

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

**Directors' report and financial  
statements**

Registered number 3425314

31 December 2010



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## Company information

<b>Directors</b>	Michael Parsons David Duncan Jon Hather
<b>Secretary</b>	Jon Hather
<b>Auditors</b>	KPMG LLP Plym House 3 Longbridge Road Marsh Mills Plymouth PL6 8LT
<b>Bankers</b>	Royal Bank of Scotland London Corporate Services 2½ Devonshire Square London EC2M 4XJ
<b>Solicitors</b>	Berwin Leighton Paisner Adelaide House London Bridge London EC4R 9HA
<b>Registered office</b>	Suite 201 The Chambers Chelsea Harbour London SW10 0XF
<b>Registered number</b>	3425314

## **Directors' report**

The Directors present their directors' report and the audited financial statements for the year ended 31 December 2010

### **Principal activities**

The Company's principal activity is the sale of sheltered housing to the frail and elderly on long leases. 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 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 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 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.

### **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 the key risk and uncertainty facing the Group 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.

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 any acquisitions or extensions. However, the Group believes that, due to available facilities held within related undertakings, this is not a major risk. The current loan facilities are due to expire in 2013 and the directors have already started to consider how these will be refinanced.

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 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.

### **Dividends**

The Directors do not recommend the payment of a dividend (2009 £1,295,000)

### **Future prospects**

The directors expect the general level of activity in the healthcare sector, and hence the demand for 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

M Parsons  
D Duncan  
J Hather

### **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 Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed 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 2011

## **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 (Southgate) Limited**

We have audited the financial statements of Barchester Assisted Living Properties (Southgate) Limited for the year ended 31 December 2010 set out on pages 7 to 13. 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 (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](http://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 company's affairs as at 31 December 2010 and of its profit 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**

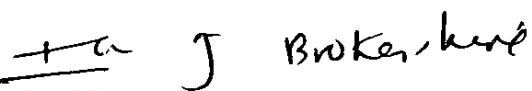
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the members of Barchester Assisted Living Properties (Southgate) 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 J Brokenshire (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
3 Longbridge Road  
Plymouth  
PL6 8LT

7 July 2011



**Profit and loss account**  
*for the year ended 31 December 2010*

	<i>Note</i>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Turnover</b>	<i>1</i>	<b>500</b>	<b>662</b>
Cost of sales		<b>(456)</b>	<b>(571)</b>
<b>Gross and operating profit</b>		<b>44</b>	<b>91</b>
<b>Profit on ordinary activities before taxation</b>	<i>2</i>	<b>44</b>	<b>91</b>
Tax on profit on ordinary activities	<i>4</i>	<b>-</b>	<b>-</b>
<b>Profit for the financial year</b>	<i>11</i>	<b>44</b>	<b>91</b>

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

**Reconciliation of movements in equity shareholders' funds**  
*for the year ended 31 December 2010*

	<i>Note</i>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Profit for the financial year</b>		<b>44</b>	<b>91</b>
Dividends on shares classified in shareholders' funds	<i>5</i>	<b>-</b>	<b>(1,295)</b>
<b>Retained profit/(loss)</b>		<b>44</b>	<b>(1,204)</b>
<b>Opening shareholders' funds</b>		<b>91</b>	<b>1,295</b>
<b>Closing shareholders' funds</b>		<b>135</b>	<b>91</b>

**Balance sheet**  
*at 31 December 2010*

	<i>Note</i>	<b>2010</b>	<b>2009</b>
		<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Tangible assets	6	10	10
		<u>10</u>	<u>10</u>
<b>Current assets</b>			
Stocks	7	905	396
Debtors	8	1,668	1,854
		<u>2,573</u>	<u>2,250</u>
<b>Creditors: amounts falling due within one year</b>	9	(2,448)	(2,169)
<b>Net current assets</b>		<u>125</u>	<u>81</u>
<b>Net assets</b>		<u>135</u>	<u>91</u>
<b>Capital and reserves</b>			
Called up share capital	10	-	-
Profit and loss account	11	135	91
<b>Equity shareholder's funds</b>		<u>135</u>	<u>91</u>

These financial statements were approved by the board of directors on 30 June 2011 and were signed on its behalf by



**D Duncan**  
 Director  
 Company Number 3425314

## **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, 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 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 14

#### ***Going Concern***

The company has considerable financial resources 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 directors have a reasonable expectation that the company 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

Further information regarding the company's business activities, together with the factors likely to affect its future development, performance and position is set out in the Directors Report on page 2

#### ***Tangible fixed assets and depreciation***

Depreciation is not 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

#### ***Stocks***

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

#### ***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

## Notes (continued)

### 1 Accounting Policies (continued)

#### Taxation

The charge for taxation is based on the profit 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

### 2 Profit on ordinary activities before taxation

*Profit on ordinary activities before taxation is stated after charging*

#### Auditor's remuneration

	2010 £000	2009 £000
Audit	4	4

The remuneration of the auditor's in the current and prior financial years 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 (2009 £nil). The directors received remuneration for services to Grove Limited of which Barchester Assisted Living Properties (Southgate) Limited is a subsidiary undertaking, however the proportion attributable to their services to Barchester Assisted Living Properties (Southgate) Limited is not separately identifiable.

### 4 Taxation

	2010 £000	2009 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-

#### Factors affecting the tax charge for the current year

The current tax charge for the period is lower (2009 lower) than the standard rate of corporation tax in the UK of 28%, (2009 28%). The differences are explained below:

	2010 £000	2009 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	44	91
Current tax at 28% (2009 28%)	12	25
<i>Factors affecting charge for the year</i>		
Group relief not payable	(3)	(29)
Transfer pricing	(9)	4
Total current tax (see above)	-	-

## Notes (continued)

### 5 Dividends

The aggregate amount of dividends comprises

	2010 £000	2009 £000
Dividends in respect of the year recognised as a liability at the year end	-	1,295

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is £nil (2009 £1,295,000)

### 6 Tangible fixed assets

	Freehold Land £000
<b>Cost</b>	
At beginning and end of year	10
<b>Depreciation</b>	
At beginning and end of the year	-
<b>Net book value</b>	
At 31 December 2010	10
At 31 December 2009	10

Included in the above is £10,000 of land, which is not depreciated (2009 £10,000)

### 7 Stocks

	2010 £000	2009 £000
Assets held for resale	905	396

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

## Notes (continued)

### 8 Debtors

	2010 £000	2009 £000
Amounts due from group undertakings	<u>1,668</u>	<u>1,854</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

### 9 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Amounts owed to group undertakings	2,444	2,167
Other Creditors	1	-
Accruals and deferred income	3	2
	<u>2,448</u>	<u>2,169</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

### 10 Called up share capital

	2010 £	2009 £
<i>Allotted, called up and fully paid</i>		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

### 11 Reserves

	Profit and loss account £000
At beginning of the year	91
Profit for the financial year	44
	<u>135</u>
At end of the year	

## **Notes (continued)**

### **12 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 2010 the total repurchase commitment notified to the company was £648,000 (2009 £880,553) and the total potential obligation is estimated at £1,991,093 (2009 £2,144,254). 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.

### **13 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.

### **14 Immediate and ultimate parent undertaking**

The Company is a wholly owned subsidiary undertaking of Westminster Securitisation Limited, a company incorporated 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 financial statements of Barchester Healthcare Limited are available to the public from the following address:

Suite 201  
The Chambers  
Chelsea Harbour  
London  
SW10 0XF