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Westminster Health Care (UK) Limited

**Directors' report and financial
statements**

Registered number 3738097

31 December 2006



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Company information

Directors	Michael Parsons (Chairman) David Duncan (Finance Director) Jon Hather Owen McGartoll
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	3738097

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Principal activities

The company is a holding company and through its subsidiaries is engaged in the development, acquisition and management of purpose built facilities for long term care for the elderly and specialised health care services

Business review

The directors are pleased with the performance of the company during the year

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 10,000 registered beds, spread across its portfolio of 161 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 2006 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 company's customers are either privately funded or are wholly or mainly funded by the public sector. During the year the company 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

Dividends of £200,000,000 were paid during the year (2005: £nil)

Future prospects

Since the year end, the trade and assets of all of the group's individual operating companies have been transferred into Barchester Healthcare Homes Limited, in order that the Barchester group can operate its nursing care trade out of one operating company.

This was part of the restructuring that commenced in 2006 to form an operating company/property company structure that allowed an increase in borrowing capacity and a return of funds to shareholders in 2006.

The directors expect the general level of activity in the healthcare sector to increase and believe that the group is well positioned to take advantage of opportunities for additional growth. Accordingly the company should continue to receive returns from investments.

Directors' report *(continued)*

Directors and directors' interests

The directors who held office during the year were as follows

D Duncan
M Parsons
J Hather
O McGartoll (appointed 23 October 2006)

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

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



J Hather
Director

Suite 201
The Chambers
Chelsea Harbour
London
SW10 0XF

29 June 2007

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 Westminster Health Care (UK) Limited

We have audited the financial statements of Westminster Health Care (UK) Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds 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 Westminster Health Care (UK) 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 2006 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

29 June 2007

Profit and loss account
for the year ended 31 December 2006

	<i>Note</i>	2006 £000	2005 £000
Administrative expenses		-	(57)
Other operating expenses		(72)	-
Operating loss		(72)	(57)
Loss on disposal of fixed assets		-	(19)
Loss on ordinary activities before interest	2	(72)	(76)
Income from shares in group undertakings	3	154,500	5,000
Interest receivable and similar income	5	255	82
Interest payable and similar changes	4	(69)	(35)
Profit on ordinary activities before taxation		154,614	4,971
Tax on profit on ordinary activities	7	(203)	3,330
Profit for the financial year	15	154,411	8,301

All items derived from continuing operations

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

There are no recognised gains or losses other than those shown above

Reconciliation of movements in equity shareholders' funds
for the year ended 31 December 2006

	2006 £000	2005 £000
Profit for the financial year	154,411	8,301
Dividends on shares classified in shareholders' funds	(200,000)	-
Net (reduction in)/addition to shareholders' funds	(45,589)	8,301
Opening shareholders' funds	55,936	47,635
Closing shareholders' funds	10,347	55,936

Balance sheet
at 31 December 2006

	Note	2006 £000	2005 £000
Fixed assets			
Investments	9	225,473	225,473
Current assets			
Debtors	10	154,454	28,020
Cash at bank and in hand		55	-
		<u>154,509</u>	<u>28,020</u>
Creditors amounts falling due within one year	11	<u>(369,635)</u>	<u>(196,195)</u>
Net current liabilities		<u>(215,126)</u>	<u>(168,175)</u>
Total assets less current liabilities		<u>10,347</u>	<u>57,298</u>
Provision for liabilities	13	-	(1,362)
Net assets		<u>10,347</u>	<u>55,936</u>
Capital and reserves			
Called up share capital	14	3,438	3,438
Profit and loss account	15	6,909	52,498
Equity shareholder's funds		<u>10,347</u>	<u>55,936</u>

These financial statements were approved by the board of directors on 29 June 2007 and were signed on its behalf by



D Duncan
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements are prepared in accordance with applicable accounting standards and the historical cost convention

Basis of preparation

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under FRS 1 (revised) 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.

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 (or investees of the group qualifying as related parties). The consolidated financial statements of Barchester Healthcare Limited, within which this company is included, can be obtained from the address given in note 18.

Fixed asset investments

Fixed asset investments are stated at cost less provision for any impairment in value.

Deferred 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.

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.

2 Loss on ordinary activities

	2006 £000	2005 £000
<i>Loss on ordinary activities is stated after charging</i>		
Depreciation - Owned	-	30
Depreciation - Leased	-	27
Loss on disposal of fixed assets	-	19
Settlement of VAT enquiry	72	-
	<hr/>	<hr/>

Notes (continued)

2 Loss on ordinary activities (continued)

Auditors' remuneration

	2006 £000	2005 £000
Audit	4	4

The remuneration of the auditors 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 Income from shares in group undertakings

	2006 £000	2005 £000
Dividends received	154,500	5,000

4 Interest payable and similar charges

	2006 £000	2005 £000
Bank charges	69	35

5 Interest receivable and similar income

	2006 £000	2005 £000
On bank deposits	255	10
Other interest receivable	-	72
	255	82

6 Directors remuneration

The directors received no emoluments for services to the company during the year (2005 £nil). The directors received remuneration for services to Grove Limited of which Westminster Health Care (UK) Limited is a subsidiary undertaking, however the proportion attributable to their services to Westminster Health Care (UK) Limited is not separately identifiable.

7 Tax on profit on ordinary activities

	2006 £000	2005 £000
<i>Corporation tax</i>		
Current taxation	-	(58)
Adjustments in respect of previous years	(9)	(3,322)
<i>Total current taxation</i>	<u>(9)</u>	<u>(3,380)</u>
<i>Deferred tax</i>		
Timing differences, origination and reversal	-	58
Adjustments in respect of previous years	212	(8)
<i>Total deferred taxation</i>	<u>212</u>	<u>50</u>
Tax on profit on ordinary activities	<u>203</u>	<u>(3,330)</u>

Tax on profit on ordinary activities

Factors affecting the tax charge for the current year

The current tax charge/(credit) for the period differs from the standard rate of corporation tax in the UK of 30%, (2005 30%) The differences are explained below

	2006 £000	2005 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	154,614	4,971
Current tax at 30% (2005 30%)	<u>46,384</u>	<u>1,491</u>
<i>Effects of</i>		
Expenses not deductible for tax purposes	-	9
Capital allowances in excess of depreciation	-	17
Timing differences	-	(75)
Adjustments in respect of previous years	(9)	(3,322)
Intra-group dividends not taxable	(46,350)	(1,500)
Group relief not paid for	781	-
Transfer pricing adjustments with no compensating payment	(815)	-
Total current tax (see above)	<u>(9)</u>	<u>(3,380)</u>

8 Dividends

	2006 £000	2005 £000
Dividends paid in respect of the current year	<u>200,000</u>	<u>-</u>

The aggregate amount of dividends proposed and recognised as liabilities at the year end is £nil (2005 £nil)

Notes (continued)

9 Fixed asset investments

	Shares in group undertakings £000
<i>Cost</i>	
At the beginning and end of the year	258,044
<i>Provisions</i>	
At the beginning and end of the year	(32,571)
<i>Net book value</i>	
At the beginning and end of the year	225,473

The principal companies in which the company's interest at the year end is more than 20% are as follows

	Country of registration	Principal Activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
Westminster Investments (UK)	England	Intermediate holding company	100% ordinary
Westminster Health Care Group Limited	England	Intermediate holding company	100% ordinary
Westminster Securitisation Limited	England	Intermediate holding company	100% ordinary

10 Debtors

	2006 £000	2005 £000
Amounts owed by group undertakings	153,555	26,747
Deferred tax asset	-	212
Corporation tax receivable	-	61
Group relief recoverable	899	890
Other debtors	-	110
	<u>154,454</u>	<u>28,020</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

Notes (continued)

11 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Bank overdrafts (see note 12)	-	1,582
Amounts owed to group undertakings	368,369	194,509
Other creditors	-	104
Accruals and deferred income	1,266	-
	<u>369,635</u>	<u>196,195</u>

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

12 Borrowings

	2006 £000	2005 £000
Bank overdraft	-	1,582
	<u>-</u>	<u>1,582</u>

Analysis of total borrowings

	2006 £000	2005 £000
Debt can be analysed as falling due In one year or less, or on demand	-	1,582
	<u>-</u>	<u>1,582</u>

13 Provision for liabilities

	2006 £000
<i>Disposal of lease</i>	
At beginning of the year	1,362
Charge for the year	(1,362)
	<u>-</u>
At end of year	-

Notes (continued)

14 Called up share capital

	2006 £	2005 £
Authorised		
33,622,000 (2005 33,622,000) ordinary shares of £1 each	33,622,000	33,622,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
3,438,000 (2005 3,438,000) ordinary shares of £1 each	3,438,000	3,438,000
	<hr/>	<hr/>

15 Reserves

	Profit and loss account £000
At beginning of year	52,498
Profit for the year	154,411
Dividends on shares classified in shareholders' funds	(200,000)
	<hr/>
At end of the year	6,909
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16 Post balance sheet events

Since the year end, the trade and assets of all of the group's individual operating companies have been transferred into Barchester Healthcare Homes Limited, in order that the Barchester group can operate its nursing care trade out of one operating company

This was part of the restructuring that commenced in 2006 to form an operating company/property company structure that allowed an increase in borrowing capacity and a return of funds to shareholders in 2006

17 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.

Notes (continued)

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

The immediate parent undertaking is Westminster Health Care Holdings Limited

The company is a wholly owned subsidiary undertaking of Barchester Healthcare Limited, a company incorporated in Great Britain and registered in England

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

Suite 201
The Chambers
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