

Avery Homes Cliftonville Limited
(formerly Avery Healthcare Limited)

**Directors' report and financial
statements**

Registered number 06655152

31 March 2012

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Directors' report

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

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

Review of financial performance and position at year end

The directors are pleased with the performance in the year, which is in line with expectations. Turnover for the year was £1.9m (2011: £nil). The company recorded an operating profit of £0.1m (2011: loss £41k).

Objectives

- To rapidly establish and integrate care homes within the Willowbrook Healthcare Care Limited group. They will all be of the highest quality from both an environmental and care delivery perspective,
- To recruit and provide training to staff of a similarly high calibre,
- Continue to evolve and use our quality assurance system to assist in this aim of providing high quality care to the vulnerable elderly,
- Continuous expenditure on the environment and fabric of the buildings. Continued recognition of the importance of this to the residents of our facilities,
- To achieve above industry average outcomes from reviews and inspections undertaken by the regulators, and
- To achieve a financial performance in line with budget and in excess of sector norms.

How we will achieve this

- Building care homes in the correct locations, to standards well in excess of the required minimum,
- Providing a career path for all our staff,
- Providing the training and support to teach staff the art of caring,
- Complying with all regulatory requirements, and
- Providing better care than our competitors.

How we will assess our performance

- Close supervision of home managers by high calibre and experienced area managers,
- Achievable care home budgets, and
- Weekly reporting to care home managers on key performance indicators.

Assessment of uncertainties and risks

- Continued assessment of the long term care sector and the potential changes on the horizon,
- Review of government policy and the impact on the care sector of proposed changes in either social economic terms or direct government focus. Respond to potential changes in the general political view of the privately provided care sector,
- Review of the housing market and pensions, enabling an assessment of service user's ability to pay for care services, and
- Managing the financial risk resulting from fluctuations in interest rates through appropriate hedging arrangements.

Directors' report *(continued)*

Business review *(continued)*

Key performance indicators

The company monitors the performance of the business using the following

- Earnings before interest, depreciation, amortisation and tax, and
- Operating cash generation

Other indicators are occupancy rates and the proportion of private pay clients who are attracted to homes of a high standard – the company is one of the few which has near 100% single rooms with en suite facilities

The company achieves occupancy and private pay percentages above the sector norm which generates above average returns on investment

The company also attracts a high calibre of staff due to its training and support programmes and achieves well in excess of the 50% minimum for staff achieving NVQ level 2 or above.

Proposed dividend

The directors do not recommend the payment of a dividend

Directors

The directors who held office during and subsequent to the year were as follows

I Matthews	
MF Proctor	(appointed 16 May 2012)
JMB Strowbridge	
DP Burke	(resigned 1 March 2012)

Political and charitable contributions

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

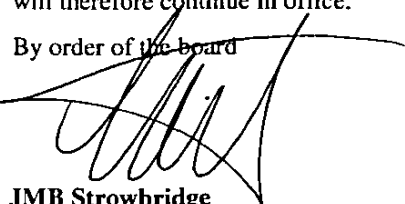
Disclosure of information to auditor

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 they ought to have taken as a director to make themselves 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


JMB Strowbridge
Director

15 Basset Court
Loake Close, Grange Park
Northampton
NN4 5EZ

26 July 2012

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 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

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 auditor's report to the members of Avery Homes Cliftonville Limited (formerly Avery Healthcare Limited)

We have audited the financial statements of Avery Homes Cliftonville Limited (formerly Avery Healthcare Limited) for the year ended 31 March 2012 set out on pages 6 to 16. 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 3, 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 (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/private.cfm.

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 2012 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 auditor's report to the members of Avery Homes Cliftonville Limited (formerly 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

26 July 2012

Profit and loss account
for the year ended 31 March 2012

	<i>Note</i>	2012 £	£	2011 £	£
Turnover	<i>1,2</i>		1,883,221		-
Cost of sales			(1,062,050)		-
Gross profit			821,171		-
Administrative expenses – pre opening costs	<i>6</i>	(128,275)		-	
Administrative expenses – other		(598,527)		(40,560)	
			(726,802)		(40,560)
Operating profit/(loss)			94,369		(40,560)
Interest payable and similar charges	<i>7</i>		(490,506)		(371,669)
Loss on ordinary activities before taxation	<i>2-7</i>		(396,137)		(412,229)
Tax on loss on ordinary activities	<i>8</i>		204,571		-
Loss for the financial year	<i>15</i>		(191,566)		(412,229)

All results derive from continuing operations

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

Balance sheet
at 31 March 2012

	<i>Note</i>	2012		2011	
		£	£	£	£
Fixed assets					
Tangible assets	9		7,840,736		6,880,325
Current assets					
Stocks	10	600		-	
Debtors	11	780,648		2,394	
Cash at bank and in hand		56,191		2,106	
		<u>837,439</u>		<u>4,500</u>	
Creditors, amounts falling due within one year	12	<u>(9,408,995)</u>		<u>(7,424,079)</u>	
Net current liabilities			(8,571,556)		(7,419,579)
Net liabilities			(730,820)		(539,254)
Capital and reserves					
Called up share capital	14	1		1	
Profit and loss account	15	(730,821)		(539,255)	
Shareholders' deficit			(730,820)		(539,254)

These financial statements were approved by the board of directors on 26 July 2012 and were signed on its behalf by



MF Proctor
Director

Company registered number 06655152

Reconciliation of movements in shareholders' deficit
for the year ended 31 March 2012

	2012 £	2011 £
Loss for the financial year	(191,566)	(412,229)
Opening shareholders' deficit	(539,254)	(127,025)
Closing shareholders' deficit	(730,820)	(539,254)

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 wholly owned subsidiaries which form part of the group

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 following analysis considers the position of the Group as a whole

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 facilities and preference share capital. The Group's forecasts and projections, taking account of reasonable 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 Group forecasts assume that ongoing bank facilities will continue to be available from October 2013 and October 2014, when the facilities fall due for renewal. The repayment terms of the bank loans include an amount of £27.0m being repayable in October 2013 and an amount of £13.0m being repayable in October 2014. The ability to successfully refinance the bank facilities will depend on factors including, but not limited to, the level of borrowings that the Group will require, expectations for the care home sector, conditions in the credit market and the financial performance of the Group at the time. Initial discussion with the Group's bankers, based on future forecasts, suggest that it is not unreasonable to assume that these bank facilities will be capable of refinancing in October 2013 and October 2014 when they fall due

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 based upon current shareholder intentions. During the year the Group's shareholder, Graphite Capital Partners, has also provided an additional £12.6m in preference share capital

Notwithstanding net current liabilities of £8,571,556 at the balance sheet date (of which £8,486,376 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

Notes (continued)

1 Accounting policies (continued)

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
Fixtures and fittings	- 15% - 20% straight line
Computer equipment	- 25% straight line

No depreciation is provided on freehold land

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Stocks

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

Taxation

The charge for taxation is based on the loss 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

- 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
- 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

Notes (continued)

1 Accounting policies (continued)

Turnover

Turnover represents fee income relating to the provision of care services, net of value added tax, as applicable. Fee income comprises care home fees which are recognised when the delivery of the service is completed. Fees invoiced in advance are included as deferred income until the service is completed.

Turnover is recognised when it can be measured reliably and it is probable that future economic benefits will accrue to the company.

Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability at that date to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Turnover

Turnover is derived entirely in the UK from the principal activities of the company.

3 Notes to the profit and loss account

Loss on ordinary activities before taxation is stated after charging

	2012 £	2011 £
Depreciation of owned tangible fixed assets	245,134	-
	<u> </u>	<u> </u>
	2012 £	2011 £
Auditor's remuneration		
Audit of these financial statements	4,000	1,500
	<u> </u>	<u> </u>

4 Remuneration of directors

No remuneration was paid to the directors by the company during the current or preceding financial period.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2012	2011
Management and administration staff	7	-
Nursing, care and domestic staff	71	-
	<u> </u>	<u> </u>
	78	-
	<u> </u>	<u> </u>

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

	2012 £	2011 £
Wages and salaries	1,012,224	-
Social security costs	71,788	-
	<u>1,084,012</u>	<u>-</u>

6 Pre opening costs

	2012 £	2011 £
Pre-opening costs	<u>128,275</u>	<u>-</u>

The above relates to pre-opening costs incurred on the care home where operating costs were incurred without being able to bring the home into operation

7 Interest payable and similar charges

	2012 £	2011 £
Bank interest payable	1,081	-
On loans from group undertakings	489,425	371,669
	<u>490,506</u>	<u>371,669</u>

8 Taxation

Analysis of credit in period

	2012 £	2011 £
Deferred tax (note 13)		
Origination/reversal of timing differences	<u>(204,571)</u>	<u>-</u>

Notes (continued)

8 Taxation (continued)

Factors affecting the tax credit for the current period

The current tax credit for the period is lower (2011 lower) than the standard rate of corporation tax in the UK (26%, 2011 28%). The differences are explained below

	2012 £	2011 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(396,137)	(412,229)
Current tax at 26% (2011 28%)	(102,996)	(115,424)
<i>Effects of</i>		
Expenses not deductible for tax purposes	21,583	-
Capital allowances for period in excess of depreciation	(56,943)	(66,876)
Tax losses carried forward	138,356	182,300
Total current tax credit (see above)	-	-

Factors that may affect future current and total tax charges

The company has trading losses of £1,428,207 (2011 £896,069) available to offset future trading profits

On 23 March 2012 the Chancellor announced that the main rate of UK corporation tax will reduce from 26% to 24% with effect from 1 April 2012. This tax change became substantively enacted on 26 March 2012 and therefore the effect of the rate reduction on the deferred tax balances as at 31 March 2012 has been included in the figures above.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 22% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above. The overall effect of the further reduction from 24% to 22%, if these applied to the deferred tax balance at 31 March 2012, would be to further reduce the deferred tax asset by approximately £17,048.

9 Tangible fixed assets

	Freehold land and buildings £	Fixtures and fittings £	Computer equipment £	Total £
<i>Cost</i>				
At beginning of year	6,878,253	41	2,031	6,880,325
Additions	630,635	552,247	22,663	1,205,545
Reclassification	(381,500)	381,500	-	-
At end of year	7,127,388	933,788	24,694	8,085,870
<i>Depreciation</i>				
At beginning of year	-	-	-	-
Charge for year	115,679	125,339	4,116	245,134
At end of year	115,679	125,339	4,116	245,134
<i>Net book value</i>				
At 31 March 2012	7,011,709	808,449	20,578	7,840,736
At 1 April 2011	6,878,253	41	2,031	6,880,325

Notes (continued)

10 Stocks

	2012 £	2011 £
Raw materials and consumables	600	-

11 Debtors

	2012 £	2011 £
Trade debtors	196,441	-
Amounts owed by group undertakings	360,048	-
Deferred tax assets (note 13)	204,571	-
Other debtors	5,500	2,394
Prepayments	14,088	-
	<u>780,648</u>	<u>2,394</u>

Included in deferred tax assets is £204,571, an element of which is expected to be recovered in more than one year

12 Creditors

	2012 £	2011 £
Trade creditors	179,020	9,590
Amounts owed to group undertakings	8,846,424	7,112,151
Amounts owed to related undertakings (note 18)	153,784	22,116
Taxation and social security	49,407	-
Other creditors	98,908	-
Accruals and deferred income	81,452	280,222
	<u>9,408,995</u>	<u>7,424,079</u>

13 Deferred taxation

	Deferred taxation £
At beginning of year	-
Credit to the profit and loss for the year	204,571
At end of year - asset	<u>204,571</u>

Notes (continued)

13 Deferred taxation (continued)

The elements of deferred taxation are as follows

	Provided 2012 £	2011 £	Unprovided 2012 £	2011 £
Difference between accumulated depreciation and capital allowances	(138,198)	(92,772)	-	-
Tax losses	342,769	92,772	-	140,206
	<u>204,571</u>	<u>-</u>	<u>-</u>	<u>140,206</u>
Deferred tax asset				

14 Called up share capital

	2012 £	2011 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
	<u>1</u>	<u>1</u>
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

15 Reserves

	Profit and loss account £
At beginning of year	(539,255)
Loss for the year	(191,566)
	<u>(730,821)</u>
At end of year	

16 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 £39,729,000 (2011 £23,785,000).

Notes (continued)

17 Capital commitments

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

	2012 £	2011 £
Contracted	-	376,000

18 Related party transactions

During the year the company made the following transactions with companies subject to common ownership

	Avery Health Limited £	Avery Homes Kettering Limited £	Avery Homes Northampton Limited £	Optimum Care Limited £	Avery Management Services Limited £	Total £
Amounts owed to related undertaking at beginning of year	(17,560)	(199)	-	-	(4,357)	(22,116)
Expenses paid by related undertaking	(96,373)	(1,882)	(19,801)	(13,612)	-	(131,668)
Amounts owed to related undertaking at end of year	(113,933)	(2,081)	(19,801)	(13,612)	(4,357)	(153,784)

The above amounts are unsecured, interest free and with no fixed repayment date

19 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 Debco Limited, incorporated in England and Wales. The ultimate parent company is Willowbrook Healthcare Limited, incorporated in England and Wales.

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.

The directors do not believe there to be an ultimate controlling party. The majority of the equity shareholding is held by Graphite Capital Partners VII, a series of linked limited liability partnership funds with none of the individual funds holding an overall controlling interest.