

Registered number
05085790

Larch Boss Limited (formerly LR Boss Limited)

Annual report and financial statements

for the year ended
30 September 2011

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Larch Boss Limited (formerly LR Boss Limited)
Annual report and financial statements for the year ended 30 September 2011
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Larch Boss Limited (formerly LR Boss Limited)
Company information for the year ended 30 September 2011

Directors

Mr L K Sebastian

Mr R N Luck

Company secretary

Mr R N Luck

Registered office

Quadrant House, Floor 6

4 Thomas More Square

London

E1W 1YW

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London

WC2N 6RH

Registered number

05085790

Larch Boss Limited (formerly LR Boss Limited)
Directors' report for the year ended 30 September 2011

The directors presents their annual report and the audited financial statements of the company for the year ended 30 September 2011

Principal activities

The company acts as a commercial property investment company. During the year the sole tenant of the company's properties encountered financial difficulties which culminated in the tenant being unable to pay the rents due and the surrender of the leases. Subsequent to the year end the company has appointed care home managers to operate the properties on behalf of the company. As a result of the reduced income deriving from the properties, it has been necessary to impair their valuation resulting in an exceptional charge of £21,053,398 in the year. The company changed its name from LR Boss Limited to Larch Boss Limited effective from 20 November 2012.

Principal risks and uncertainties

The key business risks and uncertainties affecting the company are considered to relate to the fact that the company operates within a highly competitive market place. The directors of the group have reviewed the groups exposure to credit risk, liquidity risk and cashflow risk. These risks and uncertainties are discussed in the company's ultimate parent's group annual report which does not form part of this report.

Key performance indicators

Larch Boss Limited is managed by the directors in accordance with the strategies of its ultimate parent company, Larch (Nursing Homes) Holdco Limited, and for this reason, the directors believe that key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. These strategies and key performance indicators are discussed in the company's ultimate parent's group annual report which does not form part of this report.

Results and dividends

The results for the year are set out in the profit and loss account on page 5. The company paid a dividend of £nil (£nil per ordinary share) during the year (2010: £3,000,000).

Directors

The directors of the company who served during the year and up to the date of signing the financial statements was as follows:

Mr L K Sebastian (appointed 13 December 2012)
Mr R J Livingstone (resigned 13 December 2012)
Mr R N Luck

Going concern

The company is funded by way of a loan from its intermediate parent which is, itself, funded by bank loans. Consequent to the financial difficulties experienced by the original tenant which operated the nursing homes rented from the company, the lenders to the intermediate parent have reserved their rights pursuant to the loan agreement to demand immediate repayment of the loans at any time, until such time as a restructuring agreement has been finalized or aborted.

To that end, the intermediate parent has been in discussions with its lenders and the directors consider neither the intermediate parent, nor this company, to be currently insolvent as the lenders have agreed in principle to restructuring terms which set out that they will not demand repayment of their loans until their maturity dates.

At the date of these financial statements the restructuring terms have been agreed in principle between the company's intermediate parent and its lenders but they have not been formally documented and signed. Accordingly, whilst the directors expect that the restructuring will be agreed there is currently no certainty that this will occur. These circumstances indicate the existence of a material uncertainty that casts significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

As the directors expect that negotiations with the intermediate parent's lenders will be satisfactorily concluded, the financial statements have been prepared on a going concern basis.

Qualifying third party indemnity provisions

The company maintains liability insurance for its directors and officer. Following shareholder approval, the company has also provided an indemnity for its directors and the company secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Larch Boss Limited (formerly LR Boss Limited)

Directors' report for the year ended 30 September 2011 (continued)

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms that

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

Independent auditors

In the absence of a notice proposing that their appointment be terminated, PricewaterhouseCoopers LLP, are deemed to have been re-appointed as auditors for the next year

By order of the board



Mr R N Luck
Company secretary
21 December 2012

Larch Boss Limited (formerly LR Boss Limited)

Statement of directors' responsibilities for the year ended 30 September 2011

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and accounting 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,

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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



Mr R N Luck
Company secretary
21 December 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LARCH BOSS LIMITED (FORMERLY LR BOSS LIMITED)

We have audited the financial statements of Larch Boss Limited (formerly LR Boss Limited) for the year ended 30 September 2011 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibility 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters 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.

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.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern.

The company is funded by way of a loan from its intermediate parent which is, itself, funded by bank loans. Consequent to the financial difficulties experienced by the company's original tenant, the bank lenders have reserved their rights pursuant to the loan agreements to demand immediate repayment of their loans to the intermediate parent at any time thereby taking control of the properties held in this company, until such time as a restructuring agreement has been finalized or aborted. The intermediate parent is in the process of finalizing a restructuring agreement with the lenders, but there is no certainty that the bank will not demand immediate repayment of loans if the restructuring is not concluded satisfactorily.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.



Suzanne Woolfson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

21 December 2012

Larch Boss Limited (formerly LR Boss Limited)
Profit and loss account
for the year ended 30 September 2011

| | Note | 2011 £ | 2010 £ |
|--|------|---------------------|------------------|
| Turnover | | 3,389,091 | 3,258,740 |
| Administrative expenses | | (732,367) | (21,941) |
| Operating profit | 3 | <u>2,656,724</u> | <u>3,236,799</u> |
| Exceptional items | 4 | | |
| Loss on impairment in value of investment properties | | (21,053,398) | - |
| Operating (loss)/profit after exceptional items | | <u>(18,396,674)</u> | <u>3,236,799</u> |
| Tax on (loss)/profit on ordinary activities | 6 | - | - |
| (Loss)/profit for the financial year | | <u>(18,396,674)</u> | <u>3,236,799</u> |

All amounts relate to continuing operations

There is no material difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the year stated above and their historical costs equivalents

Larch Boss Limited (formerly LR Boss Limited)
Statement of total recognised gains and losses
for the year ended 30 September 2011

| | Note | 2011 £ | 2010 £ |
|---|------|---------------------|--------------------|
| (Loss)/profit for the financial year | | (18,396,674) | 3,236,799 |
| Unrealised deficit on revaluation of investment properties | 8 | (2,130,952) | (4,672,126) |
| Total recognised gains/(losses) relating to the financial year | | <u>(20,527,626)</u> | <u>(1,435,327)</u> |

Larch Boss Limited (formerly LR Boss Limited)
Balance sheet
as at 30 September 2011

Registered number
05085790

| | Note | 2011 £ | 2010 £ |
|--|------|---------------------|---------------------|
| Fixed assets | | | |
| Investment properties | 8 | 12,420,472 | 35,604,822 |
| Current assets | | | |
| Debtors | 9 | - | 10,862 |
| Creditors amounts falling due within one year | 10 | <u>(30,350,970)</u> | <u>(33,018,556)</u> |
| Net current liabilities | | (30,350,970) | (33,007,694) |
| Net (liabilities)/assets | | <u>(17,930,498)</u> | <u>2,597,128</u> |
| Capital and reserves | | | |
| Called up share capital | 11 | 1 | 1 |
| Revaluation reserve | 12 | - | 2,130,952 |
| Profit and loss reserve | 13 | (17,930,499) | 466,175 |
| Total shareholder's (deficit)/funds | 14 | <u>(17,930,498)</u> | <u>2,597,128</u> |

These financial statements were approved by the Board of Directors on 21 December 2012 and signed on its behalf by



Mr R N Luck
Director
 21 December 2012

Larch Boss Limited (formerly LR Boss Limited)
Notes to the financial statements
for the year ended 30 September 2011

1 Accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention as modified for the revaluation of investment properties, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Going concern

The company is funded by way of a loan from its intermediate parent which is, itself, funded by bank loans. Consequent to the financial difficulties experienced by the original tenant which operated the nursing homes rented from the company, the lenders to the intermediate parent have reserved their rights pursuant to the loan agreement to demand immediate repayment of the loans at any time, until such time as a restructuring agreement has been finalized or aborted.

To that end, the intermediate parent has been in discussions with its lenders and the directors consider neither the intermediate parent, nor this company, to be currently insolvent as the lenders have agreed in principle to restructuring terms which set out that they will not demand repayment of their loans until their maturity dates.

At the date of these financial statements the restructuring terms have been agreed in principle between the company's intermediate parent and its lenders but they have not been formally documented and signed. Accordingly, whilst the directors expect that the restructuring will be agreed there is currently no certainty that this will occur. These circumstances indicate the existence of a material uncertainty that casts significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

As the directors expect that negotiations with the intermediate parent's lenders will be satisfactorily concluded, the financial statements have been prepared on a going concern basis.

Depreciation

Compliance with the Statement of Standard Accounting Practice (SSAP 19) "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 2006 relating to depreciation and an explanation for the departure is given below.

Investment properties

In accordance with SSAP 19, investment properties are revalued by the directors annually on an open market basis and independently valued when required by SSAP 19. Any changes in the market value of investment properties are taken to the statement of total recognised gains and losses and transferred to the revaluation reserve, unless a deficit (or its reversal) on an individual investment property is expected to be permanent, in which case it is charged (or credited) to the profit and loss account of the year.

No depreciation is provided in respect of investment properties. The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with SSAP 19 and the director considers that to depreciate would not give a true and fair view.

The depreciation (which would, had the provisions of the Act been followed, have been charged to the profit and loss account) is only one of the factors reflected in the valuation and the amount attributable to this factor cannot reasonably be separately identified or quantified.

Larch Boss Limited (formerly LR Boss Limited)
Notes to the financial statements
for the year ended 30 September 2011

1 Accounting policies (cont)

Deferred taxation

Deferred tax is provided in respect of all timing differences that have originated, but not reversed, at the balance sheet date that give rise to an obligation to pay more or less tax in the future. Deferred tax is not recognised when fixed assets are revalued unless, by the balance sheet date, there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

Deferred tax is measured on a non-discounted basis. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Cash flow statement

The company has taken advantage of the exemption in the Financial Reporting Standards No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is a wholly owned and its ultimate parent publishes a consolidated cash flow statement.

Deferred income

Income from properties is allocated in the year to which it relates, with payments received in advance held as deferred income and credited to the profit and loss when earned.

2 Turnover

Turnover represents rental income, net of value added tax which is recognised over the term of the lease on a straight-line basis.

The total turnover of the company for the year has been derived from its principle activity, wholly undertaken in the UK.

3 Operating profit

| | 2011 £ | 2010 £ |
|---|-----------|-----------|
| Operating profit is stated after charging | | |
| Bad debt write-off | 711,625 | - |
| Auditors' remuneration | - | - |

Auditors' remuneration has been borne by London & Regional Properties Limited

4 Exceptional item

| | 2011 £ | 2010 £ |
|--|------------|-----------|
| Loss in impairment in value of investment properties | 21,053,398 | - |

As a result of the reduced income deriving from the properties, it has been necessary to impair their valuation resulting in an exceptional charge of £21,053,398 in the year.

Larch Boss Limited (formerly LR Boss Limited)
Notes to the financial statements
for the year ended 30 September 2011

5 Directors and employees

The directors did not receive any emoluments in respect of their services to the company (2010 £nil) The company has no employees (2010 nil) other than the directors

The above details of directors emoluments do not include the emoluments that are paid by a related party (which was a fellow subsidiary until 10 June 2011) and recharged to the company as part of a management charge This management charge, which in 2011 amounted to £20,742 (2010 £21,941), also includes a recharge of administration costs borne by the related party on behalf of the company and it is not possible to identify separately the amount of the directors emoluments

6 Tax on (loss)/profit on ordinary activities

No tax has been provided for due to the availability of losses through group relief

Factors affecting tax charge for year

From 01 March 2011 the rate of corporation tax has reduced from 28% to 26%, giving a blended average rate for the year of 27%

The tax assessed for the year is lower (2010 lower) than the blended/standard rate of corporation tax in the UK 27% (2010 28%) The differences are explained below

| | 2011 £ | 2010 £ |
|---|--------------|-----------|
| (Loss)/profit on ordinary activities before taxation | (18,396,674) | 3,236,799 |
| | £ | £ |
| Profit/(loss) on ordinary activities multiplied by the blended/standard rate of corporation tax in the UK of 27% (2010 28%) | (4,967,102) | 906,304 |
| Effects of | | |
| Expenses not deductible for tax purposes | 5,684,417 | - |
| Surrender/(utilisation) of tax losses | (717,315) | (906,304) |
| Total current tax charge for the year | - | - |

The corporation tax charge for the year has been reduced by £717,315 (2010 £906,304) because of losses surrendered by fellow subsidiary undertakings and related parties No payment for this surrender is to be made by the company

Factors that may affect future tax charges

Reductions to the UK corporation tax rate were announced in the March 2011 Budget The changes, which were enacted on 19 July 2011 reduce the rate by 1% per annum to 23% by 1 April 2014 These changes have no impact on these financial statements

7 Dividend Paid

| | 2011 £ | 2010 £ |
|--|-----------|-----------|
| Equity dividends on ordinary shares - interim paid | - | 3,000,000 |

Larch Boss Limited (formerly LR Boss Limited)
Notes to the financial statements
for the year ended 30 September 2011

8 Investment properties

| | Freehold land and buildings £ |
|--|--|
| Valuation | |
| At 1 October 2010 | 35,604,822 |
| Unrealised deficit arising on revaluation | (2,130,952) |
| Impairment in value of investment property | <u>(21,053,398)</u> |
| At 30 September 2011 | <u>12,420,472</u> |
| Cost | 33,473,870 |
| Provision for impairment in value | <u>(21,053,398)</u> |
| | <u>12,420,472</u> |

The investment property was valued by the directors after taking independent advice from a professional valuer on an open market value basis at 30 September 2011. The valuation has been made in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom. The investment properties have been charged to secure the bank loans of a fellow subsidiary.

| 9 Debtors | 2011 £ | 2010 £ |
|---|-------------------|-------------------|
| Trade debtors | <u>-</u> | <u>10,862</u> |
| 10 Creditors amounts falling due within one year | 2011 £ | 2010 £ |
| Amounts owed to group undertakings | 30,330,636 | 32,988,548 |
| Accruals and deferred income | <u>20,334</u> | <u>30,008</u> |
| | <u>30,350,970</u> | <u>33,018,556</u> |

The amounts owed to group undertakings are interest free, payable on demand and unsecured.

| 11 Called up share capital | 2011 £ | 2010 £ |
|---|------------------------|------------------------|
| Authorised 1,000 ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |
| | 2011 Number | 2010 Number |
| Allotted and unpaid Ordinary shares of £1 each | <u>1</u> | <u>1</u> |
| | 2011 £ | 2010 £ |
| | <u>1</u> | <u>1</u> |

| 12 Revaluation reserve | 2011 £ |
|---|--------------------|
| At 1 October 2010 | 2,130,952 |
| Unrealised deficit arising on revaluation | <u>(2,130,952)</u> |
| At 30 September 2011 | <u>-</u> |

Larch Boss Limited (formerly LR Boss Limited)
Notes to the financial statements
for the year ended 30 September 2011

| | |
|-----------------------------------|---------------------|
| 13 Profit and loss reserve | 2011 |
| | £ |
| At 1 October 2010 | 466,175 |
| Loss for the financial year | <u>(18,396,674)</u> |
| At 30 September 2011 | <u>(17,930,499)</u> |

| | | |
|--|---------------------|--------------------|
| 14 Reconciliation of movement in shareholders (deficit)/funds | 2011 | 2010 |
| | £ | £ |
| At 1 October | 2,597,128 | 7,032,455 |
| (Loss)/profit for the financial year | (18,396,674) | 3,236,799 |
| Dividends | - | (3,000,000) |
| Other recognised gains and losses | <u>(2,130,952)</u> | <u>(4,672,126)</u> |
| At 30 September | <u>(17,930,498)</u> | <u>2,597,128</u> |

15 Related party transactions

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8, 'Related Party Disclosures', on the grounds that it was a wholly owned subsidiary of a group headed by Loopsign Limited until 11 June 2011, and that it was a wholly owned subsidiary of a group headed by Larch (Nursing Homes) Holdco Limited thereafter, both of whose financial statements are publicly available

From 11 June 2011 until the end of the year, the company paid management fees of £4,519 to London and Regional Properties Limited, a wholly owned subsidiary of Loopsign Limited

16 Parent undertaking

The immediate parent undertaking is LR Property Holdings Ltd, a company incorporated and registered in Jersey

The ultimate parent undertaking is Larch (Nursing Homes) Holdco Limited (formerly London & Regional (Nursing Homes) Holdco Limited), a company incorporated in England and Wales

Larch (Nursing Homes) Holdco Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements as at 30 September 2011 Larch (Nursing Homes) Holdco Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 30 September 2011 The consolidated financial statements of Larch (Nursing Homes) Holdco Limited can be obtained from the company secretary at

Quadrant House, Floor 6
4 Thomas More Square
London
E1W 1YW

Due to loan covenant breaches the ultimate controlling parties are the lenders to the company's intermediate parent undertaking, Larch (Nursing Homes) Limited