

Avery Homes Cliftonville Limited

**Directors' report and financial
statements**

Registered number 06655152

31 March 2013



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Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2013

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 very pleased with the performance in the year, which is in line with expectations. Turnover for the year was £3.5m (2012: £1.9m). The company recorded an operating profit of £1.0m (2012: £0.1m).

Objectives

- To establish and integrate care homes within the Willowbrook Healthcare 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 sector 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 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 the year were as follows

I Matthews
MF Proctor (appointed 16 May 2012)
JMB Strowbridge

Political and charitable contributions

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

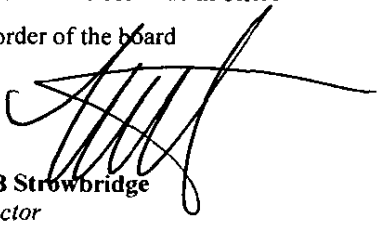
Disclosure of information to auditor

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

28 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 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

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NE1 3DX
United Kingdom

Independent auditor's report to the members of Avery Homes Cliftonville Limited

We have audited the financial statements of Avery Homes Cliftonville Limited for the year ended 31 March 2013 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 Financial Reporting Council's website 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 March 2013 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 Avery Homes Cliftonville 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

28 June 2013

Profit and loss account
for the year ended 31 March 2013

	Note	2013 £	2012 £
Turnover	2	3,473,828	1,883,221
Cost of sales		(1,751,434)	(1,062,050)
Gross profit		1,722,394	821,171
Administrative expenses – pre opening costs	6	-	(128,275)
Administrative expenses – other		(726,927)	(598,527)
		(726,927)	(726,802)
Operating profit		995,467	94,369
Interest payable and similar charges	7	(476,601)	(490,506)
Profit/(loss) on ordinary activities before taxation	2-7	518,866	(396,137)
Tax on profit/(loss) on ordinary activities	8	(156,800)	204,571
Profit/(loss) for the financial year	15	362,066	(191,566)

All results derive from continuing operations

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

Balance sheet
at 31 March 2013

	<i>Note</i>	2013		2012	
		£	£	£	£
Fixed assets					
Tangible assets	9		7,600,028		7,840,736
Current assets					
Stocks	10	600		600	
Debtors	11	1,245,863		780,648	
Cash at bank and in hand		134,365		56,191	
		<u>1,380,828</u>		<u>837,439</u>	
Creditors amounts falling due within one year	12	(9,349,610)		(9,408,995)	
Net current liabilities			(7,968,782)		(8,571,556)
Net liabilities			<u>(368,754)</u>		<u>(730,820)</u>
Capital and reserves					
Called up share capital	14		1		1
Profit and loss account	15		(368,755)		(730,821)
Shareholders' deficit			<u>(368,754)</u>		<u>(730,820)</u>

These financial statements were approved by the board of directors on 28 June 2013 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 2013

	2013 £	2012 £
Profit/(loss) for the financial year	362,066	(191,566)
Opening shareholders' deficit	(730,820)	(539,254)
	<u> </u>	<u> </u>
Closing shareholders' deficit	<u>(368,754)</u>	<u>(730,820)</u>

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 Group's facilities fall due for renewal. The repayment terms of the Group's bank loans include an amount of £28.5m being repayable in October 2013 and an amount of £12.7m 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 controlling shareholder, Graphite Capital Partners, has also provided an additional £1m in preference share capital

After making enquiries and considering the above issues in detail, and whilst accepting that there are certain levels of risk associated with the above issues, the directors consider and have concluded that the company will have adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt a going concern basis in the preparation of the financial statements

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

Stocks

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

Taxation

The charge for taxation is based on the profit 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

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

Notes (continued)

1 Accounting policies (continued)

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

Profit/(loss) on ordinary activities before taxation is stated after charging:

	2013 £	2012 £
Depreciation of owned tangible fixed assets	305,689	245,134
	<u>2013</u> £	<u>2012</u> £
<i>Auditor's remuneration</i>		
Audit of these financial statements	4,200	4,800

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.

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	
	2013	2012
Management and administration staff	6	7
Nursing, care and domestic staff	116	71
	<u>122</u>	<u>78</u>

The aggregate payroll costs of these persons were as follows:

	2013 £	2012 £
Wages and salaries	1,585,650	1,012,224
Social security costs	102,300	71,788
	<u>1,687,950</u>	<u>1,084,012</u>

Notes (continued)

6 Pre opening costs

	2013 £	2012 £
Pre-opening costs	-	128,275

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

	2013 £	2012 £
On bank overdraft	826	1,081
On loans from group undertakings	475,775	489,425
	<u>476,601</u>	<u>490,506</u>

8 Taxation

Analysis of charge/(credit) in period

	2013 £	2012 £
Deferred tax (note 13)		
Origination/reversal of timing differences	156,800	(204,571)

Factors affecting the tax credit for the current period

The current tax credit for the period is lower (2012 lower) than the standard rate of corporation tax in the UK (24%, 2012 26%). The differences are explained below

	2013 £	2012 £
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	518,866	(396,137)
Current tax at 24% (2012 26%)	124,528	(102,996)
<i>Effects of</i>		
Expenses not deductible for tax purposes	21,938	21,583
Capital allowances for period in excess of depreciation	(11,916)	(56,943)
Utilisation of tax losses	(134,550)	-
Tax losses carried forward	-	138,356
Total current tax credit (see above)	-	-

Notes (continued)

8 Taxation (continued)

Factors that may affect future current and total tax charges

The company has trading losses of £872,500 (2012 £1,433,123) available to offset future trading profits (note 13)

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 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 accordingly.

9 Tangible fixed assets

	Freehold land and buildings £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At beginning of year	7,127,388	933,788	24,694	8,085,870
Additions	19,282	45,237	462	64,981
At end of year	7,146,670	979,025	25,156	8,150,851
Depreciation				
At beginning of year	115,679	125,339	4,116	245,134
Charge for year	142,510	158,233	4,946	305,689
At end of year	258,189	283,572	9,062	550,823
Net book value				
At 31 March 2013	6,888,481	695,453	16,094	7,600,028
At 1 April 2012	7,011,709	808,449	20,578	7,840,736

10 Stocks

	2013 £	2012 £
Raw materials and consumables	600	600

Notes (continued)

11 Debtors

	2013 £	2012 £
Trade debtors	87,710	196,441
Amounts owed by group undertakings	1,052,004	360,048
Amounts owed by related undertakings (note 18)	1,542	-
Deferred tax assets (note 13)	47,771	204,571
Other debtors	2,222	5,500
Prepayments	54,614	14,088
	<u>1,245,863</u>	<u>780,648</u>

Included in deferred tax assets is £47,771, an element of which is expected to be recovered in more than one year

12 Creditors

	2013 £	2012 £
Trade creditors	179,791	179,020
Amounts owed to group undertakings	8,690,149	8,846,424
Amounts owed to related undertakings (note 18)	183,845	153,784
Taxation and social security	47,322	49,407
Other creditors	116,462	98,908
Accruals and deferred income	132,041	81,452
	<u>9,349,610</u>	<u>9,408,995</u>

13 Deferred taxation

	Deferred taxation £
At beginning of year – asset	204,571
Charge to the profit and loss for the year	(156,800)
	<u>47,771</u>
At end of year – asset	<u>47,771</u>

The elements of deferred taxation are as follows

	2013 £	2012 £
Difference between accumulated depreciation and capital allowances	(152,904)	(153,710)
Tax losses	200,675	358,281
	<u>47,771</u>	<u>204,571</u>
Deferred tax asset	<u>47,771</u>	<u>204,571</u>

Notes (continued)

14 Called up share capital

	2013 £	2012 £
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1	1	1

15 Reserves

	Profit and loss account £
At beginning of year	(730,821)
Profit for the year	362,066
At end of year	(368,755)

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 £41,166,000 (2012 £39,729,000).

17 Capital commitments

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

	2013 £	2012 £
Contracted	113,000	-

18 Related party transactions

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

	Alphacare Holdings Limited £	Avery Homes Bristol Limited £	Avery Homes Bulwell Limited £	Avery Homes Chippenham Limited £	Avery Homes Dudley Limited £	Avery Homes Grantham Limited £
Amounts owed by related undertaking at beginning of year	-	-	-	-	-	-
Expenses paid on behalf of related undertaking	1,158	48	48	48	48	48
Amounts owed by related undertaking at end of year	1,158	48	48	48	48	48

Notes (continued)

18 Related party transactions (continued)

	Cedars Healthcare Limited £	Avery Homes Heckmondwicke Limited £	Avery Homes Peterborough Limited £	Total £
Amounts owed by related undertaking at beginning of year	-	-	-	-
Expenses paid on behalf of related undertaking	48	48	48	1,542
Amounts owed by related undertaking at end of year	48	48	48	1,542

	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	(113,933)	(2,081)	(19,801)	(13,612)	(4,357)	(153,784)
Expenses paid by related undertaking	(18,429)	(12,285)	-	-	-	(30,714)
Expenses paid on behalf of related undertaking	-	-	653	-	-	653
Amounts owed to related undertaking at end of year	(132,362)	(14,366)	(19,148)	(13,612)	(4,357)	(183,845)

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 Debtco 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.