

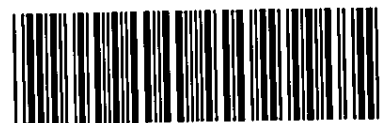
Living With Care Limited

**Directors' report and financial
statements**

Registered number 3075197

31 December 2007

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Company information

Directors	Michael Parsons David Duncan Jon Hather
Secretary	Jon Hather
Auditors	KPMG LLP Plym House 3 Longbridge Road Marsh Mills Plymouth PL6 8LT
Bankers	Royal Bank of Scotland London Corporate Services 2½ Devonshire Square London EC2M 4XJ
Solicitors	Berwin Leighton Paisner Adelaide House London Bridge London EC4R 9HA
Registered office	Suite 201 The Chambers Chelsea Harbour London SW10 0XF
Registered number	3075197

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Principal activities

The Company's principal activity for the first two months of the year was the operation of nursing homes providing long term care to the elderly. On 28 February 2007 the trade of the Company was sold to Barchester Healthcare Homes Limited, a parent undertaking.

Business review

The results for the year are set out in the profit and loss account on page 7.

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 10,500 registered beds, spread across its portfolio of 172 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:

- 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 segment of the UK population aged 85 or over is projected to increase from 1,200,000 in 2007 to 1,800,000 in 2021.

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's customers are either privately funded or are wholly or mainly funded by the public sector. During the year the Group has put significant effort into negotiating fees with local authorities and other public sector purchasing agencies.

In order to complement our UK employment we also recruit nurses and senior carers from overseas.

Dividends

During the year dividends of £nil were paid (2006 £6,000,000). The directors do not propose the payment of a dividend.

Future prospects

Following the transfer of trade to Barchester Healthcare Homes Limited during the year the Company is now dormant and is expected to remain so in the future.

Directors' report *(continued)*

Directors and directors' interests

The directors who held office during the period were as follows

M Parsons
D Duncan
J Hather
O McGartoll (resigned 4 October 2007)

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.

The company continues to give full and fair consideration to applications from disabled persons. If an employee becomes disabled the company endeavours to continue their employment if this is practical and in appropriate cases training is given.

Disclosure of information to auditors

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

Auditors

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

By order of the board



J Hather
Director

Suite 201
The Chambers
Chelsea Harbour
London
SW10 0XF

30 June 2008

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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

In preparing these financial statements, the directors are required to

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

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



KPMG LLP

Plym House
3 Longbridge Road
Plymouth
PL6 8LT
United Kingdom

Independent auditors' report to the members of Living with Care Limited

We have audited the financial statements of Living with Care Limited for the year ended 31 December 2007 which comprise the Profit and loss account, the Balance Sheet, the Reconciliation of movements in equity shareholders' funds, note of historical cost profits and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Independent auditors' report to the members of Living with Care Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

14 July 2008

Profit and loss account
for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover	1	496	2,988
Cost of services		(412)	(2,238)
Gross profit and operating profit		84	750
Profit on sale of fixed assets	2	-	5,950
Interest payable and similar charges	7	-	(2)
Profit on sale of discontinued operation	3	2,002	-
Profit on ordinary activities before taxation	4	2,086	6,698
Tax on profit on ordinary activities	8	28	73
Profit for the financial year	16	2,114	6,771

There were no recognised gains or losses other than those stated above

All items relate to discontinued activities

Reconciliation of movements in equity shareholders' funds
for the year ended 31 December 2007

	2007 £000	2006 £000
Profit for the financial year	2,114	6,771
Dividends on shares classified in shareholders' funds	-	(6,000)
Net addition to shareholders' funds	2,114	771
Opening shareholders' funds	2,032	1,261
Closing shareholders' funds	4,146	2,032

Note of historical cost profits and losses
for the year ended 31 December 2007

	2007 £000	2006 £000
Reported profit on ordinary activities before taxation	2,086	6,698
Realisation of property revaluation gains of previous years	-	94
Historical cost profit on ordinary activities before tax	2,086	6,792
Historical cost profit on ordinary activities after tax	2,114	6,875

Balance sheet
at 31 December 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Tangible assets	10	-	42
Current assets			
Stocks	11	-	6
Debtors	12	4,340	3,198
Cash at bank and in hand		-	2,967
		<u>4,340</u>	<u>6,171</u>
Creditors: amounts falling due within one year	13	<u>(194)</u>	<u>(338)</u>
Net current assets		<u>4,146</u>	<u>5,833</u>
Total assets less current liabilities		<u>4,146</u>	<u>5,875</u>
Creditors: amounts falling due after more than one year	14	-	(3,818)
Provisions for liabilities	15	-	(25)
Net assets		<u>4,146</u>	<u>2,032</u>
Capital and reserves			
Called up share capital	17	1	1
Profit and loss account	16	4,145	2,031
Equity shareholder's funds		<u>4,146</u>	<u>2,032</u>

These financial statements were approved by the board of directors on 30 June 2008 and were signed on its behalf by



D Duncan
Director

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 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 is exempt from the requirement of FRS 1 (revised 1996) to prepare a cash flow statement as it is ultimately 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 20

Fixed assets and depreciation

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

Plant and equipment	-	5 to 10 years
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Turnover

Turnover represents the amount (excluding value added tax) derived from the provision of nursing and care home services to customers and arises entirely in the United Kingdom. Turnover is recognised, as earned, through the provision of contractual services

Stocks

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

Taxation

The charge for taxation is based on the result for the period 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

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Notes (continued)

1 Accounting policies (continued)

Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and 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.

2 Profit on sale of fixed assets

During 2006, as part of a new re-financing arrangement, the majority of land and buildings were sold to Bluehood Limited, a related undertaking, at the market value. The related profit on disposal of £5,950,000 has been classified as an exceptional item on the face of the profit and loss account.

The effect of the above item has no effect on the tax charge.

3 Profit on sale of discontinued operation

During the year, the trade of the Company was sold to Barchester Healthcare Homes Limited, a parent undertaking, at market value. The related profit on disposal of £2,002,000 has been classified as an exceptional item on the face of the profit and loss account.

This has a nil effect on the taxation charge for the year.

4 Profit on ordinary activities before taxation

	2007 £000	2006 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation of owned tangible fixed assets	1	60
Hire of plant and machinery - rentals payable under operating leases	2	15
Hire of other assets - operating leases	86	250
	<hr/>	<hr/>
<i>Auditors' remuneration</i>		
	2007 £000	2006 £000
Audit	1	4
	<hr/>	<hr/>

The amount above is the management's estimate of the Company's proportion of the total audit fee which has been borne by another group company.

Notes (continued)

5 Staff numbers and costs

The average number of employees excluding directors for the year ended 31 December 2006 was 133. During the year these employees were transferred to Barchester Healthcare Homes Limited as part of the restructuring.

The aggregate payroll costs of these persons were as follows:

	2007 £000	2006 £000
Wages and salaries	246	1,462
Social security costs	17	111
Pension costs	1	4
	<u>264</u>	<u>1,577</u>

6 Directors' remuneration

The directors received no emoluments for services to the Company during the year (2006: £nil). The directors received remuneration for services to Barchester Healthcare Homes Limited of which Living with Care Limited is a subsidiary undertaking, however the proportion attributable to their services to Living with Care Limited is not separately identifiable.

7 Interest payable and similar charges

	2007 £000	2006 £000
On bank loans and overdrafts	<u>-</u>	<u>2</u>

Notes (continued)

8 Taxation

	2007	2006
	£000	£000
UK corporation tax		
Current tax on income for the year	-	-
Adjustments in respect of prior periods	-	(2)
	<hr/>	<hr/>
Total current tax	-	(2)
	<hr/>	<hr/>
Deferred tax (see note 15)		
Origination/reversal of timing differences	1	(72)
Adjustments in respect of prior periods	(29)	1
	<hr/>	<hr/>
Total deferred tax	(28)	(71)
	<hr/>	<hr/>
Tax on profit on ordinary activities	(28)	(73)
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the year is lower (2006 lower) than the standard rate of corporation tax in the UK of 30% (2006 30%). The differences are explained below

	2007	2006
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	2,086	6,698
	<hr/>	<hr/>
Current tax at 30% (2006 30%)	626	2,009
	<hr/>	<hr/>
Effects of		
Expenses not deductible for tax purposes (primarily depreciation on non-qualifying assets)	1	5
Profit on disposal of non-qualifying assets	-	(1,845)
Loss on disposal of qualifying assets	-	60
Difference between capital allowances and depreciation	-	11
Adjustment to tax charge in respect of prior periods	-	(2)
Group relief not paid for	(92)	(172)
Transfer pricing adjustment	65	(68)
Profit on sale of discontinued operation	(600)	-
	<hr/>	<hr/>
Total current tax credit (see above)	-	(2)
	<hr/>	<hr/>

Notes (continued)

9 Dividends

The aggregate amount of dividends comprises

	2007 £000	2006 £000
Dividends paid in respect of the current year	-	6,000

10 Tangible fixed assets

	Plant and equipment £000
Cost	
At 1 January 2007	43
Additions	15
Disposals	(58)
	<hr/>
At 31 December 2007	-
	<hr/>
Depreciation	
At 1 January 2007	1
Charge for year	1
Disposals	(2)
	<hr/>
At 31 December 2007	-
	<hr/>
Net book value	
At 31 December 2007	-
	<hr/>
At 31 December 2006	42
	<hr/>

11 Stocks

	2007 £000	2006 £000
Consumables	-	6

Notes (continued)

12 Debtors

	2007 £000	2006 £000
Trade debtors	-	45
Amounts owed by group undertakings	4,340	3,097
Corporation tax recoverable	-	1
Prepayments and accrued income	-	54
Other debtors	-	1
	<u>4,340</u>	<u>3,198</u>

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

13 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	-	2
Amounts owed to group undertakings	194	-
Group relief payable	-	160
Other taxation and social security	-	35
Other creditors	-	3
Accruals and deferred income	-	138
	<u>194</u>	<u>338</u>

14 Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Amounts due to group undertakings	-	3,818
	<u>-</u>	<u>3,818</u>

Notes (continued)

15 Provisions for liabilities

	Deferred taxation £000
At beginning of year	25
Credit to the profit and loss account	(28)
Transferred on transfer of trade to Barchester Healthcare Homes Limited	3
	<hr/>
At end of year	-
	<hr/>

	2007 £000	2006 £000
Difference between accumulated depreciation and amortisation and capital allowances	-	27
Other timing differences	-	(2)
	<hr/>	<hr/>
Deferred tax provision	-	25
	<hr/>	<hr/>

16 Reserves

	Profit and loss Account £000
At beginning of year	2,031
Profit for year	2,114
	<hr/>
At end of year	4,145
	<hr/>

Notes (continued)

17 Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
250,000 ordinary shares of £1 each	250,000	250,000
	<hr/>	<hr/>
<i>Allotted, issued and fully paid</i>		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>

18 Commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows

	2007		2006	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire				
In the second to fifth years inclusive	-	-	-	2
Over five years	-	-	86	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	86	2
	<hr/>	<hr/>	<hr/>	<hr/>

19 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.

20 Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company is a wholly owned subsidiary undertaking of Barchester Healthcare Homes Limited, a company incorporated in Great Britain 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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 The Chambers
 Chelsea Harbour
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