Barchester Assisted Living Properties (Southgate) Limited

Directors' report and financial statements

Registered number 03425314

31 December 2012

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Contents

Company information

Directors	David Duncan Jon Hather Michael Parsons
Secretary	Ian Portal
Auditor	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	03425314
Registered office	Suite 201, Second Floor Design Centre East Chelsea Harbour London SW10 0XF

Directors' report

The directors present their directors' report and the audited financial statements for the year ended 31 December 2012

Principal activity

The principal activity of Barchester Assisted Living Properties (Southgate) Limited ("the Company") is the sale of sheltered housing to the frail and elderly on long leases The company call the assets on long leases Close Care Units (CCU) Care and property services are provided by other group companies

Business review

The results for the year are set out in the profit and loss account on page 7 The directors are satisfied with the Company's result

The Company operates under the Barchester Group brand Barchester commands a leading position in the UK long term care sector and is the UK's fourth largest provider The business provides in excess of 11,700 registered beds, spread across its portfolio of 180 high quality homes with a national footprint across the UK, the largest proportion located within London and the South East and the remainder evenly spread throughout the UK The Group has a significant number of private pay residents

The measures that the Board use to monitor the Group's progress against its objectives are

- Quality of care, the health and wellbeing of our residents,
- Occupancy rates,
- Fee levels,
- EBITDA and EBITDA per bed,
- Margin,
- Staff and agency costs,

The business is supported by strong future demand based on the demographics of the UK population

The Group's strategy is one of continued growth through extension of existing facilities, and also through appropriate acquisitions of nursing homes of a suitable quality Barchester is especially focused on the private pay market and also on residents with specialist care needs

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future The directors therefore believe that it is appropriate to prepare the financial statements on a going concern basis Please refer to note 1 for further detail

Key risks and uncertainties

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

The Board considers that a key risk and uncertainty facing the wider Grove Group (which the company is part of) is fluctuations in interest rates and breaches in loan covenants, given its level of gearing post the refinancing However, the Group has 91% of its borrowings hedged which mitigates the risk of any increase in interest rates This, together with the strong UK demographics supporting ongoing trading, should insulate the Group from the current difficult banking conditions There have been no instances of breaches during the current year and none are forecast in the future

Another key risk is that the current loan facilities across the wider group are due to expire on 30 September 2013 The directors of the wider group are in discussions with the lenders and have appointed Goldman Sachs to assist in the refinancing process Although uncertain, no matters have been drawn to the Directors' attention to suggest that renewal may not be forthcoming on acceptable terms The Directors expect that a successful refinancing would allow the group to continue in operational existence in its current form

The Group supports its current operations and future growth from a combination of internally generated profits and externally raised funds

The business is supported by strong future demand based on the demographics of the UK population The long term growth in older population and rising affluence continue to offer opportunities for investment in the sector Directors continue to believe these projections still hold true despite the current economic situation

Directors' report *(continued)*

Dividends

No dividends were paid during the year *(2011 £nil)*

Future prospects

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

Directors and directors' interests

The directors who held office during the year and to the date of this report were as follows

David Duncan
Jon Hather
Michael Parsons

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information

Auditor

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

By order of the board

Ian Portal
Company Secretary

Design Centre East
Suite 201
Chelsea Harbour
London
SW10 0XF
26 June 2013

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

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

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

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

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

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

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

Independent auditor's report to the members of Barchester Assisted Living Properties (Southgate) Limited

We have audited the financial statements of Barchester Assisted Living Properties (Southgate) Limited for the year ended 31 December 2012 set out on pages 7 to 14 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's 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 Financial Council's web-site at www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of Barchester Assisted Living Properties (Southgate) Limited *(continued)*

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or

- the financial statements are not in agreement with the accounting records and returns, or

- certain disclosures of directors' remuneration specified by law are not made, or

- we have not received all the information and explanations we require for our audit

Ian Brokenshire

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

28 June 2013

Profit and loss account
for the year ended 31 December 2012

	Note	**2012**	2011
		£000	£000
Turnover	*1*	**840**	1,020
Cost of services		**(685)**	(949)
Gross and Operating profit		**155**	71
Profit on ordinary activities before taxation	*2*	**155**	71
Taxation on profit on ordinary activities	*4*	**-**	-
Profit for the financial year	*10*	**155**	71

All items derive from continuing operations

There were no recognised gains and losses other than those shown in the profit and loss account for the current and preceding financial years

The notes on pages 9 to 14 form an integral part of these financial statements

Reconciliation of movements in equity shareholders' funds
for the year ended 31 December 2012

	2012	2011
	£000	£000
Profit for the financial year	**155**	71
Retained Profit	**155**	71
Opening shareholders' funds	**206**	135
Closing shareholders' funds	**361**	206

The notes on pages 9 to 14 form an integral part of these financial statments

Balance sheet
at 31 December 2012

	Note	2012 £000	2012 £000	2011 £000	2011 £000
Fixed Assets					
Tangible Assets	5		10		10
Current assets					
Stock	6	-		607	
Debtors	7	3,121		1,759	
		3,121		2,366	
Creditors amounts falling due within one year	8	(2,770)		(2,170)	
Net current assets			351		196
Net assets			361		206
Capital and reserves					
Called up share capital	9		-		-
Profit and loss account	10		361		206
Shareholder's funds			361		206

The notes from pages 9 to 14 form a part of the financial statements

These financial statements were approved by the board of directors on 26 June 2013 and were signed on its behalf by

David Duncan
Director

Company Number 03425314

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 Company's financial statements except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The Company is exempt from the requirement of FRS 1 (revised 1996) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Barchester Healthcare Limited and its cash flows are included within the consolidated cash flow statement of that company

As the Company is a wholly owned subsidiary of Barchester Healthcare Limited the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group The consolidated financial statements of Barchester Healthcare Limited, within which the Company is included, can be obtained from the address given in note 13

Going Concern

The company has net assets together with long term support from Group As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The current loan facilities across the wider group are due to expire on 30 September 2013 The directors of the wider group are in discussions with the lenders and have appointed Goldman Sachs to assist in the refinancing process Although uncertain, no matters have been drawn to the Directors' attention to suggest that renewal may not be forthcoming on acceptable terms The Directors expect that a successful refinancing would allow the group to continue in operational existence in its current form

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis in preparing the annual financial statements

Tangible fixed assets and depreciation

No depreciation is provided on freehold land

Turnover

Turnover relates to the income received from the sale of close care units, and arises entirely in the United Kingdom

Where a lease is granted in respect of property, revenue is recognised where the risks and rewards of ownership are transferred to the lessee

Stock

Stocks are stated at the lower of cost and net realisable value

Close care units are classified as assets held for resale and are stated at the lower of cost and net realisable value Costs are expenditure incurred in acquiring the close care units and bringing them to their existing condition Net realisable value is the estimated selling price less the estimated costs of completion and selling expenses

Dividends

Equity dividends unpaid at the balance sheet date are only recognised as a liability at that date due to the extent that they are appropriately authorised and are no longer at the discretion of the company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Notes (continued)

1 Accounting Policies (continued)

Taxation

The charge for taxation is based on the profit for the 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

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

Auditor's remuneration

	2012 £000	2011 £000
Audit	4	4

The remuneration of the auditor in the current year was borne by another Group Company The amount above is management's best estimate of the proportion relating to this company

3 Remuneration of directors

The Company had no employees other than directors The directors received no emoluments for services to the Company during the year *(2011 £nil)* The directors received remuneration for services to Grove Limited of which Barchester Assisted Living Properties (Southgate) Limited is a subsidiary undertaking, however, the proportion attributable to their services to Barchester Assisted Living Properties (Southgate) Limited is not separately identifiable

Notes *(continued)*

4 Tax on profit on ordinary activities

	2012 £000	2011 £000
UK corporation tax		
Current tax on income for the year	-	-

Factors affecting the tax charge for the current year

The current tax charge for the year is lower *(2011 lower)* than the standard rate of corporation tax in the UK of 24 5% *(2011 26 5%)* The differences are explained below

	2012 £000	2011 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**155**	71
Current tax at 24 5% *(2011 26 5%)*	**38**	19
Effects of		
Group relief	**(39)**	(9)
Transfer pricing adjustment	**1**	(10)
Total current tax charge (see above)	-	-

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively This will reduce the company's future current tax charge accordingly The deferred tax liability at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly

Notes *(continued)*

5 Tangible Fixed Assets

	Freehold land and buildings £000
Cost	
At beginning and end of year	10
Depreciation	
At beginning and end of year	-
Net book value	
31 December 2012	**10**
31 December 2011	10

Included in the above is £10,000 of land, which is not depreciated *(2011 £10,000)*

Notes *(continued)*

6 Stock

	2012 £000	2011 £000
Assets for resale	-	607
	-	607

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

7 Debtors

	2012 £000	2011 £000
Due within one year		
Amounts owed by group undertakings	**3,121**	1,759

Amounts due from group undertakings stated above are legally due on demand and are thus recoverable within one year It is not expected that the demand would be made or that these amounts will be received within the next year

8 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Amounts owed to group undertakings	**2,768**	2,167
Other creditors	**2**	3
	2,770	2,170

The amounts due to group undertakings are legally due on demand and are thus due within one year, although it is not expected that these amounts would be demanded within the next year

Notes *(continued)*

9 Called up share capital

	2012 £	2011 £
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

10 Reserves

	Total £000
At the beginning of the year	206
Profit for the year	155
At end of year	**361**

11 Contingent liabilities

The Company has sold retirement apartments under arrangements which entitle the purchaser to require repurchase of the apartments, in certain circumstances, at the higher of a discount to the cost or a discount to the market value As at 31 December 2012 the total repurchase commitment notified to the company was £nil *(2011 £416,500)* and the total potential obligation is estimated at £3,947,850 *(2011 £2,619,932)* The directors do not estimate any impairment of the recoverable value of the underlying properties and consequently are of the opinion that no loss should accrue to the Company in the event that the repurchase commitment crystallises

12 Related Party Disclosures

The Company is controlled by Barchester Healthcare Limited, by which it is 100% owned The ultimate controlling party is Grove Limited which is the Company's ultimate parent undertaking

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

13 Immediate and ultimate parent undertaking

The company is a wholly owned subsidiary undertaking of Westminster Securitisation Limited, a company incorporated in and registered in England and Wales

The Company's ultimate parent undertaking is Grove Limited, a company incorporated and registered in Jersey

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

Suite 201
Design Centre East
Chelsea Harbour
London
SW10 0XF