

AMENDING

SIGNATURE SENIOR LIFESTYLE HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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SIGNATURE SENIOR LIFESTYLE HOLDINGS LIMITED

COMPANY INFORMATION

Directors

M E Wills
T B Newell
A G Roche
K J Maddin
W P Pryce
J S Billane

Company secretary

A G Roche

Company number

05608415

Registered office

Shire House
West Common
Gerrards Cross
Buckinghamshire
SL9 7QN

Auditors

PKF (UK) LLP
Pannell House
Park Street
Guildford
Surrey
GU1 4HN

Bankers

Royal Bank of Scotland
1 Spinningfield Square
Manchester
M3 3AP

Bank of Ireland
Bow Bells House
1 Bread Street
London EC4M 9BE

Clydesdale Bank
35 Regent Street
London
SW1Y 4ND

Barclays Private Clients International Limited
Barclays House
Victoria Street
Isle of Man
IM99 1AJ

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COMPANY INFORMATION

Bankers (cont)

Barclays Commercial Bank
Level 27
1 Churchill Place
London
E14 5HP

Solicitors

Eversheds LLP
1 Wood Street
London
EC2V 7WS

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SIGNATURE SENIOR LIFESTYLE HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their annual report and the financial statements for the year ended 31 December 2009

Principal activities

The company acts as the holding company of the Signature group of companies. The company did not trade during the year.

The principal activity of the group is the development and operation of senior living communities providing regulated and other ancillary services within the UK. Operations are regulated by the Care Quality Commission (CQC).

Business Review:

The group's structure facilitates the granting of a major interest from each property company to its respective operating company.

Key points to note

- During the year under review both operational homes increased occupancy in line with expectation and finished the year at or near maturity.
- The group's new registered nursing home in Leicester was certified for practical completion on the 11th of December 2009. The home was delivered within the agreed construction timeframe and budget.
- During the period under review Signature Senior Lifestyle Developments Ltd continued to identify suitable pipeline sites for the further expansion of the group's portfolio.
- The directors have undertaken a detailed review of all developments in progress as at the year end and have made write downs totalling £365,179 (2008 £675,331) representing the foreseeable loss on an abortive planning application.
- As part of the year end process the directors carried out a review of the group's property portfolio and considered it appropriate to recognise aggregate impairments across two properties totalling £6,524,186.
- The directors also consider that it is no longer appropriate to carry any negative goodwill relating to the original acquisition of Signature Loxley Park on the balance sheet and have subsequently decided to write off the year end value of £191,955.

The core activities underlying the strategy of the business are

- 1 The sourcing of appropriate sites suitable for development
- 2 The development of premium nursing home facilities within targeted locations
- 3 The managed letting of the accommodation with the provision of care services

The risks associated with such activities may be quantified as follows

- 1 Investment in development sites where satisfactory planning approval is ultimately not achieved
- 2 The monitoring and control of development expenditure against agreed budgeted levels
- 3 Movements in economic conditions that directly affect the returns of individual developments such as bank interest rates and build cost inflation
- 4 Access to appropriate development capital
- 5 Achieving satisfactory levels of occupancy post construction

Such risks are continually under review and the Board is comprised of directors with direct relevant experience from within the property development and care industries. The Board has therefore ensured that the Group has entered into appropriately structured agreements with other specialists such as experienced site finders, property developers and providers of development capital. The Board ensures that all of these specialists are

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fully engaged with the project from the outset and that the contracts ensure that those specialists have a

vested interest in the project successfully completing and sharing the risks of non-delivery. Furthermore, through experienced project management teams and appropriate systems the Board appraises all projects on a monthly basis and takes remedial action as required.

The Board considers the following key performance indicators as the most relevant to the group:

- 1 No. of sites with satisfactory planning consent
- 2 No. of sites under construction
- 3 The total development cost per square foot
- 4 Average weekly fee achieved
- 5 Average occupancy levels
- 6 Loan to value headroom
- 7 Interest cover headroom and debt service cover headroom

These indicators are monitored on a monthly basis by the Board to ensure that they are consistent with the stage of the group's development.

Results

The loss for the year, after taxation and exceptional costs of £6,697,410, amounted to £14,323,855 (2008 loss £8,670,997).

Post balance sheet events

As set out in note 30, after the year end, the company entered into a sale and lease back agreement in respect of its Loxley Park and Miramar properties. The sale and lease back provides the group with a favourable 35 year lease. In addition to the certainty which the lease terms provide, the directors believe that there is substantial value in the 35 year operating leases now in place at both properties and it is their intention to evaluate and reflect this value when finalising the statutory accounts for the 12 month period ending 31st December 2010.

Directors

The directors who served during the year were:

M E Wills (resigned 14 May 2010)
T B Newell
A G Roche
K J Maddin
W P Pryce (appointed 1 March 2009)
J S Billane (appointed 1 March 2009)

Political and charitable contributions

During the year the group made charitable donations totalling £607 (2008 £2,739).

Financial instruments

The group has entered into fixed interest arrangements in the form of unsecured deep discount loan notes and unsecured management loan notes all of which mature on 27 January 2016.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position.

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Provision of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditors in connection with preparing their report and to establish that the company and the group's auditors are aware of that information

This report was approved by the board on 21st SEPTEMBER 2010 and signed on its behalf



A G Roche
Director

SIGNATURE SENIOR LIFESTYLE HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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 the group and of the profit or loss of the group 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SIGNATURE SENIOR LIFESTYLE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIGNATURE SENIOR LIFESTYLE HOLDINGS LIMITED

We have audited the financial statements of Signature Senior Lifestyle Holdings Limited for the year ended 31 December 2009 which comprise the consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cash flow statement 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).

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 auditors' 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

As explained more fully in the Statement of Directors' Responsibilities, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

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 group's and the parent 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 financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- 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.

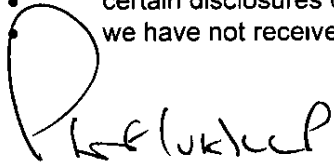
SIGNATURE SENIOR LIFESTYLE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIGNATURE SENIOR LIFESTYLE HOLDINGS LIMITED

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



R Whitlock (Senior Statutory Auditor)

for and on behalf of PKF (UK) LLP, Statutory auditors

Guildford
Date

22 September 2010

SIGNATURE SENIOR LIFESTYLE HOLDINGS LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 £	2008 £
TURNOVER	1,2	4,039,967	2,885,362
Cost of sales		<u>(2,582,233)</u>	<u>(2,272,773)</u>
GROSS PROFIT		1,457,734	612,589
Administrative expenses		(3,168,986)	(3,874,105)
Exceptional administrative expenses	9	(365,179)	(675,331)
Total administrative expenses		(3,534,165)	(4,549,436)
Other operating income	3	6,777	-
Other exceptional items	9	(6,332,231)	-
OPERATING LOSS	4	(8,401,885)	(3,936,847)
Interest receivable		6,153	97,254
Interest payable	8	(5,928,153)	(4,844,359)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(14,323,885)	(8,683,952)
Tax on loss on ordinary activities	10	-	12,955
LOSS FOR THE FINANCIAL YEAR	20	(14,323,885)	(8,670,997)

All amounts relate to continuing operations

There were no recognised gains and losses for 2009 or 2008 other than those included in the profit and loss account

The notes on pages 11 to 28 form part of these financial statements

SIGNATURE SENIOR LIFESTYLE HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009

	Note	£	2009 £	£	2008 £
FIXED ASSETS					
Intangible fixed assets	11		82,372		(72,706)
Tangible fixed assets	12		<u>44,366,888</u>		<u>42,194,402</u>
			44,449,260		42,121,696
CURRENT ASSETS					
Stocks and work in progress	14	24,454		297,585	
Debtors	15	991,283		1,051,013	
Cash at bank and in hand		<u>2,879,933</u>		<u>3,658,566</u>	
		3,895,670		5,007,164	
CREDITORS: amounts falling due within one year	16	<u>(16,755,709)</u>		<u>(7,921,656)</u>	
NET CURRENT LIABILITIES			<u>(12,860,039)</u>		<u>(2,914,492)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			31,589,221		39,207,204
CREDITORS: amounts falling due after more than one year	17		<u>(64,508,279)</u>		<u>(57,802,771)</u>
NET LIABILITIES			<u>(32,919,058)</u>		<u>(18,595,567)</u>
CAPITAL AND RESERVES					
Share capital	19		4,366		3,972
Profit and loss account	20		<u>(32,923,424)</u>		<u>(18,599,539)</u>
SHAREHOLDERS' DEFICIT	21		<u>(32,919,058)</u>		<u>(18,595,567)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21st SEPTEMBER 2010


A G Roche
Director

The notes on pages 11 to 28 form part of these financial statements

SIGNATURE SENIOR LIFESTYLE HOLDINGS LIMITED

**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2009**

	Note	£	2009 £	£	2008 £
FIXED ASSETS					
Investments	13		2		2
CURRENT ASSETS					
Debtors	15	120		154	
Cash at bank		<u>4,220</u>		<u>3,877</u>	
		4,340		4,031	
CREDITORS: amounts falling due within one year	16	<u>(26)</u>		<u>(26)</u>	
NET CURRENT ASSETS			<u>4,314</u>		<u>4,005</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,316</u>		<u>4,007</u>
CAPITAL AND RESERVES					
Share capital	19		4,366		3,972
Profit and loss account	20		<u>(50)</u>		<u>35</u>
SHAREHOLDERS' FUNDS	21		<u>4,316</u>		<u>4,007</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21st SEPTEMBER 2010



A G Roche
Director

The notes on pages 11 to 28 form part of these financial statements

SIGNATURE SENIOR LIFESTYLE HOLDINGS LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 £	2008 £
Net cash outflow from operating activities	22	(875,666)	(2,871,598)
Returns on investments and servicing of finance	23	(473,679)	(769,119)
Capital expenditure and financial investment	23	(9,466,410)	(16,175,552)
CASH OUTFLOW BEFORE FINANCING		(10,815,755)	(19,843,269)
Financing	23	10,160,344	22,743,404
(DECREASE)/INCREASE IN CASH IN THE YEAR		(655,411)	2,900,135

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009 £	As restated 2008 £
(Decrease)/Increase in cash in the year	(655,411)	2,900,135
Cash inflow from increase in debt and lease financing	(9,683,959)	(21,573,497)
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	(10,339,370)	(18,673,362)
Rolled up interest	(5,924,313)	(5,119,240)
MOVEMENT IN NET DEBT IN THE YEAR	(16,263,683)	(23,792,602)
Net debt at 1 January 2009	(60,243,703)	(36,451,101)
NET DEBT AT 31 DECEMBER 2009	(76,507,386)	(60,243,703)

The notes on pages 11 to 28 form part of these financial statements

The comparative figures in the reconciliation of net cash flow to the movement in net debt have been restated to better reflect the treatment of rolled up interest. This representation has not altered the net debt reported in the previous year.

SIGNATURE SENIOR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with applicable accounting standards

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account for Signature Senior Lifestyle Holdings Limited is not presented. The company's loss for the year is disclosed in note 21

At the balance sheet date, the group had net liabilities of £32,919,058 (2008 £18,595,567). The group is a party to loan note facilities provided by its principal shareholder, CS Capital Partners II LP of up to £50 million, with a redemption date of 27 January 2016, of which £7.45 million (2008 £12.15 million) of this loan facility remains available to the group. The group has obtained a letter from the loan note provider confirming that they are not aware of any reasons why they would withdraw or reduce this facility. Although there can be no absolute certainty that this facility will be available throughout the next twelve months, the directors have no reason to believe that the support will be withdrawn.

In addition, after the end of the year, and as reported in note 30, as part of a refinancing plan, the group sold its interests in Signature at Loxley Park (Property) Ltd and Signature at the Miramar (Property) Ltd and is leasing back the underlying property. This has enabled the group to reduce its debt facilities by £14.871 million and introduces net new cash of circa £2.2 million to the group.

Based on the availability of this facility, the reduction in the group's indebtedness after the year end and the strong occupancy levels at the group's operational sites, the Board is satisfied that it is appropriate to prepare the financial statements on the basis that the group is a going concern.

1.2 Basis of consolidation

The financial statements consolidate the accounts of Signature Senior Lifestyle Holdings Limited and all of its subsidiary undertakings ('subsidiaries').

The acquisition method of accounting has been adopted. Under the acquisition method the results of subsidiary undertakings acquired or disposed of in a period are included in the consolidated profit and loss accounts from the date of acquisition or up to the date of disposal.

1.3 Turnover

Turnover comprises fees receivable from the group's principal activity of operating senior living communities that provide regulated and other ancillary services within the UK, exclusive of Value Added Tax and trade discounts. Turnover is recognised in the period to which it relates.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1.4 Intangible fixed assets and amortisation

Intangible assets are stated at cost less amortisation. Intangible assets are amortised over the directors' estimate of the asset's useful economic life of 5 or 20 years.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired), both positive and negative, arising in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. Negative goodwill arising on consolidation in respect of acquisitions is included in fixed assets and released to the profit and loss account in the periods in which fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale. Negative goodwill arising in respect of monetary assets is released when those assets are realised.

1.5 Investments

In the company's financial statements, investments in subsidiaries are valued at cost less provision for impairment.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Buildings	-	2%	straight line
Motor vehicles	-	25%	reducing balance
Furniture, fittings & equipment	-	16.67 - 33.33%	straight line

Depreciation is not charged on freehold land.

Assets under construction are carried at cost or valuation at the balance sheet date and are not depreciated.

A full valuation is obtained from a qualified valuer for each completed property every five years, with an interim valuation three years after the previous full valuation and in any year where it is likely that there has been a material change in value.

1.7 Capitalised interest

Capitalised within assets under the course of construction are finance costs relating to loans taken out in order to finance the purchase and development of assets. Finance costs are capitalised during the period in which expenditure on the development of an asset is being incurred. Capitalisation is suspended if active development is interrupted and is stopped once the asset is substantially ready for use.

1.8 Finance leases and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1. ACCOUNTING POLICIES (continued)

1.9 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.10 Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks

Work in progress relates to the direct costs including options over land and buildings, legal and professional fees and other consultancy fees incurred in respect of potential development sites, which the company is currently investigating for other group companies. Provision is made in respect of costs incurred where site acquisition and appraisal is or is more likely than not to be aborted

1.11 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if 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 assets and liabilities are calculated at the tax rates expected to be effective when the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.12 Financial instruments

The discount on the issue of deep discounted bonds is recognised within interest payable at a constant rate of return over the life of the bond, the amount due is rolled up in the bond and shown as creditor due after more than one year

The interest on the unsecured loan notes is recognised within interest payable at a constant rate of return over the life of the bond, the amount due is rolled up in the bond and shown as a creditor due after more than one year

2. TURNOVER

All turnover arose within the United Kingdom and is derived from the group's principal activity

3. OTHER OPERATING INCOME

	2009	2008
	£	£
Sundry income	6,777	-

The sundry income relates to a supplement on VAT that was repaid to the group

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

4 OPERATING LOSS

The operating loss is stated after charging/(crediting)

	2009	2008
	£	£
Amortisation – intangible fixed assets	36,877	36,878
Depreciation of tangible fixed assets		
- owned by the group	610,921	601,632
Operating lease rentals		
- plant and machinery	8,273	4,440
- other operating leases	33,750	77,000
Loss on disposal of a fixed asset	158,817	62,472
Exceptional costs (note 9)	6,697,410	675,331

Amortisation of intangibles includes a credit of £11,997 (2008 £11,997) for negative goodwill and a charge of £48,874 (2008 £48,875) for intellectual property

5. AUDITORS' REMUNERATION

	2009	2008
	£	£
Fees payable to the company's auditor for the audit of the group and other group companies' annual accounts	76,000	74,500
Fees payable to the company's auditor and its associates in respect of other services relating to taxation	20,000	20,000

6. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2009	2008
	£	£
Wages and salaries	2,966,970	3,031,382
Social security costs	221,222	265,689
	3,188,192	3,297,071

The average monthly number of employees, including the directors, during the year was as follows

	2009	2008
	No.	No
Nursing home operations	176	146
Administration	10	13
	186	159

There were no employees in the parent company other than the directors and they were not paid any remuneration from this company (2008 £Nil)

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

7 DIRECTORS' REMUNERATION

	2009	2008
	£	£
Emoluments	577,450	503,289

The highest paid director received remuneration of £136,469 (2008 £235,252)

8. INTEREST PAYABLE

	2009	2008
	£	£
On bank loans and overdrafts	479,832	893,373
On unsecured deep discount bonds 2016	5,356,294	4,090,948
On unsecured loan notes 2016	92,027	(139,962)
	5,928,153	4,844,359

During 2008 unsecured loan notes held by certain directors of the company were redeemed and the accumulated interest was waived, giving rise to a credit of £139,962

No unsecured loan notes were redeemed in 2009 and there was no waiver of any interest

9. EXCEPTIONAL ITEMS

	2009	2008
	£	£
Write off of work in progress	365,179	675,331
Impairment of land and buildings	6,524,186	-
Impairment of negative goodwill (note 11)	(191,955)	-

The write off of developments sites in work in progress relate to developments in progress for which planning permission was rejected, or for those developments which the directors no longer consider viable

The impairment of land and buildings relates to the fair value adjustment to two properties held within the group

The above items have been taken into account when calculating the group's loss allowable for corporation tax purposes

SIGNATURE SENIOR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

10 TAXATION

	2009 £	2008 £
Analysis of tax charge in the year	-	-
Deferred tax (see note 18)		
Origination and reversal of timing differences	-	(12,955)
Tax on loss on ordinary activities	-	(12,955)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2008 higher than) the standard rate of corporation tax in the UK (28%) The differences are explained below

	2009 £	2008 £
Loss on ordinary activities before tax	(14,323,885)	(8,683,952)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 28%)	(4,010,688)	(2,431,507)
Effects of:		
Expenses not deductible for tax purposes	1,829,781	20,483
Depreciation for year in excess of capital allowances	149,566	166,982
Utilisation of tax losses	(226,068)	(171,018)
Current year losses carried forward	2,257,888	2,111,455
Non-taxable income	(479)	303,605
Current tax charge for the year (see note above)	-	-

Factors that may affect future tax charges

The group has losses available for use against profits in future periods of approximately £22,832,000 (2008 £16,040,000) Deferred taxation of £6,393,100 (2008 £4,491,200) in relation to the losses has not been recognised on the grounds that there is not sufficient evidence that the asset will be recoverable

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

11. INTANGIBLE FIXED ASSETS

Group	Intellectual property £	Goodwill £	Total £
Cost			
At 1 January 2009	247,866	(239,943)	7,923
Impairment charge	-	191,955	191,955
At 31 December 2009	247,866	(47,988)	199,878
Amortisation			
At 1 January 2009	116,620	(35,991)	80,629
Charge for the year	48,874	(11,997)	36,877
At 31 December 2009	165,494	(47,988)	117,506
Net book value			
At 31 December 2009	82,372	-	82,372
At 31 December 2008	131,246	(203,952)	(72,706)

At the year end the directors carried out a review of the underlying business and assets which formed part of the acquisition of Loxley Park and Miramar in 2005 and concluded that due to changes in the nature of the business, model, the profile of the remaining assets and economic circumstances, it is no longer appropriate to continue to carry the negative goodwill and, consequently, the amount has been written off

SIGNATURE SENIOR LIFESTYLE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

12. TANGIBLE FIXED ASSETS

Group	Land and Buildings £	Motor Vehicles £	Furniture, Fittings and Equipment £	Total £
Cost or valuation				
At 1 January 2009	42,042,225	78,853	1,204,368	43,325,446
Additions	9,140,864	26,677	412,390	9,579,931
Disposals	(278,082)	-	(12,945)	(291,027)
Transfer between classes	(521,394)	-	521,394	-
Impairment charge	(6,524,186)	-	-	(6,524,186)
At 31 December 2009	43,859,427	105,530	2,125,207	46,090,164
Depreciation				
At 1 January 2009	589,522	29,132	512,390	1,131,044
Charge for the year	428,872	12,431	169,618	610,921
On disposals	(16,533)	-	(2,156)	(18,689)
At 31 December 2009	1,001,861	41,563	679,852	1,723,276
Net book value				
At 31 December 2009	42,857,566	63,967	1,445,355	44,366,888
At 31 December 2008	41,452,703	49,721	691,978	42,194,402

Included within land and buildings is freehold land at cost of £14,176,432 (2008 £15,132,739), which is not subject to depreciation

Included within land and buildings are capitalised finance costs of £513,631 (2008 £143,954), which have been capitalised in line with the rates in the loan agreement, namely 1.75% above the hedged rate of 4.61%

There has been a transfer of assets between assets under construction and furniture, fixtures and fittings of £521,394 (2008 £Nil). They relate to the value of assets included within construction reports, which have subsequently been realised to be furniture, fixtures and equipment, and hence transferred

For security purposes and ensuring ongoing compliance with banking covenants, the directors have either commissioned desk top valuations of its property interests or been provided with copies of bank valuation reports. The valuations consider a range of outcomes and metrics.

The directors carried out a review of the group's property portfolio, including assets in the course of construction and, due to the continuing market conditions, have considered it appropriate to recognise aggregate impairments of £6,524,186.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

13. FIXED ASSET INVESTMENTS

Company	Shares in group undertakings £
Cost or valuation	
At 1 January 2009 and 31 December 2009	<u>2</u>
Details of the principal subsidiaries can be found under note 30	

14. STOCKS AND WORK IN PROGRESS

	Group	Group
	2009	2008
	£	£
Work in progress	18,489	289,525
Consumables	5,965	8,060
	<u>24,454</u>	<u>297,585</u>

15. DEBTORS

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Trade debtors	247,438	174,157	-	-
Prepayments and accrued income	128,361	34,964	-	-
Other debtors	615,484	841,892	120	154
	<u>991,283</u>	<u>1,051,013</u>	<u>120</u>	<u>154</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

16. CREDITORS:
Amounts falling due within one year

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Bank loans and overdrafts	15,392,671	6,127,758	-	-
Trade creditors	545,406	1,028,420	-	-
Amounts owed to group undertakings	-	-	26	26
Social security and other taxes	90,865	259,803	-	-
Other creditors	136,384	126,892	-	-
Accruals and deferred income	590,383	378,783	-	-
	16,755,709	7,921,656	26	26

Included in bank loans and overdrafts above totalling £15,392,671 (2008 £6,127,758) are loans repayable as follows

There is a term loan facility of £5,891,000, of which £5,891,000 (2008 £5,890,353) has been drawn down at the balance sheet date. Interest was charged at the Bank of England base rate plus 2.25% per annum until July 2009 and at LIBOR plus 3% plus any mandatory compliance cost thereafter and is payable quarterly in arrears.

A term loan facility of £1,665,000 on which interest was charged at a fixed rate plus 1.75% payable monthly in arrears. From 1 August interest was payable quarterly, charged at 2.64% and changed to LIBOR plus 1.75% from the end of October until the end of the year.

A bridging term loan facility of £7,722,488 (2008 £8,200,000), of which £7,722,488 (2008 £7,660,097) has been drawn down, where interest is charged at Bank of England base rate plus 1.75% per annum and is payable monthly in arrears.

The bank loans are secured by a first legal charge and mortgage debenture over the properties owned by the company.

As reported in note 30 after the balance sheet date, the group settled facilities totalling £14.871m.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

17. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Bank loans	12,077,658	12,805,843	-	-
Unsecured loan notes 2016	858,932	766,905	-	-
Unsecured deep discounted bonds 2016	51,058,058	44,201,763	-	-
Accruals	513,631	28,260	-	-
	64,508,279	57,802,771	-	-

Included in bank loans and overdrafts above totalling £12,077,658 (2008 £12,805,843) are loans repayable as follows

A further term loan facility of £15,100,000 (2008 £15,100,000), of which £12,591,289 (2008 £3,509,006) has been drawn down at the balance sheet date. Included within this balance is £513,631 (2008 28,260) of capitalised interest. Interest will be capitalised until 31st March 2010 at a 1.75% margin above the hedged rate of 4.61%. From the 1st April 2011 retrospective quarterly capital repayments of £112,500 are due in addition to the ongoing interest charge. Interest on the loan facility has been hedged by way of an interest rate swap agreement for the full term at 4.61%.

The remaining balance of £9,325,097 in 2008 has been classified as current in 2009, and the details are included above in note 16.

All bank borrowings are secured by a first legal charge over the company's property and associated assets.

During the year, a subsidiary company approved unsecured deep discounted bonds up to a nominal value of £3,099,289 (2008 £44,327,846), which were issued at a discount of £1,599,289 (2008 £25,927,846). The finance cost of £5,356,295 (2008 £4,090,948) charged to the profit and loss account within interest payable comprises the proportion of the discount that relates to the year. Also during the prior year, the same company approved and issued unsecured loan notes with a value of £100,000 and loan notes to the value of £890,000 were redeemed. In 2009 no further unsecured loan notes were issued or redeemed. Under the terms of the loan notes, interest on new and existing loan notes is rolled up and is not payable until maturity. The interest rolled up and included above in respect of the loan notes amounts to £92,027 (2008 £191,905) at the year end. The total rolled up interest on the loan notes and deep discounted bonds at the year end amounted to £12,491,990 (2008 £7,043,669).

The discount on issue of unsecured loan notes is accrued using the effective interest method over the period of the loan. The loan notes are repayable at nominal value on 27 January 2016.

Creditors include amounts not wholly repayable within 5 years as follows

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Repayable other than by instalments	51,916,990	44,968,668	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

18. DEFERRED TAXATION

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
At beginning of year	-	12,955	-	-
Released during the year	-	(12,955)	-	-
At end of year	-	-	-	-

19. SHARE CAPITAL

	2009	2008
	£	£
Allotted, called up and fully paid		
411,606 (2008 372,194) Ordinary Class A shares of 1p each	4,116	3,722
25,000 Ordinary Class B shares of 1p each	250	250
	4,366	3,972

During the year the company issued and allotted 39,412 (2008 165,323) A Ordinary shares of 1p each for a consideration of 1p each

The shares do not have a right to dividends until the A shareholders have achieved an agreed return of 25% The A shares have preference over the B shares in the event of a winding up Both classes of share are entitled to receive notice of and attend general meetings but only A shareholders are entitled to vote

20. RESERVES

	Profit and loss account £
Group	
At 1 January 2009	(18,599,539)
Loss for the financial year	(14,323,885)
At 31 December 2009	(32,923,424)
Company	
At 1 January 2009	35
Loss for the financial year	(85)
At 31 December 2009	(50)

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

21. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2009	2008
	£	£
Group		
Opening shareholders' deficit	(18,595,567)	(9,926,223)
Loss for the year	(14,323,885)	(8,670,997)
Shares issued during the year	394	1,653
	<hr/>	<hr/>
Closing shareholders' deficit	(32,919,058)	(18,595,567)
	<hr/>	<hr/>
	2009	2008
	£	£
Company		
Opening shareholders' funds	4,007	2,329
Loss for the year	(85)	25
Shares issued during the year	394	1,653
	<hr/>	<hr/>
Closing shareholders' funds	4,316	4,007
	<hr/>	<hr/>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account

The loss for the year dealt with in the accounts of the company was £85 (2008 £25)

22. NET CASH FLOW FROM OPERATING ACTIVITIES

	2009	2008
	£	£
Operating loss	(8,401,885)	(3,936,847)
Impairment of land and buildings	6,524,186	36,878
Impairment of goodwill	(191,955)	-
Amortisation of intangible fixed assets	36,877	36,878
Depreciation of tangible fixed assets	610,921	601,632
Loss on disposal of tangible fixed assets	158,817	62,472
Decrease in stocks	273,131	735,403
Decrease/(increase) in debtors	59,730	(87,341)
Increase in creditors	54,512	4,941
Decrease in provisions	-	(288,736)
	<hr/>	<hr/>
Net cash outflow from operations	(875,666)	(2,871,598)
	<hr/>	<hr/>

SIGNATURE SENIOR LIFESTYLE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

23. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2009	2008
	£	£
Returns on investments and servicing of finance		
Interest received	6,153	97,254
Interest paid	(479,832)	(893,373)
Net cash outflow from returns on investments and servicing of finance	(473,679)	(796,119)
	2009	2008
	£	£
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(9,579,931)	(16,175,552)
Sale of tangible fixed assets	113,521	-
Net cash outflow from capital expenditure	(9,466,410)	(16,175,552)
	2009	2008
	£	£
Financing		
Issue of ordinary shares	394	1,653
Issue of unsecured deep discount bonds 2016	1,500,000	18,400,000
Draw down of bank loan	8,659,950	5,137,180
Repayment of other loans	-	(790,000)
Repayment of finance leases	-	(5,429)
Net cash inflow from financing	10,160,344	22,743,404

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

24. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2009 £	Cash flow £	Rolled up interest £	31 December 2009 £
Cash at bank and in hand	3,658,566	(778,633)	-	2,879,933
Bank overdraft	(237,405)	123,222	-	(114,183)
	<hr/> 3,421,161	<hr/> (655,411)	<hr/> -	<hr/> 2,765,750
Debt:				
Debts due within one year	(5,890,353)	(8,912,144)	(475,991)	(15,278,488)
Debts falling due after more than one year	(12,805,843)	728,185	-	(12,077,658)
Unsecured loan notes and deep discount bonds	(44,968,668)	(1,500,000)	(5,448,322)	(51,916,990)
	<hr/> (63,664,864)	<hr/> (9,683,959)	<hr/> (5,924,313)	<hr/> (79,273,136)
Net debt	<hr/> (60,243,703)	<hr/> (10,339,370)	<hr/> (5,924,313)	<hr/> (76,507,386)

25. CAPITAL COMMITMENTS

At 31 December the group had capital commitments as follows

	2009 £	Group 2008 £
Contracted for but not provided in these financial statements	1,267,680	10,732,521

Capital commitments were incurred in respect of development costs

26. OPERATING LEASE COMMITMENTS

At 31 December the Group had annual commitments under non-cancellable operating leases as follows

	Land and Buildings 2009 £	2008 £	Other 2009 £	2008 £
Group				
Expiry date:				
Between 2 and 5 years	33,750	77,000	7,146	4,440

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

27. TRANSACTIONS WITH DIRECTORS

During the year the directors had subscribed to unsecured loan notes. The amount in respect of each director and interest accrued is as follows:

Director	Loan notes at 31 December 2009 £	Interest accrued at 31 December 2009 £	Loan notes at 31 December 2008 £	Interest accrued at 31 December 2008 £
M Wills	400,000	224,346	400,000	157,453
T Newell	100,000	17,521	100,000	4,930
A Roche	75,000	42,065	75,000	29,522
	575,000	283,932	575,000	191,905

28. RELATED PARTY TRANSACTIONS

During the year, the company issued unsecured deep discount loan notes to CS Capital Partners II L P to the value of £1,500,000 (2008: £18,400,000). At the year end, £51,058,058 (2008: £44,201,763) including accrued interest was owed by the company.

CS Capital Partners II L P are the controlling party of the Signature Group.

As permitted by FRS 8 'Related Party Disclosures', the financial statements do not disclose transactions with other group entities where more than 100% of the voting rights are controlled by the group and consolidated financial statements of the group are publicly available.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

29. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Description
Signature Senior Lifestyle Finance Ltd	England and Wales	100	Group finance
Signature Senior Lifestyle Ltd	England and Wales	100	Provision of group administration and support services
Signature Senior Lifestyle Developments Ltd	England and Wales	100	Identify and evaluate new sites
Signature Senior Lifestyle Investment Management Ltd	England and Wales	100	Provision of investment management services to the Signature Group
Signature Senior Lifestyle Operations Ltd	England and Wales	100	Provision of a composite supply of welfare services to Signature of Leicester (Operations) Ltd
Signature at Loxley Park (Property) Ltd	England and Wales	100	Grant long term interest in property to subsidiary operating company
Signature at Loxley Park (Operations) Ltd	England and Wales	100	Care home operator
Signature at Loxley Park (Homecare) Ltd	England and Wales	100	Provision of domiciliary care services
Signature at the Miramar (Property) Ltd	England and Wales	100	Grant long term interest in property to subsidiary operating company
Signature at the Miramar (Operations) Ltd	England and Wales	100	Nursing home operator
Signature at Leicester (Property) Guernsey Ltd	England and Wales	100	Development of a care home
Signature of Leicester (Operations) Ltd	England and Wales	100	Nursing home operator
Signature of Nottingham (Property) Guernsey Ltd	England and Wales	100	Development of a care home
Signature of Hindhead (Property) Guernsey Ltd	England and Wales	100	Development of a care home
Signature at the Miramar (Homecare) Ltd	England and Wales	100	Dormant

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

29. PRINCIPAL SUBSIDIARIES (con't)

All principal subsidiaries have been included within these consolidated accounts. Signature at the Miramar (Homecare) Limited has not been audited as it is dormant, with aggregate share capital and reserves of £nil.

Signature Senior Lifestyle Holdings Limited owns the entire Ordinary share capital of Signature Senior Lifestyle Finance Limited, and is the ultimate parent of all the subsidiaries directly and indirectly owned by Signature Senior Lifestyle Finance Limited.

30. POST BALANCE SHEET EVENTS

On 26 March 2010 Signature Senior Lifestyle Investment Management Limited issued 77,000 new shares at par. This was satisfied by the conversion of the capital contribution of £47,000 and £30,000 of cash.

After the balance sheet date, but before these accounts were approved, M. Wills, one of the directors, agreed to redeem his £400,000 of unsecured loan notes at a discount of 50% on his exit from the group and interest accrued as at 31 December 2009 of £224,346 will be waived. The repayment of £200,000 occurred in 2010.

On the 13 August 2010 and the 20 August 2010, Signature Senior Lifestyle Finance Limited disposed of its interest in Signature at Loxley Park (Property) Limited and Signature at the Miramar (Property) Limited, respectively. The combined initial consideration of £17.725m, for the sale of the whole of the issued share capital in both companies, was primarily used to discharge total bank indebtedness of £14.871m and realised circa £2.2m of net cash proceeds to Signature Senior Lifestyle Finance Ltd. Further deferred consideration may be receivable in due course.

Immediately prior to the sale of both companies the entire share capital of their subsidiary undertakings, Signature at Loxley Park (Operations) Limited and Signature at Loxley Park (Homecare) Limited, Signature at the Miramar (Operations) Limited and Signature at the Miramar (Homecare) Limited, were transferred to Signature Senior Lifestyle Finance Limited at book value. The sale and lease back of the Loxley and Miramar properties referred to above provides the group with a favourable 35 year lease. In addition to the certainty which the lease terms provide, the directors believe that there is substantial value in the 35 year operating leases now in place at both properties and it is their intention to evaluate and reflect this value when finalising the statutory accounts for the 12 month period ending 31st December 2010.

31. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is considered by the directors to be John Van Deventer.