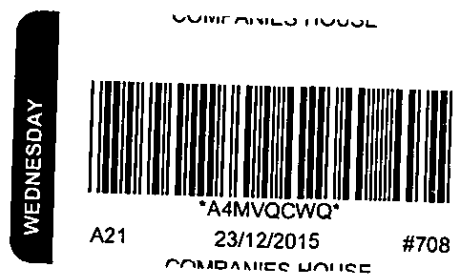


Avery Homes Cliftonville Limited

**Directors' report and financial
statements**

Registered number 06655152

31 March 2015



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Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2015

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 £4.6m (2014: £4.2m). The company recorded an operating profit of £0.3m (2014: £0.5m).

Objectives

- To establish and integrate care homes within the Avery 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

- 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

Post balance sheet event

On 7 July 2015, Welltower Inc (formerly Health Care REIT Inc) acquired 9.9% of the ordinary shares of Avery Healthcare Group Limited, the company's ultimate parent undertaking

Directors

The directors who held office during the year were as follows

I Matthews
MF Proctor
JMB Strowbridge

Political contributions

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

Audit

The company has taken advantage of the exemption from audit under Section 479A of the Companies Act 2006 as a result of a guarantee provided by the ultimate parent company

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

By order of the board



I Matthews
Director

3 Cygnet Drive
Swan Valley
Northampton
NN4 9BS

22 December 2015

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

Profit and loss account
for the year ended 31 March 2015

	Note	2015 £	2014 £
Turnover	2	4,563,600	4,184,361
Cost of sales		(2,009,349)	(1,891,873)
Gross profit		2,554,251	2,292,488
Administrative expenses – exceptional	6	(415,668)	(313,640)
Administrative expenses – other		(1,804,589)	(1,430,695)
		(2,220,257)	(1,744,335)
Operating profit		333,994	548,153
Profit on sale of fixed assets	9	-	10,732,064
Interest payable and similar charges	7	-	(727)
Profit on ordinary activities before taxation	2-7	333,994	11,279,490
Tax on profit on ordinary activities	8	(77,295)	(48,441)
Profit for the financial year	16	256,699	11,231,049

All results derive from continuing operations

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

Balance sheet
at 31 March 2015

	Note	2015 £	£	2014 £	£
Fixed assets					
Tangible assets	9		140,871		39,035
Current assets					
Stocks	10	1,350		1,350	
Debtors	11	2,194,022		852,018	
Cash at bank and in hand		46,919		173,688	
		<u>2,242,291</u>		<u>1,027,056</u>	
Creditors amounts falling due within one year	12	(1,177,438)		(851,377)	
Net current assets			<u>1,064,853</u>		<u>175,679</u>
Total assets less current liabilities			<u>1,205,724</u>		<u>214,714</u>
Creditors amounts falling due after more than one year	13		(729,307)		-
Provision for liabilities	14		(5,674)		(670)
Net assets			<u>470,743</u>		<u>214,044</u>
Capital and reserves					
Called up share capital	15		1		1
Profit and loss account	16		470,742		214,043
Shareholders' funds			<u>470,743</u>		<u>214,044</u>

Audit exemption statement

For the year ending 31 March 2015 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with Section 476
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts

These financial statements were approved by the board of directors on 22 December 2015 and were signed on its behalf by


MF Proctor
Director

Company registered number 06655152

Reconciliation of movements in shareholders' funds
for the year ended 31 March 2015

	2015 £	2014 £
Profit for the financial year	256,699	11,231,049
Dividends on shares classified in shareholders' funds	-	(10,648,251)
Net increase in shareholders' funds	256,699	582,798
Opening shareholders' funds/(deficit)	214,044	(368,754)
Closing shareholders' funds	470,743	214,044

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 Avery Healthcare Group 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 ultimate parent company, Avery Healthcare Group 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 property leasing and loan arrangements with other group undertakings. Detailed information regarding the financial position of the group headed by Avery Healthcare Group Limited, its cash flows, liquidity position and borrowing facilities are included in the financial statements of Avery Healthcare Group Limited, which can be obtained from Companies House. The following analysis considers the position of the Group as a whole

The Group has recorded a loss for the year of £8.3m. Other than exceptional costs of £5.0m, this result is in line with expectations and the Group continues to perform in line with the original long term business plan put together at the time the Group was formed

At the year end the Group has net current liabilities of £8.1m, including £4.9m cash

The Group meets its day-to-day working capital requirements through operating cash flows, working capital 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 sufficient level of financial resources available through current and committed facilities

The Group's shareholders have indicated their continuing financial support for the Group for the foreseeable future

The ultimate parent company has provided a guarantee to the company in respect of the company's liabilities as at 31 March 2015

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

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

Notes (continued)

1 Accounting policies (continued)

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 result 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 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

Turnover

Turnover represents fee income relating to the provision of care services, net of value added tax, if 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

Notes (continued)

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 on ordinary activities before taxation is stated after charging

	2015 £	2014 £
Rentals payable under property operating leases	1,733,050	1,231,290
Depreciation of tangible fixed assets	15,547	80,074
	<u>1,748,597</u>	<u>1,311,364</u>

4 Remuneration of directors

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

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	
	2015	2014
Management and administration staff	8	7
Nursing, care and domestic staff	128	121
	<u>136</u>	<u>128</u>

The aggregate payroll costs of these persons were as follows

	2015 £	2014 £
Wages and salaries	1,803,095	1,712,007
Social security costs	123,588	114,053
	<u>1,926,683</u>	<u>1,826,060</u>

6 Exceptional administrative expenses

	2015 £	2014 £
Future operating lease rental increases charged in year	415,668	313,640
	<u>415,668</u>	<u>313,640</u>

Future operating lease rental increases charged in the year represents the difference between operating lease cash payments and the profit and loss account charge arising on guaranteed annual rental increases which are spread over the lease term

Notes (continued)

7 Interest payable and similar charges

	2015 £	2014 £
On bank loans and overdrafts	-	727

8 Taxation

Analysis of charge in year

	2015 £	2014 £
<i>Current tax</i>		
Group relief payable	69,351	-
Adjustments in respect of previous periods	2,940	-
	<u>72,291</u>	<u>-</u>
<i>Deferred tax (note 14)</i>		
Origination/reversal of timing differences	903	48,441
Adjustments in respect of previous periods	4,101	-
	<u>5,004</u>	<u>48,441</u>
Tax on profit on ordinary activities	<u>77,295</u>	<u>48,441</u>

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2014 lower) than the standard rate of corporation tax in the UK (21%, 2014 23%). The differences are explained below

	2015 £	2014 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	333,994	11,279,490
Current tax at 21% (2014 23%)	<u>70,139</u>	<u>2,594,283</u>
<i>Effects of</i>		
Fixed asset differences	160	-
Depreciation for year in excess of capital allowances	(948)	151,576
Utilisation of tax losses	-	(200,117)
Group relief claimed	-	(9,099)
Non taxable asset disposals	-	(2,536,643)
Adjustments to tax charge in respect of previous periods	<u>2,940</u>	<u>-</u>
Total current tax charge (see above)	<u>72,291</u>	<u>-</u>

Notes (continued)

8 Taxation (continued)

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 23% to 21% became effective from 1 April 2014. A further reduction to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

In the budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020.

9 Tangible fixed assets

	Freehold land and buildings £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At beginning of year	10,951	27,934	2,394	41,279
Additions	27,934	77,390	12,059	117,383
At end of year	38,885	105,324	14,453	158,662
Depreciation				
At beginning of year	383	1,572	289	2,244
Charge for year	3,237	11,006	1,304	15,547
At end of year	3,620	12,578	1,593	17,791
Net book value				
At 31 March 2015	35,265	92,746	12,860	140,871
At 1 April 2014	10,568	26,362	2,105	39,035

10 Stocks

	2015 £	2014 £
Raw materials and consumables	1,350	1,350

Notes (continued)

11 Debtors

	2015 £	2014 £
Trade debtors	-	84,881
Amounts owed by group undertakings	2,176,547	744,679
Other debtors and prepayments	17,475	22,458
	<u>2,194,022</u>	<u>852,018</u>

Amounts owed by group undertakings have no fixed repayment date

12 Creditors

	2015 £	2014 £
Trade creditors	97,015	129,435
Amounts owed to group undertakings	599,695	124,836
Taxation and social security	60,739	50,835
Other creditors and accruals	347,698	546,271
Group relief payable	72,291	-
	<u>1,177,438</u>	<u>851,377</u>

Amounts owed to group undertakings have no fixed repayment date

13 Creditors: amounts falling due after more than one year

	2015 £	2014 £
Other creditors and accruals	<u>729,307</u>	<u>-</u>

The excess operating lease charges resulting from spreading guaranteed future rent increases over the lease term are included in other creditors and accruals

14 Provisions for liabilities

	Deferred taxation £
At beginning of year – liability	670
Charge to the profit and loss for the year	5,004
	<u>5,674</u>
At end of year – liability	<u>5,674</u>

Notes (continued)

14 Provisions for liabilities (continued)

The elements of deferred taxation are as follows

	2015 £	2014 £
Difference between accumulated depreciation and capital allowances	(5,674)	(670)

15 Called up share capital

	2015 £	2014 £
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1	1	1

16 Reserves

	Profit and loss account £
At beginning of year	214,043
Profit for the year	256,699
At end of year	470,742

17 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2015 £	2014 £
<i>Land and buildings</i>		
Operating leases which expire over five years	1,356,904	1,317,383

The annual operating lease commitments represents the cash commitment of the company for the year ending 31 March 2016. As a result of guaranteed annual rent increases, the average annual operating lease charge to the profit and loss account will be £1,733,050.

18 Contingent liabilities

The company, together with its fellow subsidiary undertakings has entered into a cross collateralised security arrangement to secure group operating leases and loans with Welltower Inc (formerly Health Care REIT Inc).

Notes *(continued)*

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 Avery Healthcare Group Limited, incorporated in England and Wales.

The only group in which the results of the company are consolidated is that headed by Avery Healthcare Group Limited. The consolidated financial statements of Avery Healthcare Group Limited are available to the public and may be obtained from Companies House.

The ultimate controlling party is JMB Strowbridge, the majority shareholder in the ultimate parent company.

20 Post balance sheet event

On 7 July 2015, Welltower Inc (formerly Health Care REIT Inc) acquired 9.9% of the ordinary shares of Avery Healthcare Group Limited, the company's ultimate parent undertaking.