

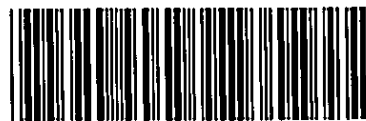
Avalon Nursing Homes Limited

**Directors' report and financial
statements**

Registered number 2653123

31 December 2009

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Company information

Directors	Michael Parsons David Duncan
Secretary	Jon Hather
Auditors	KPMG LLP Plym House 3 Longbridge Road Marsh Mills Plymouth PL6 8LF
Bankers	Royal Bank of Scotland London Corporate Services 2½ Devonshire Square London EC2M 4XJ
Solicitors	Berwin Leighton Painsner Adelaide House London Bridge London EC4R 9HA
Registered office	Suite 201 The Chambers Chelsea Harbour London SW10 0XF
Registered number	2653123

Directors' report

The directors present their directors' report and the audited financial statements for the year ended 31 December 2009

Principal activities

Avalon Nursing Homes Limited ("the company") did not trade during the current year

On 28 February 2007 the trade was sold to Barchester Healthcare Homes Limited, its parent undertaking

Business review

The company is consolidated as part of the Barchester Healthcare Limited group. As the company did not trade, the group's Business review and risks and uncertainties can be found in the Barchester Healthcare Limited consolidated financial statements

Dividends

During the year dividends of £28,094,000 were paid (2008: £nil)

Future prospects

Following the transfer of trade to Barchester Healthcare Homes Limited the Company is now dormant and is expected to remain so in the future

Directors and directors' interests

The directors who held office during the year were as follows

D Duncan
M Parsons

Employees

The directors recognise the importance of human resources. Practices to provide good communications and relations with employees include providing them with information on matters of concern to them as employees

The company continues to give full and fair consideration to applications from disabled persons. If an employee becomes disabled the company endeavours to continue their employment if this is practical and in appropriate cases training is given

Political and charitable donations

During the year the company made political and charitable donations amounting to £nil (2008: £nil)

Directors' report *(continued)*

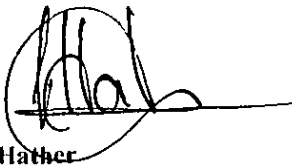
Disclosure of information to auditors

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

Auditors

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

By order of the board

A handwritten signature in black ink, appearing to read 'J Hather', is written over a horizontal line.

J Hather
Company Secretary

Suite 201
The Chambers
Chelsea Harbour
London
SW10 0X1

30 June 2010

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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



KPMG LLP

Plym House
3 Longbridge Road
Plymouth
PL6 8LT
United Kingdom

Independent auditors' report to the members of Avalon Nursing Homes Limited

We have audited the financial statements of Avalon Nursing Homes Limited for the year ended 31 December 2009 set out on pages 7 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its result for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

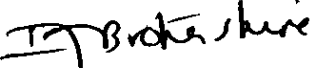
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Avalon Nursing Homes 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


I J Brokenshire (Senior Statutory Auditor)
for and on behalf of KPMG, Statutory Auditor
Chartered Accountants
Plym House
3 Longbridge Road
Plymouth
PL6 8L1

30 June 2010

Profit and loss account

for the year ended 31 December 2009

During the current and preceding financial year the company did not trade and received no income and incurred no expenditure

Consequently, during those periods the company made neither a profit nor a loss

Reconciliation of movements in equity shareholders' funds

for the year ended 31 December 2009

	Note	2009 £000	2008 £000
Profit for the financial year		-	-
Dividends on shares classified in shareholders' funds	5	(28,094)	-
Retained (loss)/profit		(28,094)	-
Opening shareholders' funds		28,214	28,214
Closing shareholders' funds		120	28,214

Balance sheet
at 31 December 2009

	Notes	2009 £000	2008 £000
Current assets			
Debtors	6	22,891	28,701
		<u>22,891</u>	<u>28,701</u>
Creditors amounts falling due within one year	7	(22,771)	(487)
		<u></u>	<u></u>
Net current assets		120	28,214
		<u></u>	<u></u>
Total assets less current liabilities		120	28,214
		<u></u>	<u></u>
Provisions for liabilities		120	-
		<u></u>	<u></u>
Net assets		120	28,214
		<u></u>	<u></u>
Capital and reserves			
Called up share capital	9	100	100
Share premium account	8	20	20
Profit and loss account	8	-	28,094
		<u></u>	<u></u>
Equity shareholders' funds		120	28,214
		<u></u>	<u></u>

These financial statements were approved by the board of directors on 30 June 2010 and were signed on its behalf by



D Duncan
Director
Company Number 2653123

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

The Company is exempt from the requirement of FRS 1 (revised 1996) to prepare a cash flow statement as it is ultimately a wholly owned subsidiary undertaking of Barchester Healthcare Limited and its cash flows are included within the consolidated cash flow statement of that company

As the Company is a wholly owned subsidiary of Barchester Healthcare Limited the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group. The consolidated financial statements of Barchester Healthcare Limited, within which the Company is included, can be obtained from the address given in note 12

Going Concern

The company has considerable financial resources together with long term support from Group. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements

Dividends

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

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 which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Notes (continued)

2 Profit on ordinary activities before taxation

	2009 £000	2008 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
<i>Auditors' remuneration</i>		
Audit	1	1
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The remuneration of the auditors in respect of services provided to the Company in the current year was borne by another group company. The amount above is management's best estimate of the proportion relating to the Company.

3 Directors' emoluments

The directors received nil emoluments for services to the Company during the year (2008: £nil). The directors received remuneration for services to Grove Limited of which Avalon Nursing Homes Limited is a subsidiary undertaking, however, the proportion attributable to their services to Avalon Nursing Homes Limited is not separately identifiable.

4 Taxation

	2009 £000	2008 £000
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
	-	-

Factors affecting the tax charge for the current year

The current tax charge for the year is equal (2008: equal) to the standard rate of corporation tax in the UK of 28% (2008: 28.5%). The differences are explained below.

	2009 £000	2008 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	-	-
	-----	-----
Current tax at 28% (2008: 28.5%)	-	-
<i>Factors affecting charge for the year</i>		
Group relief not payable	(291)	(589)
Transfer pricing	291	589
	-----	-----
Total current tax (see above)	-	-
	----	----

Notes (continued)

5 Dividends

The aggregate amount of dividends comprises

	2009 £000	2008 £000
Dividends in respect of the year recognised as a liability at the year end	28,094	-

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is £nil (2008 £nil)

6 Debtors

	2009 £000	2008 £000
Amounts due from group undertakings	22,891	28,701

7 Creditors amounts falling due within one year

	2009 £000	2008 £000
Amounts owed to group undertakings	22,771	487

8 Share premium and reserves

	Share premium account £000	Profit and loss Account £000	Total £000
At beginning of the year	20	28,094	28,114
Retained profit for the year	-	-	-
Dividends on shares classified in shareholders' funds	-	(28,094)	(28,094)
At end of the year	20	-	20

9 Called up share capital

	2009 £	2008 £
<i>Allotted, issued and fully paid</i>		
100,000 ordinary shares of £1 each	100,000	100,000
230 deferred ordinary shares of £1 each	230	230
	100,230	100,230

The deferred ordinary shares have the right to one vote per share. They do not, however, have the right to receive a dividend.

On return of assets on liquidation, holders of ordinary shares will be entitled first to receive a threshold sum. From the surplus after the threshold sum has been paid, the next £100,000 will be paid to holders of deferred ordinary shares. Any remaining surplus after the above has been paid will be split with 80% being payable to ordinary shareholders and 20% to deferred ordinary shareholders.

Notes *(continued)*

10 Pension costs

The pension costs charge in the period amounting to £nil (2008 £nil) represents contributions payable by the Company to personal pension policies of certain employees

11 Related party disclosures

The Company is controlled by Barchester Healthcare Limited, by which it is 100% owned. The ultimate controlling party is Grove Limited which is the company's ultimate parent undertaking.

The Company has taken advantage of the exemption conferred by FRS 8 and does not disclose transactions with its related parties.

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

Avalon Nursing Homes Limited is a wholly owned subsidiary undertaking of Avalon (Guernsey) Limited, a company incorporated in Guernsey.

Avalon (Guernsey) Limited is a wholly owned subsidiary undertaking of Barchester Healthcare Homes Limited, a company incorporated in Great Britain and registered in England and Wales.

The Company's ultimate parent undertaking is Grove Limited, a company incorporated and registered in Jersey.

The smallest Group in which the results of the Company are consolidated is that headed by Barchester Healthcare Limited. The largest Group in which the results of the Company are consolidated is that headed by Grove Limited. The financial statements of Barchester Healthcare Limited are available to the public from the following address:

Suite 201
The Chambers
Chelsea Harbour
London
SW10 0XF