Barchester HoldCo Limited

Directors' report and consolidated financial statements

Registered number 05843985

31 December 2009

Contents

Company Information

Directors	David Duncan Michael Parsons
Secretary	Jon Hather
Registered office	Suite 201 The Chambers Chelsea Harbour London SW10 0XF
Auditors	KPMG LLP Plym House 3 Longbridge Road Marsh Mills Plymouth PL6 8LT
Solicitors	Berwin Leighton Paisner Adelaide House London Bridge London EC4R 9HA
Bankers	The Royal Bank of Scotland plc London Corporate Services 2½ Devonshire Square London EC2M 4XJ
Registered number	05843985

Directors' report

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

Principal activity

The principal activity of the Company is that of a holding company The company also holds the debt drawn down as a result of the refinancing in 2006

Business review

The directors are satisfied with the result for the year Details of the result for the year are set out in the profit and loss account on page 7

Barchester HoldCo Limited has one subsidiary, Bluehood Limited which owns a large proportion of properties of the Barchester Group

Bluehood Limited rents the properties, through an internal lease arrangement to Barchester Healthcare Homes Limited (operating company), who then operates the trade from the properties

Given all of the debt is hedged the main risk that the Bluehood group faces is that BHHL could not pay its rent

Set out below are the risks that BHHL faces

The operating company operates under the Barchester brand Barchester's primary activity is the provision of residential nursing care for the elderly The group also provides nursing care services to individuals with specialist higher acuity care needs Specialist care services include elderly mentally infirm and young physically disabled and there is a strategy of seeking to establish further specialist care provision

Barchester commands a leading position in the UK long term care sector and is in the UK's top four largest providers The Group provides in excess of 11,000 registered beds spread across its portfolio of 175 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 key performance 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 cost and
- Ratings by the Care Quality Commission (formerly known as Commission for Social Care and Inspection)

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

Following an external professional valuation carried out during the year, an impairment of £22 281 000 has been recognised in the profit and loss account in relation to 57 homes This impairment charge relates to a reduction in market value below net book value of tangible fixed assets as a result of current economic climate and perceived trading potential On the remaining portfolio, the valuation resulted in an uplift of £6 575 000 and impairments of £14,182,000, the net effect of £7,607,000 impairment which has been reflected in the revaluation reserve

Key risks and uncertainties

The Board of Directors has a well established process for identifying business risks, evaluating controls and establishing and executing action plans

Directors' report *(continued)*

The Board considers that the key risk and uncertainty facing the Company and hence Group is fluctuations in interest rates and breaches in loan covenants given its level of gearing. However, the Company has 93% of its borrowings hedged which mitigates the risk of any increase in interest rates. This, together with the strong UK demographics supporting ongoing trading should insulate the Company from the current difficult banking conditions. There have been no instances of breaches during the current year and none are forecast in the future.

Financial instruments

Treasury policy is that deposits will only be made and other financial instruments entered into with bank counterparties, which have been approved by the Board.

Dividends

The directors do not recommend the payment of a dividend *(2008: £nil)*

Future prospects

The directors expect the Company to maintain its current performance.

Directors and directors' interests

The directors who held office during the year were as follows:

David Duncan
Michael Parsons

Political and charitable donations

The Company made no political or charitable donations during the year *(2008: £nil)*

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG will therefore continue in office.

By order of the board

J Hather
Secretary

Suite 201
The Chambers
Chelsea Harbour
London
SW10 0XF

30 June 2010

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and company and to prevent and detect fraud and other irregularities

KPMG

KPMG LLP
Plym House
3 Longbridge Road
Plymouth
PL6 8LT
United Kingdom

Independent auditors' report to the members of Barchester Holdco Limited

We have audited the financial statements of Barchester Holdco Limited for the year ended 31 December 2009 set out on pages 7 to 22 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 UK Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report to the members of Barchester Holdco Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made or
- we have not received all the information and explanations we require for our audit

Ian J Brokenshire

Ian J Brokenshire (Senior Statutory Auditor)
for and on behalf of KPMG, Statutory Auditor
Chartered Accountants
3 Longbridge Road
Plymouth
PL6 8LT

30 June 2010

Consolidated profit and loss account

for the year ended 31 December 2009

	Note	2009 £000	2008 £000
Group turnover	*1*	**69,695**	68,098
Cost of sales	*2*	**(35,222)**	(14,169)
Group gross profit and operating profit		**34,473**	53,929
Profit on sale of fixed assets		**4**	-
Interest receivable and similar income	*4*	**9**	72
Interest payable and similar charges	*4*	**(62,270)**	(62,798)
Loss on ordinary activities before taxation	*2*	**(27,784)**	(8,797)
Tax on loss on ordinary activities	*5*	**(1,341)**	(1,435)
Loss for the financial year	*11*	**(29,125)**	(10,232)

All items related to continuing operations

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 December 2009

	Group 2009 £000	Group 2008 £000
Loss for the financial year	**(29 125)**	(10 232)
Unrealised surplus on revaluation of properties	**6,575**	35 456
Impairment of previously revalued properties	**(14,182)**	-
Total recognised gains and losses relating to the financial year	**(36,732)**	25 224

Reconciliation of movement in shareholders' funds
for the year ended 31 December 2009

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Loss for the financial year	**(29,125)**	(10 232)	**(28)**	(30)
Revaluation of properties	**6,575**	35 456	-	-
Impairment of properties	**(14,182)**	-	-	-
Equity shareholders funds at start of year	**18,744**	(6 180)	**(76)**	(16)
Equity shareholder's (deficit)/funds at end of year	**(17,988)**	18 744	**(104)**	(76)

Note of Historical Cost Profits and Losses
for the year ended 31 December 2009

	2009 £000	2008 £000
Reported loss on ordinary activities before taxation	**(27,783)**	(8 797)
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	**300**	-
Historical cost loss on ordinary activities before taxation	**(27,483)**	(8 797)
Historical cost loss for the year retained after taxation and dividends	**(28,825)**	(10 232)

Consolidated Balance sheet
at 31 December 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
Fixed assets					
Tangible assets	6		1,090,465		1 133,206
Current assets					
Debtors	8	33,222		35 019	
Cash		166		420	
		33,388		35 469	
Creditors amounts falling due within one year	9	(172,460)		(170 531)	
Net current liabilities			(139,072)		(135,062)
Total assets less current liabilities			951,393		998 144
Creditors amounts falling due after more than one year	10		(969,381)		(979,400)
Net (liabilities)/assets			(17,988)		18 744
Capital and reserves					
Called up share capital	12		-		-
Revaluation reserve	11		27,549		35 456
Profit and loss account	11		(45,537)		(16,712)
Equity shareholder's (deficit)/funds			(17,988)		18 744

These financial statements were approved by the board of directors on 30 June 2010 and were signed on its behalf by

David Duncan
Director

Company Number 05843985

Company Balance sheet
at 31 December 2009

	Note	2009		2008	
		£000	**£000**	£000	£000
Fixed assets					
Investments	*7*		-		-
			-		-
Current assets					
Debtors	*8*	945,584		951 620	
Creditors amounts falling due within one year	*9*	(13,357)		(11 146)	
Net current assets			932,227		940 474
Total assets less current liabilities			932 227		940 474
Creditors amounts falling due after more than one year	*10*		(932,331)		(940 550)
Net liabilities			(104)		(76)
Capital and reserves					
Called up share capital	*12*		-		-
Profit and loss account	*11*		(104)		(76)
Equity shareholder's deficit			(104)		(76)

The company's loss for the year was £28,000 (*2008 £30 000*) The company had no other gains or losses

These financial statements were approved by the board of directors on 2010 and were signed on its behalf by

David Duncan
Director

Company Number 05843985

Consolidated cash flow statement
for the year ended 31 December 2009

Cash flow statement

	Note	2009 £000	2008 £000
Net cash inflow from operating activities	*14*	**68,189**	68 229
Returns on investments and servicing of finance	*15*	**(59,537)**	(71 436)
Capital expenditure	*15*	**(80)**	2
Cash inflow/(outflow) before financing		**8,752**	(3 205)
Financing	*16*	**(8,826)**	(7 248)
Decrease in cash in the year		**(254)**	(10 453)

Reconciliation of net cash flow to movement in net debt

	Note	£000	£000
Decrease in cash in the year		**(254)**	(10 453)
Cash outflow from financing		**8,826**	7 248
Change in debt resulting from cash flows		**8,572**	(3,205)
Other non cash movements		**(990)**	(990)
Movement in net debt in the year		**7,582**	(4 195)
Net debt at beginning of year		**(986,096)**	(981 901)
Net debt at end of year	*17*	**(978,514)**	(986 096)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified to include the revaluation of freehold properties

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2009 The acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

Under section 408 of the Companies Act 2006, Barchester HoldCo Limited is exempt from the requirement to present its own profit and loss account

As the company is a wholly owned subsidiary of Barchester HoldCo (Jersey) Limited the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group The consolidated financial statements of Barchester HoldCo (Jersey) Limited within which the company is included, can be obtained from the address given in note 18

Going Concern

The Group has net liabilities of £17 988 000 (*2008 net assets of £18 744 000*) and net current liabilities of £139 072 000 at 31 December 2009 (*2008 £135 062 000*)

The directors consider that the company has access to sufficient funding to meet its needs for the reasons set out below Accordingly, the directors have prepared the financial statements on a going concern basis

Grove Limited has indicated that for at least 12 months from the date of approval of these financial statements it will continue to make available such funds as are needed by the company As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so

The directors consider the combination of the group facilities and expected funding requirements of the Grove Limited Group and its subsidiaries provides sufficient access to funding to ensure that the company is able to meet its liabilities as they fall due for the foreseeable future Accordingly the directors have prepared the financial statements as a going concern

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

Turnover

Revenue is derived from leasing its properties to a related undertaking under an operating lease and is recognised on a straight line basis over the period of the lease

Taxation

The charge for taxation is based on the loss for the year 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

Investments

In the Company's financial statements investments in subsidiary undertakings are stated at cost less any provision for impairment

Notes *(continued)*

1 Accounting policies *(continued)*

Fixed assets and depreciation

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers less subsequent depreciation and impairment losses Valuations are performed with sufficient regularity to ensure that the carrying value does not differ significantly from the fair value at the balance sheet date Valuations of care homes are calculated on an investment basis

To ensure that the carrying amount of the properties can be supported the carrying amounts are subject to annual impairment reviews in accordance with Financial Reporting Standard 11 Impairment of fixed assets and goodwill

Impairment reviews are undertaken where there are indications that the carrying value may not be recoverable An impairment loss on assets carried at cost is recognised in the profit and loss account to reduce the carrying value to the recoverable amount An impairment loss on assets carried at revalued amount is recognised in the revaluation reserve except where an asset is revalued below historical cost in which case the deficit is recognised in the profit and loss account

Increases in the carrying amount of land and buildings arising on revaluation are recognised in the revaluation reserve Decreases in the carrying amount are recognised in the revaluation reserve where they reverse previous increases of the same asset all other decreases are recognised in the profit and loss account

The directors consider it appropriate for land and buildings to be revalued rather than being accounted for under the historic cost method

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

Freehold buildings	-	50 years
Plant and equipment	-	4 to 10 years
Motor vehicles	-	4 years

No depreciation is charged on freehold land or assets in the course of construction

The estimated residual value of the Group s freehold buildings reflects the high quality nature of these assets and the Group's practice to maintain these assets in a continual state of sound repair and to make improvements thereto from time to time

Leases

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

Cash and liquid resources

Cash comprises cash in hand and on overnight deposit accounts and, for the purpose of the cash flow statement only overdrafts

Liquid resources comprise short term deposits which have maturity dates of up to one year

Financial instruments

The Group has derivative financial instruments that have not been recognised at fair value This is because the group and company is not required to apply FRS 26 Financial Instruments recognition and measurement

Notes *(continued)*

2 Loss on ordinary activities after taxation

	2009	2008
	£000	£000
Loss on ordinary activities after taxation is stated after charging		
Depreciation of tangible fixed assets		
Owned	**12,937**	14,169
Exceptional items		
Impairment of land and buildings *(note 6)*	**22,281**	-
Audit of the financial statements	**6**	6

Amounts paid to the Company s auditor in respect of services to the Company, other than the audit of the Company s financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis

3 Staff numbers and costs

There were no persons employed by the Group during the period The directors received £nil emoluments for services to the Group during the year *(2008 £nil)* The directors received remuneration for services to Grove Limited of which Barchester HoldCo Limited is a subsidiary undertaking however, the proportion attributable to their services to Barchester HoldCo Limited is not separately identifiable

4 Net interest payable and similar charges

	2009	2008
	£000	£000
On bank loans and overdrafts	**(61,253)**	(61 971)
Amortised loan issue costs	**(989)**	(797)
Other interest and similar charges	**(28)**	(30)
Interest payable	**(62,270)**	(62 798)
Interest receivable on bank deposits	**9**	72
	(62,261)	(62 726)

The loans are held within Barchester HoldCo Limited, however interest is paid by Bluehood Limited, a wholly owned subsidiary of Barchester HoldCo Limited

5 Taxation

	2009	2008
	£000	£000
UK corporation tax		
Current tax on income for the year	-	-
Total current tax	-	-
Deferred tax		
Origination/reversal of timing differences	**827**	1 044
Adjustments in respect of prior periods	**514**	391
	1,341	1 435

Notes *(continued)*

5 Taxation *(continued)*

Factors affecting the tax credit for the current year

The current tax credit for the period is lower than *(2008 lower than)* the standard rate of corporation tax in the UK of 28% *(2008 28 5%)* The differences are explained below

	2009 £000	2008 £000
Current tax reconciliation		
Loss on ordinary activities before tax	(27,784)	(8 797)
Current tax at 28% *(2008 28 5%)*	(7,779)	(2 507)
Factors affecting credit for the year		
Income not allowable for tax purposes	(1,035)	(563)
Losses utilised	(252)	338
Capital allowances for the year in excess of depreciation	(577)	(1 062)
Non qualifying depreciation	9,076	3 240
Transfer pricing	567	554
Total current tax credit (see above)	-	-

6 Tangible fixed assets

	Freehold land and buildings £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost or valuation				
At 1 January 2009	1 111,766	41,091	127	1,152,984
Additions	84	-	-	84
Disposals	-	(1,129)	(23)	(1 152)
Revaluations	3 926	-	-	3 926
At 31 December 2009	1 115 776	39,962	104	1 155,842
Depreciation				
At 1 January 2009	-	19,669	109	19 778
Charge for year	7 228	5,692	17	12 937
On disposals	-	(1,129)	(23)	(1 152)
Impairment *	36 463	-	-	36 463
Revaluations	(2 649)	-	-	(2 649)
At 31 December 2009	41 042	24 232	103	65 377
Net book value				
At 31 December 2009	**1 074,734**	**15,730**	**1**	**1,090,465**
At 31 December 2008	1 111 766	21,422	18	1 133 206

* £22 281,000 *(2008 £nil)* of the impairment has been recognised through the profit and loss account as the valuation was below the historical cost

Included within land and buildings is £226,980 000 *(2008 £226 980,000)* of land which is not depreciated

Notes *(continued)*

6 Tangible fixed assets *(continued)*

The bank loans held within the group are secured on the properties

The net book value of land and buildings comprises

	2009 £000	2008 £000
Freehold	**1,009,813**	1,044,364
Long leasehold	**64,921**	67 402
	1,074,734	1 111 766

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with FRS 15 'Tangible fixed assets'

	2009 £000	2008 £000
Historical cost of revalued assets	**1,122,786**	1 126 167
Aggregate depreciation thereon	**(59,870)**	(28,416)
Historical cost net book value	**1,062,916**	1 097 751

The land and buildings held by the Group were professionally valued on 30 October 2009 in accordance with the Appraisal and Valuation manual of the Royal Institution of Chartered Surveyors by Colliers CRE external surveyors, in accordance with Financial Reporting Standard 15 Tangible fixed assets The valuation was £1,089,941,000 representing open market value of the properties as investments, having regard to the total annual rental payable by Barchester Healthcare Homes Limited to Bluehood Limited as at the date of valuation

7 Fixed asset investments

	Shares in subsidiary undertaking £
Company	
Cost and net book value	
At beginning and end of the year	1

The result for the subsidiary listed below is consolidated into those of the Group from the date of acquisition

	Country of incorporation	Principal activity during the year	Class and percentage of shares held
Bluehood Limited	England and Wales	Ownership and rental of properties	Ordinary 100%

Notes *(continued)*

8 Debtors

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Due within one year				
Deferred tax asset	**3,865**	5,206	-	-
Amount owed by related and subsidiary undertakings	**29,139**	29,248	**945,584**	951 620
Prepayments and accrued income	**218**	595	-	-
	33,222	35 049	**945,584**	951 620

The amounts owed by related and subsidiary undertakings are unsecured and not subject to any fixed repayment date

The elements of deferred taxation are as follows

	2009 £000	2008 £000
Difference between accumulated depreciation and amortisation and capital allowances	**(5,240)**	(4 659)
Other timing differences	**9,105**	9 865
Deferred tax asset	**3,865**	5 206

9 Creditors: amounts falling due within one year

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Bank loans and overdrafts (net of unamortised issue costs of £2 790,000 *(2008 £2 790 000)*)	**7,499**	5 316	**7,499**	5 316
Amounts owed to related undertakings	**146,658**	146 846	**5,858**	5 830
Other creditors	**2,057**	2,123	-	-
Accruals and deferred income	**16,246**	16,246	-	-
	172 460	170 531	**13,357**	11 146

10 Creditors: amounts falling due after more than one year

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Bank loans and overdrafts (net of unamortised issue costs of £7 324 000 *2008 £10 113 000)*	**932,331**	940 550	**932,331**	940 550
Other creditors	**37,050**	38 850	-	-
	969,381	979,400	**932,331**	940,550

The bank loans are secured over certain assets of the group by way of fixed and floating charges

Included within other creditors due less than one year and greater than one year is an inflation swap, transacted such that it had a negative fair value of £45m at inception which is being released over the life of the inflation swap

Notes *(continued)*

10 Creditors: amounts falling due after more than one year *(continued)*

Analysis of total borrowings and swap (excluding interest bearing inter-company borrowings)

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Bank loans and other loans falling due				
In one year or less	**9,299**	7,116	**7,499**	5 316
Between one and two years	**11,848**	9,299	**10,048**	7 499
Between two and five years	**927,683**	25 102	**922,283**	19 702
In five years or more	**29,850**	944,999	**-**	913 349
	978,680	986,516	**939,830**	915 866

Group	Amount outstanding at 2009 year end £000
Bank loans (gross of unamortised finance costs)	**949,944**

The above bank loans bear an average interest rate of a margin over LIBOR of 1 5%

Bank loans and other loans are secured over all land and buildings of the Group by way of fixed and floating charges

11 Reserves

	Group			Company	
	Revaluation Reserve £000	Profit and loss account £000	Total £000	Profit and loss account £000	Total
At beginning of year	35 456	(16 712)	18 744	(76)	(76)
Loss for the financial year	-	(29,125)	(29 125)	(28)	(28)
Unrealised surplus on revaluation of properties	6 575	-	6 575	-	-
Impairment of previously revalued properties	(14 182)	-	(14 182)	-	-
Transfer between revaluation reserve and profit and loss account	(300)	300	-	-	-
At end of year	**27,549**	**(45,537)**	**(17,988)**	**(104)**	**(104)**

Notes *(continued)*

12 Share capital

	2009	2008
	£	£
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	2	2

13 Related party disclosures

The Company has taken advantage of the exemption conferred by FRS 8 and does not disclose transactions with its subsidiary undertakings and related undertakings

14 Reconciliation of operating profit to net cash inflow from operating activities

	2009	2008
	£000	£000
Operating profit	34,474	53 929
Depreciation and impairment charges	35,218	14 169
Decrease/(increase) in debtors	486	(590)
(Increase)/decrease in creditors	(1,989)	721
	68,189	68 229

15 Analysis of cash flows

	2009	2008
	£000	£000
Returns on investments and servicing of finance		
Interest paid	(59,546)	(71 508)
Interest received	9	72
	(59,537)	(71 436)
Capital expenditure		
Receipts from sale of tangible fixed assets	4	-
Payments to acquire tangible fixed assets	(84)	2
	(80)	2

Notes *(continued)*

16 Financing

	2009 £000	2008 £000
Repayment of loans	**(8,826)**	(7 248)

17 Analysis of net debt

	At beginning of year £000	Cash flow £000	Other movements £000	At end of year £000
Cash at bank and in hand	420	(254)	-	**166**
	420	(254)	-	**166**
Debt due within one year	(7 116)	8 826	(11 009)	**(9,299)**
Debt due after one year	(979 400)	-	10 019	**(969,381)**
Net debt	(986 096)	8 572	(990)	**(978,514)**

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

The Company is a wholly owned subsidiary undertaking of Barchester HoldCo (Jersey) Limited a company incorporated and registered in Jersey

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 HoldCo (Jersey) Limited

The largest group in which the results of the Company are consolidated is that headed by Grove Limited The consolidated accounts of Grove Limited are available to the public and may be obtained from

22 Grenville Street
St Helier
Jersey
JE4 8PX
Channel Islands

Notes *(continued)*

19 Fair value of assets and liabilities

The Group has derivative financial instruments that have not been recognised at fair value. This is because the group is not required to apply FRS 26 'Financial Instrument: Recognition and Measurement'. The financial instruments are as follows

Derivative	Maturity Date	Notional value	Fair value	
			2009	2008
			£000	£000
Interest rate swap	28 September 2029	556 402	**(48,280)**	(94 601)
Interest rate swap	28 September 2029	84 450	**(7,350)**	(14 406)
Interest rate swap	28 September 2029	191 967	**(16,904)**	(33 203)
Interest rate swap	28 September 2029	118 742	**(10,462)**	(20 553)
Limited price inflation swap	30 June 2031	38 920	**(93,679)**	(64 753)
Limited price inflation swap	30 June 2031	27 080	**(65,182)**	(45 056)

The financial instruments are held within Bluehood Limited, Barchester Holdco Limited's subsidiary undertaking