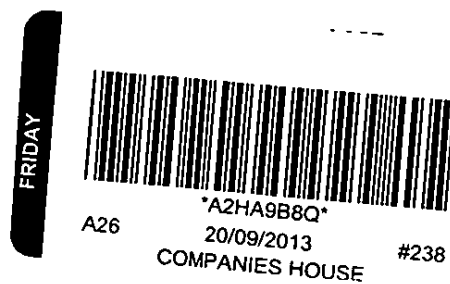


**Avery Homes Rugeley Limited**

**Directors' report and financial  
statements**

Registered number 06722337

31 March 2013



## Contents

Directors' report	1
Statement of directors' responsibilities in respect of the directors' report and the financial statements	3
Independent auditor's report to the members of Avery Homes Rugeley Limited	4
Profit and loss account	6
Balance sheet	7
Reconciliation of movements in shareholders' deficit	8
Notes	9

## 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 pleased with the performance in the year, which is in line with expectations. Turnover for the year was £1.9m (2012 £1.6m). The company recorded an operating profit of £0.5m (2012 £0.3m).

#### *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

## Directors' report *(continued)*

### Business review *(continued)*

#### *Assessment of uncertainties and risks (continued)*

- Managing the financial risk resulting from fluctuations in interest rates through appropriate hedging arrangements

#### *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

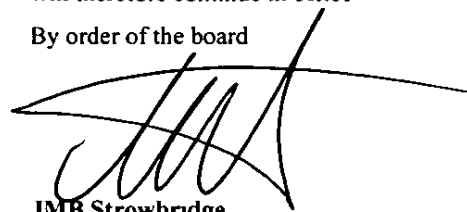
### Disclosure of information to auditor

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 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 auditor's report to the members of Avery Homes Rugeley Limited**

We have audited the financial statements of Avery Homes Rugeley 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 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](http://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 period for which the financial statements are prepared is consistent with the financial statements

**Independent auditor's report to the members of Avery Homes Rugeley 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*

	<i>Note</i>	<b>2013</b> £	2012 £
<b>Turnover</b>	2	1,921,769	1,636,226
Cost of sales		(912,393)	(816,230)
<b>Gross profit</b>		<u>1,009,376</u>	<u>819,996</u>
Administrative expenses		(494,059)	(479,921)
<b>Operating profit</b>		<u>515,317</u>	<u>340,075</u>
Interest payable and similar charges	6	(345,875)	(361,753)
<b>Profit/(loss) on ordinary activities before taxation</b>	2-6	<u>169,442</u>	<u>(21,678)</u>
Tax on profit/(loss) on ordinary activities	7	(64,218)	154,731
<b>Profit for the financial period</b>	14	<u><u>105,224</u></u>	<u><u>133,053</u></u>

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 £	£
<b>Fixed assets</b>					
Tangible assets	8		5,081,983		5,136,076
<b>Current assets</b>					
Stocks	9	1,930		1,930	
Debtors	10	743,761		626,630	
Cash at bank and in hand		156,615		53,393	
		<u>902,306</u>		<u>681,953</u>	
<b>Creditors</b> amounts falling due within one year	11	<u>(6,416,771)</u>		<u>(6,355,735)</u>	
<b>Net current liabilities</b>			<u>(5,514,465)</u>		<u>(5,673,782)</u>
<b>Net liabilities</b>			<u>(432,482)</u>		<u>(537,706)</u>
<b>Capital and reserves</b>					
Called up share capital	13		1		1
Profit and loss account	14		<u>(432,483)</u>		<u>(537,707)</u>
<b>Shareholders' deficit</b>			<u>(432,482)</u>		<u>(537,706)</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 06722337

**Reconciliation of movements in shareholders' deficit**  
*for the year ended 31 March 2013*

	2013 £	2012 £
<b>Profit for the financial year</b>	<b>105,224</b>	<b>133,053</b>
Opening shareholders' deficit	(537,706)	(670,759)
	<hr/>	<hr/>
<b>Closing shareholders' deficit</b>	<b>(432,482)</b>	<b>(537,706)</b>
	<hr/> <hr/>	<hr/> <hr/>

## 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
Motor vehicles	- 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

- 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, 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	<u>200,284</u>	<u>212,419</u>
<i>Auditor's remuneration</i>		
Audit of these financial statements	<u>4,200</u>	<u>4,800</u>

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 during the year or the preceding 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	5	6
Nursing, care and domestic	69	59
	<u>74</u>	<u>65</u>

**Notes** *(continued)*

**5 Staff numbers and costs** *(continued)*

The aggregate payroll costs of these persons were as follows

	2013 £	2012 £
Wages and salaries	836,858	756,424
Social security costs	49,908	45,304
	<u>886,766</u>	<u>801,728</u>

**6 Interest payable and similar charges**

	2013 £	2012 £
On loans from group undertakings	345,875	361,753
	<u>345,875</u>	<u>361,753</u>

**7 Taxation**

*Analysis of charge/(credit) in period*

	2013 £	2012 £
<i>Deferred tax (note 12)</i>		
Origination/reversal of timing differences	64,218	(154,731)
	<u>64,218</u>	<u>(154,731)</u>

*Factors affecting the tax charge for the current period*

The current tax charge for the period is lower (2012 higher) 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	169,442	(21,678)
	<u>169,442</u>	<u>(21,678)</u>
Current tax at 24% (2012 26%)	40,666	(5,636)
<i>Effects of</i>		
Expenses not deductible for tax purposes	12,544	13,870
Capital allowances for period in excess of depreciation	(3,793)	(22,770)
Utilisation of tax losses	(49,417)	-
Tax losses carried forward	-	14,536
	<u>-</u>	<u>-</u>
Total current tax charge (see above)	<u>-</u>	<u>-</u>

**Notes (continued)**

**7 Taxation (continued)**

*Factors that may affect future current and total tax charges*

The company has trading losses of £858,199 (2012 £1,064,103) available to offset future trading profits

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.

**8 Tangible fixed assets**

	Freehold land and buildings £	Fixtures and fittings £	Total £
<i>Cost</i>			
At beginning of year	4,731,841	688,631	5,420,472
Additions	35,165	111,026	146,191
	<hr/>	<hr/>	<hr/>
At end of year	4,767,006	799,657	5,566,663
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	111,426	172,970	284,396
Charge for year	82,490	117,794	200,284
	<hr/>	<hr/>	<hr/>
At end of year	193,916	290,764	484,680
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2013	4,573,090	508,893	5,081,983
	<hr/>	<hr/>	<hr/>
At 1 April 2012	4,620,415	515,661	5,136,076
	<hr/>	<hr/>	<hr/>

**9 Stocks**

	2013 £	2012 £
Raw materials and consumables	1,930	1,930
	<hr/>	<hr/>

**Notes (continued)**

**10 Debtors**

	2013 £	2012 £
Trade debtors	24,409	109,707
Amounts owed by group undertakings	613,462	342,249
Deferred tax assets (note 12)	90,513	154,731
Other debtors	2,557	6,165
Prepayments	12,820	13,778
	743,761	626,630
	743,761	626,630

Included in deferred tax assets is £90,513, an element of which is expected to be recovered after more than one year

**11 Creditors: amounts falling due within one year**

	2013 £	2012 £
Trade creditors	69,758	68,711
Amounts owed to group undertakings	6,166,749	6,115,743
Amounts owed to related undertakings (note 16)	32,803	22,943
Taxation and social security	15,920	24,123
Other creditors	65,020	55,602
Accruals	66,521	68,613
	6,416,771	6,355,735
	6,416,771	6,355,735

**12 Deferred taxation**

		Deferred taxation £
At beginning of year		154,731
Charge to the profit and loss for the year		(64,218)
		90,513
		90,513
	2013 £	2012 £
Difference between accumulated depreciation and capital allowances	(106,873)	(111,295)
Tax losses	197,386	266,026
	90,513	154,731
	90,513	154,731



**Notes (continued)**

**13 Called up share capital**

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

**14 Reserves**

	Profit and loss account £
At beginning of year	(537,707)
Profit for the year	105,224
<b>At end of year</b>	<b><u>(432,483)</u></b>

**15 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)

**16 Related party transactions**

During the year the company made the following transactions with companies under common ownership

	Optimum Care Limited £	Avery Health Limited £	Alphacare Holdings Limited £	Avery Homes Dudley Limited £	Total £
Amounts owed to related undertaking at beginning of year	(474)	(20,479)	(1,542)	(448)	(22,943)
Expenses paid on behalf of the company	-	(9,633)	(159)	(68)	(9,860)
<b>Amounts owed to related undertaking at end of year</b>	<b><u>(474)</u></b>	<b><u>(30,112)</u></b>	<b><u>(1,701)</u></b>	<b><u>(516)</u></b>	<b><u>(32,803)</u></b>

All of the above are unsecured, interest free and have no fixed repayment dates

**Notes** *(continued)*

**17 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.