,079		668,837	
		661,079		668,837	
Creditors amounts falling due within one year	37	(496,743)		(446,175)	
Net current assets			164,336		222,662
Total assets less current assets			172,892		231,218
Creditors amounts falling due after more than one year	38		(31,912)		(78,925)
Net assets			140,980		152,293
Capital and reserves					
Called up share capital	39		12,913		12,913
Share premium account	40		6,643		6,643
Capital redemption reserve	40		186		186
Profit and loss account	40		121,238		132,551
Shareholders' funds			140,980		152,293

The notes from pages 45 to 48 form a part of the financial statements

These financial statements were approved by the board of directors on 29 June 2012 and were signed on its behalf by

David Duncan
Director
Company Number 2792285

The loss for the financial year for the company was £11,312,652

Company reconciliation of movements in shareholders' funds
for the year ended 31 December 2011

	2011 £000	2010 £000
Loss for the financial year	**(11,313)**	(5,261)
Net decrease in shareholders' funds	**(11,313)**	(5,261)
Opening shareholders' funds	**152,293**	157,554
Closing shareholders' funds	**140,980**	152,293

Notes

30 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules The Company has elected to prepare its parent company financial statements in accordance with UK GAAP

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

The company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group

The financial statements of the Company have been prepared on a going concern basis as the Company has net assets as well as the support of its ultimate parent company, Grove Limited

Taxation

The charge for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less provision for impairment

Notes *(contınued)*

31 Remuneration of dırectors

The dırectors receıved no emoluments for servıces to the company durıng the perıod The dırectors receıved remuneratıon for servıces to Grove Lımıted of whıch Barchester Healthcare Lımıted ıs a subsıdıary undertakıng, however the proportıon attrıbutable to theır servıces to Barchester Healthcare Lımıted ıs not separately ıdentıfiable

32 Staff numbers and costs

There were no persons employed by the company durıng the year *(2010 nıl)*

33 Audıtor remuneration

Amounts paıd to company's audıtor ın respect of servıces to the company are £4,000 *(2010 £4,000)*

34 Dıvıdends

Dıvıdends totallıng £nıl *(2010 £nıl)* were receıved and dıvıdends totallıng £nıl *(2010 £nıl)* were paıd durıng the year

35 Fıxed asset ınvestments

	Shares ın subsıdıary undertakıngs £000
Cost and net book value	
At begınnıng and end of the year	**8,556**

Note 10 dıscloses key subsıdıary undertakıngs

36 Debtors

	2011 £000	2010 £000
Amounts owed by group undertakıngs	**651,930**	659,324
Other debtors	**9,149**	9,141
Deferred taxatıon recoverable	**-**	372
	661,079	668,837

Notes *(continued)*

37 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Bank loans and overdrafts	**23,184**	16,381
Amounts owed to group undertakings	**472,513**	427,519
Accruals and deferred income	**1,046**	2,275
	496,743	446,175

38 Creditors: amounts falling due after more than one year, an

	2011 £000	2010 £000
Bank loans and overdrafts	**19,912**	51,925
Eurobonds	**12,000**	27,000
	31,912	78,925

The Euro Bonds were issued by Barchester Healthcare Limited and fully taken up by Grove Limited, the parent company, on 3 February 2005 The bonds matured on 26 February 2009 with interest payable at 8% per annum over LIBOR During 2009, the Group negotiated that the Euro Bonds will be extended for 5 years until 2014 £3,500,000 was redeemed 24/06/2011, £7,500,000 was redeemed 28/09/11 and a further £4,000,000 on 21/12/2011

Analysis of total borrowings (excluding interest bearing intercompany borrowings)

	2011 £000	2010 £000
Bank loans and other loans falling due (net of unamortised issue costs)		
In one year or less	**20,802**	12,916
Between one and two years	**31,912**	26,432
Between two and five years	**-**	52,493
	52,714	91,841

The bank loans and other loans are secured over certain assets of the Group by way of fixed and floating charges, and obligations under finance leases are secured over the assets to which they relate The other loan notes bear interest with reference to LIBOR

Repayments every six months were £6,300,000 from March 2011, £4,448,664 from September 2011 thereafter until the termination of the loan in July 2013 There are two further payments of £11,904,000 due in December 2012 and September 2013

Notes *(continued)*

39 Called up share capital

	2011 £000	2010 £000
Allotted, called up and fully paid		
51,650,821 *(2010 51,650,821)* Ordinary shares of £0 25 each	**12,913**	12,913

40 Share premium and reserves

	Share premium account £000	Capital redemption reserve £000	Profit & loss account £000
At beginning of year	6,643	186	132,551
Loss for the year	-	-	(11,313)
At end of year	6,643	186	121,238

41 Guarantees

The Company has guaranteed the overdrafts of its subsidiaries, the amount outstanding at the year end was £2,310,783 (*2010* £1,483,422) Where the Company has entered into financial guarantee contracts to guarantee the indebtedness of other Companies within its Group, the Company consider these to be insurance arrangements, and accounts for them as such In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee

42 Commitments

(a) The Company has no capital commitments at the end of the financial year for which no provision has been made

(b) The Company has no annual commitments under non-cancellable operating leases