

Registered number: 5221323

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**PSX BONDCO LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2012**



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**PSX BONDCO LIMITED**

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**COMPANY INFORMATION**

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<b>DIRECTORS</b>	S L Gumm N M Leslau
<b>COMPANY SECRETARY</b>	S L Gumm
<b>REGISTERED NUMBER</b>	5221323
<b>REGISTERED OFFICE</b>	Cavendish House 18 Cavendish Square London W1G 0PJ
<b>INDEPENDENT AUDITORS</b>	BDO LLP 2nd Floor 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA

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**PSX BONDCO LIMITED**

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## **PSX BONDCO LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2012**

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The directors present their report and the financial statements for the year ended 30 September 2012

#### **RESULTS**

The loss for the year, after taxation, amounted to £4,507,000 (2011 - loss £4,888,000)

#### **PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS**

The principal activity of the company is acting as an intermediate holding company

The company is a member of the charging group in relation to the bank facilities referred to in note 1. As a result, the financial statements of the company have been prepared on a basis other than that of a going concern.

#### **DIRECTORS**

The directors who served during the year were

S L Gumm  
N M Leslau

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

##### **Risk management objectives and policies**

The company's only financial instruments are investments in subsidiary undertakings and inter-company balances

The management of risk is integral to the company's approach to running its financing and investment activities. The group, in which the company is a member, utilises secured bank debt and shareholder loans to fund property investment purchases of the group. Cash resources generated from the group's operations, including those resulting from strict credit control over its short term debtors and creditors, are utilised in meeting the group's working capital requirements.

#### **PROVISION OF INFORMATION TO AUDITORS**

Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

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**PSX BONDCO LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2012**

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**AUDITORS**

BDO LLP have expressed their willingness to continue in office

This report was approved by the board on 2 August 2013 and signed on its behalf



S L Gumm  
Director

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**PSX BONDCO LIMITED**

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 30 SEPTEMBER 2012**

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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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

As explained in note 1 to the financial statements, the directors do not believe the going concern basis to be appropriate and these financial statements have not been prepared on that basis.

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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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## **PSX BONDCO LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PSX BONDCO LIMITED**

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We have audited the financial statements of PSX Bondco Limited for the year ended 30 September 2012, which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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, 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 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/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **EMPHASIS OF MATTER**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's inability to continue as a going concern and the basis on which the financial statements have been prepared. The company is a member of the charging group referred to in that note. As it is the directors' current expectation that the disposal programme being conducted by the group, as referred to in note 1, is unlikely to realise sufficient cash to repay the group's actual and contingent creditors in full, and that following the disposal program the company is likely to cease trading, the financial statements have been prepared on a basis other than that of going concern.

#### **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.

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**PSX BONDCO LIMITED**

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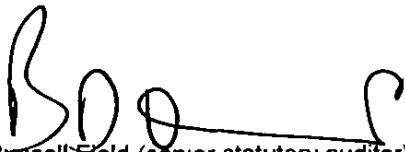
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PSX BONDCO LIMITED**

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**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



Russell Field (senior statutory auditor)

for and on behalf of  
**BDO LLP**

Statutory auditor

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

2nd Floor  
2 City Place  
Beehive Ring Road  
Gatwick  
West Sussex  
RH6 0PA

2 August 2013



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**PSX BONDCO LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 2012**

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	<b>Note</b>	<b>2012 £000</b>	<b>2011 £000</b>
Interest payable and similar charges	4	<u>(4,507)</u>	<u>(4,495)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(4,507)</b>	<b>(4,495)</b>
Tax on loss on ordinary activities	5	<u>-</u>	<u>(393)</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>	9	<u><b>(4,507)</b></u>	<u><b>(4,888)</b></u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account

There are no differences between the loss on ordinary activities before taxation and the retained loss for the financial year stated above and their historical cost equivalents

The notes on pages 8 to 12 form part of these financial statements

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**PSX BONDCO LIMITED**  
**REGISTERED NUMBER 5221323**

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**BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2012**

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	Note	2012 £000	2011 £000
<b>FIXED ASSETS</b>			
Investments	6	52,493	52,493
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>52,493</u>	<u>52,493</u>
<b>CREDITORS</b> · amounts falling due after more than one year	7	(89,693)	(85,186)
<b>NET LIABILITIES</b>		<u>(37,200)</u>	<u>(32,693)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	1	1
Profit and loss account	9	(37,201)	(32,694)
<b>SHAREHOLDERS' DEFICIT</b>	10	<u>(37,200)</u>	<u>(32,693)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2 August 2013



S L Gumm  
Director

The notes on pages 8 to 12 form part of these financial statements

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## PSX BONDCO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

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#### 1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

##### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The company is a member of the group headed by PSX Holdings Limited. The following are extracts from the disclosures that were included in note 1 to that entity's consolidated financial statements for the year ended 30 September 2012,

"As required by the relevant accounting standard FRS18 "Accounting Policies" and as permitted by SI 2009/420 Schedule 1 (10)(2), the directors have prepared the financial statements on a basis other than as a going concern

The capital structure of the business was established in 2006 when the portfolio was acquired. The properties were let on long leases to Southern Cross Healthcare Limited which was at the time a thriving private business. Subsequently, the management of the Southern Cross business changed and that management team's strategy ultimately resulted in the financial failure of Southern Cross in the summer of 2011. Following on from the financial difficulties of Southern Cross, given the relatively high quality of the assets owned by this group, the directors were able to identify leading operators in the sector to take assignments of the leases on the 21 homes owned by the group. Partly as a consequence of the large number of care home landlords seeking new operators at that time from Southern Cross's total portfolio of over 700 homes, the rents on the leases assigned to the new operators were reduced in order to ensure that the homes continued to operate safely and securely.

The fact that Southern Cross was unable to meet its rental obligations in full in September 2011 resulted in a default of the group's secured loans in 2011. Since then, and with the full support of the secured lender, the group has continued to operate with the benefit of standstill agreements such that no action has been taken by the bank to seek repayment of the debt. During that time, the new tenants have carried out substantial capital expenditure on this group's portfolio and have stabilised the occupancy trends of the homes, maintaining operations to the required high standards. Furthermore, the interest rate swaps on the portfolio have been restructured, at a cost to the group of £7.6 million, in order to reduce the cash interest cost on the debt such that the rental income net of operating expenses covers the financing costs.

While the secured loans were originally repayable in May 2015, since the default occurred the loans have been repayable on demand. Having continued to discuss options with the lender, mindful of their expressed desire for a consensual early exit from the current facilities and bearing in mind that there has been a recent general improvement in the market for healthcare assets in the investment property market, the directors have agreed with the lender that the best course of action to optimise the position of the group's actual and contingent creditors is to market the properties for sale. That marketing process commenced in July 2013. The current standstill period expires on 30 September 2013, but the lender has confirmed that, subject to continued efforts being made by the directors to deliver the disposal programme, the standstill period should be extended if necessary to deliver the sales programme.

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## **PSX BONDCO LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012**

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#### **1. ACCOUNTING POLICIES (continued)**

##### **Basis of preparation of financial statements (continued)**

Total amounts owing to the secured lender by the group at 30 September 2012 were £109.9 million and as at the date of approval of these financial statements stand at £108.5 million. The directors' current expectation is that the disposal programme, net of all costs of disposal, are unlikely to realise sufficient cash to repay the secured lender in full. Despite the fact that the secured lender recognises that the directors are taking steps to maximise recovery and has expressed no intention to demand repayment of any element of the amounts outstanding in excess of the net proceeds ultimately realised on sale, having taken into account the matters noted above the directors have concluded that it is not appropriate to adopt the going concern basis of preparation in these financial statements.

No adjustments to the carrying values of the assets and liabilities of the group as at 30 September 2012 have arisen as a result of the change in basis of preparation of the financial statements."

The company is a member of the charging group in relation to the bank facilities referred to in the above note. As a result, the financial statements of the company have also been prepared on a basis other than that of a going concern.

##### **1.2 Cash flow**

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

##### **1.3 Investments**

Investments held as fixed assets are shown at cost. Any permanent diminution in value is written off to the profit and loss account.

##### **1.4 Deferred taxation**

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying differences.

Deferred tax balances are not discounted.

#### **2. AUDITORS' REMUNERATION**

The auditors' remuneration is borne by a fellow group company. Fees for the audit of the company were £1,000 (2011: £1,000).

#### **3. STAFF COSTS**

The company has no employees and no director received any remuneration during the year (2011: - £nil).

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**PSX BONDCO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2012**

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**4. INTEREST PAYABLE**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
On loans from group undertakings	<b>4,507</b>	<b>4,495</b>

**5. TAXATION**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<b>Analysis of tax charge in the year</b>		
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	393
<b>Tax on loss on ordinary activities</b>	-	393

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2011 - higher than) the standard rate of corporation tax in the UK of 24% (2011 - 26%) The differences are explained below

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Loss on ordinary activities before tax	<b>(4,507)</b>	<b>(4,495)</b>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2011 - 26%)	<b>(1,082)</b>	<b>(1,169)</b>
<b>Effects of</b>		
Group relief surrendered	<b>1,082</b>	<b>1,169</b>
<b>Current tax charge for the year (see note above)</b>	-	-

**UNPROVIDED DEFERRED TAXATION**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Losses available to carry forward at 23% (2011 26%)	<b>450</b>	<b>508</b>

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**PSX BONDCO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2012**

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**6. FIXED ASSET INVESTMENTS**

**Investments  
in  
subsidiary  
companies  
£000**

**Cost and net book value**

At 1 October 2011 and 30 September 2012

**52,493**

**Subsidiary undertakings**

The following was a subsidiary undertaking of the company at the balance sheet date

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>
PSX Noteco Limited	Ordinary	100 %

The above company owns 100% of the issued share capital of PSX Propholdco Limited, an intermediate holding company which has a 100% interest in two property investment companies (PSX Propco Limited and PSX Willesden Limited) All of these companies are incorporated in England

**7. CREDITORS.**

**Amounts falling due after more than one year**

	<b>2012 £000</b>	<b>2011 £000</b>
Amounts owed to group undertakings	<b>85,180</b>	80,924
Amounts due to immediate parent company - loan notes	<b>4,513</b>	4,262
	<b>89,693</b>	<b>85,186</b>

The amounts owed to group undertakings are unsecured, bear interest at a rate of 7.9% and have no fixed repayment date. Included in the above amount is accrued interest of £31,454,000 (2011 £27,197,000)

The loan notes are unsecured, bear interest at a rate of 10% and have a redemption date of 15 September 2015. Included in the above amount is accrued interest of £2,010,000 (2011 £1,759,000)

**8. SHARE CAPITAL**

	<b>2012 £000</b>	<b>2011 £000</b>
<b>Allotted, called up and fully paid</b>		
613 ordinary shares of £1 each	<b>1</b>	<b>1</b>

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**PSX BONDCO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2012**

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**9 RESERVES**

	<b>Profit and loss account £000</b>
At 1 October 2011	<b>(32,694)</b>
Loss for the year	<b>(4,507)</b>
	<hr/>
At 30 September 2012	<b>(37,201)</b>
	<hr/>

**10. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT**

	<b>2012 £000</b>	<b>2011 £000</b>
Opening shareholders' deficit	<b>(32,693)</b>	<b>(27,805)</b>
Loss for the year	<b>(4,507)</b>	<b>(4,888)</b>
	<hr/>	<hr/>
Closing shareholders' deficit	<b>(37,200)</b>	<b>(32,693)</b>
	<hr/>	<hr/>

**11 CONTINGENT LIABILITIES**

The company, along with its fellow group undertakings, has entered into an agreement with the group's bankers to cross-guarantee the bank loans and hedging restructure costs made to PSX Midco Limited (formerly Prestbury SX Limited) At 30 September 2012 these amounted to £109,887,000 (2011 £101,352,000)

**12. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption available to wholly owned subsidiary undertakings under Financial Reporting Standard 8, "Related Party Transactions", not to disclose details of any transactions with entities that are included in the consolidated financial statements of PSX Holdings Limited

**13. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The company's immediate parent company is PSX Equityco Limited The company's ultimate parent company is PSX Holdings Limited PSX Holdings Limited is a joint venture company incorporated in England and Wales and is not controlled by any one entity or individual The consolidated accounts of PSX Holdings Limited are available to the public and may be obtained from the company secretary, Cavendish House, 18 Cavendish Square, London W1G 0PJ