

**Barchester Assisted Living Properties
(Edgbaston) Limited**

**Directors' report and financial
statements**

**Registered number 02839879
31 December 2012**

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Company information

Directors

David Duncan
Jon Hather
Michael Parsons

Secretary

Ian Portal

Auditor

KPMG LLP
Plym House
3 Longbridge Road
Marsh Mills
Plymouth
PL6 8LT

Solicitors

Berwin Leighton Paisner
Adelaide House
London Bridge
London
EC4R 9HA

Bankers

The Royal Bank of Scotland plc
London Corporate Services
2½ Devonshire Square
London
EC2M 4XJ

Registered number

02839879

Registered office

Suite 201
Design Centre East
Chelsea Harbour
London
SW10 0XF

Directors' report

The directors present their directors' report and the audited financial statements for the year ended 31 December 2012

Principal activity

The principal activity of Barchester Assisted Living Properties (Edgbaston) Limited ("the Company") is the sale of sheltered housing to the frail and elderly on long leases. The Company call the assets on the long leases Close Care Units (CCU). Care and property services are provided by other group companies.

Business review

The results for the year are set out in the profit and loss account on page 7. The directors are satisfied with the Company's result.

The Company operates under the Barchester brand. Barchester commands a leading position in the UK long term care sector and is the UK's fourth largest provider. The business provides in excess of 11,700 registered beds, spread across its portfolio of 200 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 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 costs,

The business is supported by strong future demand based on the demographics of the UK population.

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 directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The directors therefore believe that it is appropriate to prepare the financial statements on a going concern basis. Please refer to note 1 for further detail.

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 Board considers that a key risk and uncertainty facing the wider Grove Group (which the Company is part of) is fluctuations in interest rates and breaches in loan covenants, given its level of gearing post the refinancing. 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.

Another key risk is that the current loan facilities across the wider group are due to expire on 30 September 2013. The directors of the wider group are in discussions with the lenders and have appointed Goldman Sachs to assist in the refinancing process. Although uncertain, no matters have been drawn to the Directors' attention to suggest that renewal may not be forthcoming on acceptable terms. The Directors expect that a successful refinancing would allow the group to continue in operational existence in its current form.

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

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. Directors continue to believe these projections still hold true despite the current economic situation.

Directors' report *(continued)*

Dividends

No dividends were paid during the year (2011 £nil)

Future prospects

The directors expect the general level of activity in the healthcare sector, and hence the demand for highly sheltered housing, to increase

Directors and directors' interests

The directors who held office during the year and to the date of this report were as follows

David Duncan
Jon Hather
Michael Parsons

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 he ought to have taken as a director to make himself 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
Company Secretary

Design Centre East
Suite 201
Chelsea Harbour
London
SW10 0XF
26 June 2013

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**KPMG LLP**

Plym House
3 Longbridge Road
Plymouth
PL6 8LT
United Kingdom

Independent auditor's report to the members of Barchester Assisted Living Properties (Edgbaston) Limited

We have audited the financial statements of Barchester Assisted Living Properties (Edgbaston) Limited for the year ended 31 December 2012 set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation 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 4, 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 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 Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its result for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Assisted Living Properties (Edgbaston) Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Ian Brokenshire
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Longbridge Road
Plymouth
PL6 8LT

28 June 2013

**Profit and loss account
 for the year ended 31 December 2012**

	<i>Note</i>	2012 £000	2011 £000
Turnover	<i>1</i>	205	210
Cost of services		(205)	(185)
Gross and Operating profit		-	25
Profit on ordinary activities before taxation	<i>2</i>	-	25
Taxation on profit on ordinary activities	<i>4</i>	-	-
Profit for the financial year	<i>10</i>	-	25

All items derive from continuing operations

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

There were no recognised gains and losses other than those shown in the profit and loss account for the current and preceding financial years

The notes on page 9 to 14 form part of the financial statements

**Reconciliation of movements in equity shareholders' funds
 for the year ended 31 December 2012**

	2012 £000	2011 £000
Profit for the financial year	-	25
Retained Profit	-	25
Opening shareholders' funds	170	145
Closing shareholders' funds	170	170

Balance sheet
at 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Fixed Assets			
Tangible Assets	5	107	109
Current assets			
Stock	6	599	231
Debtors	7	1,080	983
		<u>1,679</u>	<u>1,214</u>
Creditors amounts falling due within one year	8	<u>(1,616)</u>	<u>(1,153)</u>
Net current assets		63	61
Net assets		170	170
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	170	170
Shareholder's funds		170	170

These financial statements were approved by the board of directors on 26 June 2013 and were signed on its behalf by

The notes on page 9 to 14 form part of the financial statements



David Duncan
Director

Company Number 02839879

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The Company is exempt from the requirement of FRS 1 (revised 1996) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Barchester Healthcare Limited and its cash flows are included within the consolidated cash flow statement of that company

As the Company is a wholly owned subsidiary of Barchester Healthcare Limited 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 consolidated financial statements of Barchester Healthcare Limited, within which the Company is included, can be obtained from the address given in note 13

Going Concern

The company has net assets together with long term support from Group. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The current loan facilities across the wider group are due to expire on 30 September 2013. The directors of the wider group are in discussions with the lenders and have appointed Goldman Sachs to assist in the refinancing process. Although uncertain, no matters have been drawn to the Directors' attention to suggest that renewal may not be forthcoming on acceptable terms. The Directors expect that a successful refinancing would allow the group to continue in operational existence in its current form

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

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold buildings - 50 years

No depreciation is provided on freehold land

Turnover

Turnover relates to the income received from the sale of close care units, and arises entirely in the United Kingdom

Where a lease is granted in respect of property, revenue is recognised where the risks and rewards of ownership are transferred to the lessee

Stock

Stocks are stated at the lower of cost and net realisable value

Close care units are classified as assets held for resale and are stated at the lower of cost and net realisable value. Costs are expenditure incurred in acquiring the close care units and bringing them to their existing condition. Net realisable value is the estimated selling price less the estimated costs of completion and selling expenses

Notes (continued)

1 Accounting Policies (continued)

Dividends

Equity dividends unpaid at the balance sheet date are only recognised as a liability at that date due to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Taxation

The charge for taxation is based on the profit 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 which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2012 £000	2011 £000
Depreciation and other amounts written off tangible fixed assets - owned	2	2

Auditor's remuneration

	2012 £000	2011 £000
Audit	4	4

The remuneration of the auditor in the current year was borne by another Group Company. The amount above is management's best estimate of the proportion relating to this company.

3 Remuneration of directors

The Company had no employees other than directors. The directors received no emoluments for services to the Company during the year (2011: £nil). The directors received remuneration for services to Grove Limited of which Barchester Assisted Living Properties (Edgbaston) Limited is a subsidiary undertaking, however, the proportion attributable to their services to Barchester Assisted Living Properties (Edgbaston) Limited is not separately identifiable.

Notes (continued)

4 Tax on profit on ordinary activities

	2012 £000	2011 £000
<i>UK corporation tax</i>		
Current tax on income for the year	-	-

Factors affecting the tax charge for the current year

The current tax charge for the year is equal to (2011 lower) than the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

	2012 £000	2011 £000
Current tax reconciliation		
Profit on ordinary activities before tax	-	25
Current tax at 24.5% (2011 26.5%)	-	7
<i>Effects of</i>		
Group relief	5	(4)
Transfer pricing adjustment	(5)	(3)
Total current tax charge (see above)	-	-

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly.

Notes (continued)

5 Tangible Fixed Assets

	Freehold land and buildings £000
<i>Cost</i>	
At beginning and end of year	125
<i>Depreciation</i>	
At beginning of the year	16
Charge for the year	2
At end of the year	18
<i>Net book value</i>	
31 December 2012	107
31 December 2011	109

Included in the above is £13,000 of land, which is not depreciated (2011 £13,000)

6 Stock

	2012 £000	2011 £000
Assets held for resale	599	231

Assets held for resale comprises close care units which have been developed by the company and are held for resale

7 Debtors

	2012 £000	2011 £000
<i>Due within one year</i>		
Amounts owed by group undertakings	1,080	977
Other debtors	-	6
	1,080	983

Amounts due from group undertakings stated above are legally due on demand and are thus recoverable within one year. It is not expected that the demand would be made or that these amounts will be received within the next year.

Notes (continued)

8 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Amounts owed to group undertakings	1,615	1,152
Corporation tax	1	1
	<u>1,616</u>	<u>1,153</u>

The amounts due to group undertakings are legally due on demand and are thus due within one year, although it is not expected that these amounts would be demanded within the next year

9 Called up share capital

	2012 £	2011 £
<i>(Allotted, called up and fully paid)</i>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

10 Reserves

	Total £000
At the beginning of the year	170
Profit for the year	-
At end of year	<u>170</u>

11 Contingent liabilities

The Company has sold retirement apartments under arrangements which entitle the purchaser to require repurchase of the apartments, in certain circumstances, at the higher of a discount to the cost or a discount to the market value. As at 31 December 2012 the total repurchase commitment notified to the company was £526,500 (2011 £342,000) and the total potential obligation is estimated at £789,231 (2011 £1,420,615). The directors do not estimate any impairment of the recoverable value of the underlying properties and consequently are of the opinion that no loss should accrue to the Company in the event that the repurchase commitment crystallises.

Notes (*continued*)

12 Related Party Disclosures

The Company is controlled by Barchester Healthcare Limited, by which it is 100% owned. The ultimate controlling party is Grove Limited which is the Company's ultimate parent undertaking.

The Company has taken advantage of the exemption conferred by FRS 8 and does not disclose transactions with its related parties.

13 Immediate and ultimate parent undertaking

The immediate parent undertaking is Westminster Securitisation Limited.

The company is a wholly owned subsidiary undertaking of Westminster Securitisation Limited, a company incorporated in and registered in England and Wales.

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

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