Avery Healthcare Limited

Directors' report and financial statements

Registered number 06655152

31 March 2010

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2010

Principal activities

The principal activity of the company is the development and operation of care homes together with the provision of specialist services for the elderly

Business review

The results for the year and position at the year end are presented on pages 5 and 6

Proposed dividend

The directors do not recommend the payment of a dividend

Directors

The directors who held office during the year were as follows

DP Burke
I Matthews
JMB Strowbridge

Political and charitable contributions

The company made no political or charitable donations or incurred any political expenditure during the year

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

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

By order of the board

DP Burke
Director

1B Basset Court
Loake Close, Grange Park
Northampton
NN4 5EZ

15 September 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 company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transaction 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditors' report to the members of Avery Healthcare Limited

We have audited the financial statements of Avery Healthcare Limited for the year ended 31 March 2010 set out on pages 5 to 13 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 2, 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 company's affairs as at 31 March 2010 and of its 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

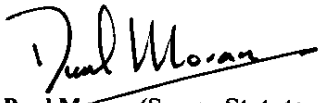
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the members of Avery Healthcare 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



Paul Moran (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

15 September 2010

Profit and loss account

for the year ended 31 March 2010

	Note	Year ended 31 March 2010 £	Period from 24 July 2008 to 31 March 2009 £
Administrative expenses		(3,978)	(2,800)
Interest payable and similar charges	4	(120,248)	-
Loss on ordinary activities before taxation		(124,226)	(2,800)
Tax on loss on ordinary activities	5	-	-
Loss for the financial period	11	(124,226)	(2,800)

All results derive from continuing operations

There were no gains or losses other than the result for the period

Balance sheet
at 31 March 2010

	Note	2010		2009	
		£	£	£	£
Fixed assets					
Tangible assets	6		**3,218,157**		325,454
Current assets					
Debtors	7	**-**		7,051	
Cash at bank and in hand		**803**		-	
		803		7,051	
Creditors: amounts falling due within one year	8	**(3,345,985)**		(335,304)	
Net current liabilities			**(3,345,182)**		(328,253)
Net liabilities			**(127,025)**		(2,799)
Capital and reserves					
Called up share capital	10		**1**		1
Profit and loss account	11		**(127,026)**		(2,800)
Shareholders' deficit			**(127,025)**		(2,799)

These financial statements were approved by the board of directors on 15 September 2010 and were signed on its behalf by

DP Burke
Director

Company registered number 06655152

Reconciliation of movements in shareholders' deficit

for the year ended 31 March 2010

	Year ended 31 March 2010 £	Period from 24 July 2008 to 31 March 2009 £
Loss for the financial period	**(124,226)**	(2,800)
New share capital subscribed	-	1
Net reduction in shareholders' funds	**(124,226)**	(2,799)
Opening shareholders' funds	**(2,799)**	-
Closing shareholders' deficit	**(127,025)**	(2,799)

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

Basis of preparation

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

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As 100% of the company's voting rights are controlled within the group headed by Willowbrook 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 Willowbrook Healthcare Limited, within which this company is included, can be obtained from the address given in note 14

Going concern

The immediate parent company, Willowbrook Healthcare Debtco Limited, has agreed to continue to provide the company with the necessary financial support and working capital for at least one year from the date of approval of these financial statements to allow the company to meet its liabilities as they fall due The company is also subject to cross guaranteed banking arrangements with other group undertakings Detailed information regarding the financial position of the group headed by Willowbrook Healthcare Limited, its cash flows, liquidity position and borrowing facilities are included in the financial statements of Willowbrook Healthcare Limited, which can be obtained from Companies House

The financial performance of the Group is in line with expectations and the Group meets its day-to-day working capital requirements through operating cash flows, bank loan and overdraft facilities and preference share capital Although the current economic conditions create an element of uncertainty over demand for the Group's services, the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is expected to have a sufficient level of financial resources available through current and committed facilities The directors believe that the Group is well placed to manage its business risks successfully despite the economic uncertainty

The Group's shareholders have indicated their continuing financial support for the Group for the foreseeable future In particular the Group's preference share capital (which is classified as debt under FRS 25 *Financial Instruments disclosure and presentation*) is only redeemable upon either a sale or flotation of the Group and such redemption is not considered to be foreseeable

Notwithstanding net current liabilities of £3,345,182 the balance sheet date (of which £3,076,006 relates to amounts owed to group undertakings at the balance sheet date), after making enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to prepare the financial statements on a going concern basis

Tangible fixed assets and depreciation

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

Freehold buildings	- 2% straight line

No depreciation is provided assets in the course of construction

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Classification of financial instruments issued by the company

Financial instruments issued by the company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee

Dividends on shares presented within shareholders' funds

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

2 Notes to the profit and loss account

	Year ended 31 March 2010 £	Period from 24 July 2008 to 31 March 2009 £
Auditors' remuneration		
Audit of these financial statements	**2,800**	2,800

Notes *(continued)*

2 Notes to the profit and loss account *(continued)*

Amounts receivable by the company's auditor in respect of services to the company and its associates, 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, in the consolidated financial statements of the company's ultimate parent, Willowbrook Healthcare Limited

3 Remuneration of directors

No remuneration was paid to the directors by the company during the current or preceding financial period The directors were the only employees

4 Interest payable and similar charges

	Year ended 31 March 2010 £	Period from 24 July 2008 to 31 March 2009 £
On loans from group undertakings	**120,248**	-

5 Taxation

Analysis of credit in period

	Year ended 31 March 2010 £	Period from 24 July 2008 to 31 March 2009 £
UK corporation tax		
Current tax on income for the period	-	-

Notes *(continued)*

5 Taxation *(continued)*

Factors affecting the tax credit for the current period

The current tax credit for the period is lower than *(2009 lower than)* the standard rate of corporation tax in the UK (28%, *2009 28%*) The differences are explained below

	Year ended 31 March 2010 £	Period from 24 July 2008 to 31 March 2009 £
Current tax reconciliation		
Loss on ordinary activities before tax	**(124,226)**	(2,800)
Current tax at 28% *(2009 28%)*	**(34,783)**	(784)
Effects of		
Tax losses carried forward	**34,783**	784
Total current tax credit (see above)	**-**	-

Factors that may affect future current and total tax charges

The company has trading losses of £127,026 *(2009 £2,800)* available to offset future trading profits

6 Tangible fixed assets

	Freehold land and buildings £
Cost and net book value	
At beginning of year	325,454
Additions	2,892,703
At end of year	**3,218,157**

No depreciation has been charged on the above, which were in the course of construction at the year end

7 Debtors

	2010 £	2009 £
Amounts owed by group undertakings	-	1
Other debtors	-	7,050
	-	7,051

Notes *(continued)*

8 Creditors: amounts falling due within one year

	2010 £	2009 £
Trade creditors	**20,060**	56,234
Amounts owed to group undertakings	**3,076,006**	279,070
Accruals and deferred income	**249,919**	-
	3,345,985	335,304

9 Deferred taxation

The elements of deferred taxation are as follows

	2010 £	2009 £
Difference between accumulated depreciation and capital allowances	**(1,567)**	(1,567)
Tax losses	**35,567**	784
Deferred tax asset	**34,000**	(783)
Unrecognised (asset)/liability	**(34,000)**	783
Recognised asset	**-**	-

There is an unrecognised deferred tax asset of £34,000 *(2009 £783 liability)* arising on unutilised tax losses This asset has not been recognised due to uncertainty over the timing of its future recovery

10 Called up share capital

	2010 £	2009 £
Authorised		
1,000 ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid		
1 ordinary share of £1	**1**	1

Notes *(continued)*

11 Reserves

	Profit and loss account £
At beginning of year	(2,800)
Loss for the year	(124,226)
At end of year	**(127,026)**

12 Contingent liabilities

The company, together with fellow subsidiary companies and the ultimate parent undertaking, has entered into a composite banking arrangement to secure group interest and banking facilities As part of this arrangement a cross-guarantee was given to the bank by the company

Group borrowings secured but unprovided in these financial statements amount to £14,199,000 *(2009 £nil)*

13 Capital commitments

Capital commitments at the end of the financial year for which no provision has been made are as follows

	2010 £	2009 £
Contracted	**3,979,000**	-

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

The company is a subsidiary undertaking of Willowbrook Healthcare Debtco Limited The ultimate parent company is Willowbrook Healthcare Limited

The only group in which the results of the company are consolidated is that headed by Willowbrook Healthcare Limited The consolidated financial statements of Willowbrook Healthcare Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ

The directors consider the ultimate controlling party to be Graphite Capital Partners, the majority shareholder of the ultimate parent company