

Registration number: 6322222

Barchester Propco Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016



Barchester Propco Limited

Contents

Company Information	1
Directors' Report	2 to 3
Statement of Directors' Responsibilities	4
Independent Auditor's Report	5 to 6
Profit and Loss Account	7
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 to 19

Barchester Propco Limited

Company Information

Directors	Pete Calveley Mark Hazlewood Michael O'Reilly
Company secretary	Michael O'Reilly
Registered office	3rd Floor, The Aspect 12 Finsbury Square London EC2A 1AS
Bankers	The Royal Bank of Scotland Plc London Corporate Services 2½ Devonshire Square London EC2M 4XJ
Auditor	KPMG LLP Chartered Accountants 37 Albyn Square Aberdeen AB10 1JB

Barchester Propco Limited

Directors' Report for the Year Ended 31 December 2016

The Directors present their report and the financial statements for the year ended 31 December 2016.

Principal activity

The principal activity of Barchester Propco Limited ("the Company") is the ownership and leasing of nursing and care homes to related companies within the Grove Limited group ("the Group").

Fair review of the business

The results for the year are set out in the profit and loss account on page 7. The Directors are satisfied with the Company's results.

Barchester Propco Limited rents the properties it owns to Barchester Healthcare Homes Limited ("Barchester"), a related undertaking, which carries out the operation of nursing and care trade.

The Company operates under the Barchester group brand. Barchester commands a leading position in the UK long term care sector. The business provides in excess of 12,000 registered beds, spread across its portfolio of over 200 high quality services (including nursing homes and domiciliary care) and 7 hospitals with a national footprint across the UK, the largest proportion located within London and the South East and the remainder evenly spread through the UK. Barchester has a significant number of private pay residents.

The key performance measures that the Board use to monitor Barchester's progress against its objectives are:

- Quality of care, the health and well-being of our residents;
- Occupancy levels;
- Fee levels;
- EBITDA and EBITDA per bed;
- Margin; and
- Staff agency and cost.

Barchester's strategy is one of continued growth through extension of existing facilities, acquisitions of nursing homes of a suitable quality, and development of newly built care homes. Barchester is especially focused on the private pay market.

Directors of the Company

The Directors who held office during the year were as follows:

Pete Calvey

Mark Hazlewood

Ian Portal - Company secretary and director (resigned 5 October 2016)

The following director was appointed after the year end:

Michael O'Reilly - Company secretary and director (appointed 3 April 2017)

Dividends

The Directors recommend no final dividend payment be made in respect of the financial year ended 31 December 2016.

Going concern

The Directors have reasonable expectation that the Group and Company have adequate resources to continue in operation for the foreseeable future. The Directors believe that it is appropriate to prepare the financial statements on a going concern basis. Further details are in note 2 to the financial statements.

Barchester Propco Limited

Directors' Report for the Year Ended 31 December 2016 (continued)

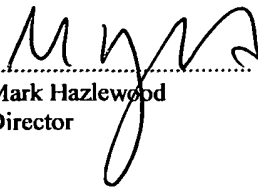
Disclosure of information to the auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditor

The auditor KPMG LLP is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 26 June 2017 and signed on its behalf by:



.....
Mark Hazlewood
Director

Barchester Propco Limited

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 the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*.

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.

Barchester Propco Limited

Independent Auditor's Report to the members of Barchester Propco Limited

We have audited the financial statements of Barchester Propco Limited for the year ended 31 December 2016 set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*.

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 Statement of Directors' Responsibilities 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, 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/auditscopeukprivate.

Opinion on the 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 2016 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.

Barchester Propco Limited

Independent Auditor's Report to the members of Barchester Propco Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' Report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

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; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



.....
Paula Holland (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Albyn Square
Aberdeen
AB10 1JB

27 June 2017

Barchester Propco Limited

Profit and Loss Account for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Turnover	3	6,073	5,996
Administrative expenses	4	<u>(2)</u>	<u>-</u>
Operating profit		<u>6,071</u>	<u>5,996</u>
Gain/(loss) on revaluation of investment property	11	710	(17,986)
Interest receivable and similar income	5	-	275
Interest payable and similar charges	6	<u>(2,640)</u>	<u>(2,629)</u>
		<u>(1,930)</u>	<u>(20,340)</u>
Profit/(loss) before tax		4,141	(14,344)
Taxation	9	<u>(1,073)</u>	<u>2,607</u>
Profit/(loss) for the financial year		<u><u>3,068</u></u>	<u><u>(11,737)</u></u>

The above results were derived from continuing operations.

Barchester Propco Limited

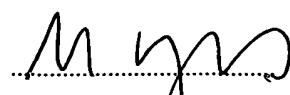
Statement of Comprehensive Income for the Year Ended 31 December 2016

	2016	2015
	£ 000	£ 000
Profit/(loss) for the year	<u>3,068</u>	<u>(11,737)</u>
Total comprehensive income for the year	<u><u>3,068</u></u>	<u><u>(11,737)</u></u>

Barchester Propco Limited
(Registration number: 6322222)
Balance Sheet as at 31 December 2016

	Note	2016 £ 000	2015 £ 000
Fixed assets			
Tangible assets	10	1	1
Investment property	11	61,230	60,520
		<u>61,231</u>	<u>60,521</u>
Current assets			
Debtors	12	32,541	35,851
Cash at bank and in hand		990	564
		<u>33,531</u>	<u>36,415</u>
Creditors: Amounts falling due within one year	13	<u>(48,153)</u>	<u>(45,450)</u>
Net current liabilities		<u>(14,622)</u>	<u>(9,035)</u>
Total assets less current liabilities		46,609	51,486
Creditors: Amounts falling due after more than one year	13	(40,110)	(48,177)
Provisions for liabilities	14	<u>(219)</u>	<u>(97)</u>
Net assets		<u>6,280</u>	<u>3,212</u>
Capital and reserves			
Called up share capital	15	-	-
Profit and loss account		<u>6,280</u>	<u>3,212</u>
Total equity		<u>6,280</u>	<u>3,212</u>

Approved and authorised by the Board on 26 June 2017 and signed on its behalf by:


 Mark Hazlewood
 Director

Barchester Propco Limited

Statement of Changes in Equity for the Year Ended 31 December 2016

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2016	-	3,212	3,212
Profit for the year	-	3,068	3,068
Total comprehensive income	-	3,068	3,068
At 31 December 2016	-	6,280	6,280

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2015	-	14,949	14,949
Loss for the year	-	(11,737)	(11,737)
Total comprehensive income	-	(11,737)	(11,737)
At 31 December 2015	-	3,212	3,212

The profit and loss account includes £13,075,000 (2015: £11,142,000) of unrealised gains in relation to investment properties.

Barchester Propco Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

1 General information

The Company is a private company limited by share capital incorporated in England and Wales.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The amendments to Financial Reporting Standard 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Summary of disclosure exemptions

As the Company is a wholly owned subsidiary of Grove Limited the Company has taken advantage of the disclosure exemptions contained in FRS 102 Section 1.12. By virtue of FRS 102 Section 33.1A the Company has not disclosed transactions or balances with wholly owned entities which form part of the Group.

Name of parent of group

These financial statements are consolidated in the financial statements of Grove Limited.

The financial statements of Grove Limited may be obtained from www.jerseyfsc.org.

Going concern

Notwithstanding the net current liabilities of £14,622,000.00 (2015: £9,035,000.00), the Company has the long-term support of the ultimate parent company, Grove Limited. Grove Limited is, at the date of signing these financial statements, undergoing a renegotiation of its financing. The Directors of the Company have made appropriate enquiries to satisfy themselves that Grove Limited has shareholder support for existing shareholder loan notes, as required. As with any company placing reliance on shareholder support, there can be no guarantee that this will continue. However, as at the date of signing these financial statements, the Directors of the Company have no reason to believe that this support to the Group will not be forthcoming if required. The Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future and thus continue to adopt the going concern assumption in these financial statements.

Companies within the Group have confirmed that any amounts due from Group undertakings will not be demanded within the next year.

Barchester Propco Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

2 Accounting policies (continued)

Judgements

Investment properties are stated at valuation. Where a full Red Book valuation is not performed in a given year on a specific property, the Directors are required to value the property using professional judgement. In such cases, the Directors instruct an external valuer with relevant experience in the sector to perform a desktop valuation on which the Directors' valuation is based.

The Company makes an estimate of the recoverable value of amounts owed by the group undertakings. When assessing impairment of group, Management considers factors including the aging profile of debtors and historical experience. See note 12 for the net carrying amount of the debtors and any associated impairment provision.

Revenue recognition

Turnover is derived from the leasing of property and equipment to related undertakings under operating leases and is recognised on a straight line basis over the period of the lease.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class

Fixtures and fittings

Depreciation method and rate

Straight line over 10 years

Investment property

Investment property is carried at fair value, derived from the current market prices for comparable real estate determined annually by external valuers. The valuers use observable market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in profit or loss.

Barchester Propco Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

2 Accounting policies (continued)

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2016 £ 000	2015 £ 000
Rental income from investment property	<u>6,073</u>	<u>5,996</u>

4 Other gains and losses

The analysis of the Company's other gains and losses for the year is as follows:

	2016 £ 000	2015 £ 000
Loss on disposal of property, plant and equipment	<u>(2)</u>	<u>-</u>

5 Other interest receivable and similar income

	2016 £ 000	2015 £ 000
Interest income on bank deposits	-	5
Net gain on interest rate swap at fair value through profit and loss	<u>-</u>	<u>270</u>
	<u>-</u>	<u>275</u>

6 Interest payable and similar expenses

	2016 £ 000	2015 £ 000
Interest on bank and other loans	2,447	2,629
Net loss on interest rate swap at fair value through profit and loss	<u>193</u>	<u>-</u>
	<u>2,640</u>	<u>2,629</u>

Barchester Propco Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

6 Interest payable and similar expenses (continued)

Interest on bank and other loans includes £299,000 (2015: £299,000) relating to loan issue costs. This is net of £487,000 (2015: £487,000) recharged to related undertakings.

7 Directors' remuneration

The Company had no employees other than Directors (2015: nil). The Directors received remuneration for services to Grove Limited of which Barchester Propco Limited is a subsidiary undertaking, however the proportion attributable to their services to Barchester Propco Limited is not separately identifiable.

8 Auditor's remuneration

The remuneration of the auditor in the current year was borne by another Group company. The estimate for the current year is £4,000 (2015: £4,000).

9 Taxation

Tax charged/(credited) in the profit and loss account

	2016 £ 000	2015 £ 000
Current taxation		
UK corporation tax	596	468
UK corporation tax adjustment to prior periods	<u>355</u>	<u>616</u>
	<u>951</u>	<u>1,084</u>
Deferred taxation		
Arising from origination and reversal of timing differences	160	(3,737)
Arising from changes in tax rates and laws	<u>(38)</u>	<u>46</u>
Total deferred taxation	<u>122</u>	<u>(3,691)</u>
Tax expense/(receipt) in the profit and loss account	<u><u>1,073</u></u>	<u><u>(2,607)</u></u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2015 - higher than the standard rate of corporation tax in the UK) of 20% (2015 - 20.25%).

The differences are reconciled below:

Barchester Propco Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

9 Taxation (continued)

	2016	2015
	£ 000	£ 000
Profit/(loss) before tax	<u>4,141</u>	<u>(14,344)</u>
Corporation tax at standard rate	828	(2,905)
Effect of expense not deductible in determining taxable profit (tax loss)	159	-
Effect of tax losses	-	(114)
Deferred tax (credit)/expense relating to changes in tax rates or laws	(38)	46
Deferred tax expense from unrecognised tax loss or credit	142	-
Increase in UK and foreign current tax from adjustment for prior periods	355	616
Tax decrease from transfer pricing adjustments	<u>(373)</u>	<u>(250)</u>
Total tax charge/(credit)	<u>1,073</u>	<u>(2,607)</u>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 December 2016 has been calculated based on these rates.

Deferred tax

Deferred tax assets and liabilities

	Liability
	£ 000
2016	
Revaluation of investment properties	<u>219</u>
2015	
Revaluation of investment properties	<u>97</u>

Barchester Propco Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

10 Tangible assets

	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation		
At 1 January 2016	1	1
At 31 December 2016	1	1
Depreciation		
At 1 January 2016	-	-
At 31 December 2016	-	-
Carrying amount		
At 31 December 2016	1	1
At 31 December 2015	1	1

11 Investment properties

	2016 £ 000
At 1 January 2016	60,520
Fair value adjustments	710
At 31 December 2016	61,230

Investment properties comprise nursing and residential homes. The year end valuation is based on a valuation performed by the Directors. In undertaking their valuation, the Directors took reference from a valuation dated 31 December 2016 by an independent external surveyor. This valuation was a desktop valuation being an update of a full valuation performed in June 2015 that was conducted in accordance with the practice statements in the valuation standards (The Red Book) published by the Royal Institute of Chartered Surveyors. The external surveyor is a member of the Royal Institute of Chartered Surveyors and has appropriate qualification and recent experience in the locations and categories of the investment properties being valued.

12 Debtors

	2016 £ 000	2015 £ 000
Amounts owed by related parties	32,517	35,632
Other debtors	-	2
Prepayments	18	18
Income tax asset	6	199
	32,541	35,851

Barchester Propco Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

12 Debtors (continued)

Amounts due from related parties stated above are legally due on demand and are thus recoverable within one year. It is not expected that a demand for these amounts will be made within the next year.

13 Creditors

	Note	2016 £ 000	2015 £ 000
Due within one year			
Loans and borrowings	16	6,436	5,913
Amounts due to related parties		37,710	35,719
Accrued expenses		3,110	3,114
Financial assets measured at fair value through profit and loss		897	704
		<u>48,153</u>	<u>45,450</u>
Due after one year			
Loans and borrowings	16	<u>40,110</u>	<u>48,177</u>

Amounts due to related parties are legally due on demand and are thus due within one year. It is not expected that a demand for these amounts will be made within the next year.

The fair value of interest swaps is based on broker quotes.

14 Deferred tax and other provisions

	Deferred tax £ 000
At 1 January 2016	97
Increase in existing provisions	<u>122</u>
At 31 December 2016	<u>219</u>

15 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

Barchester Propco Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

16 Loans and borrowings

	2016	2015
	£ 000	£ 000
Non-current loans and borrowings		
Bank borrowings (net of £608,000 unamortised issue costs (2015: £1,380,000))	<u>40,110</u>	<u>48,177</u>

	2016	2015
	£ 000	£ 000
Current loans and borrowings		
Bank borrowings (net of £786,000 unamortised issue costs (2015: £800,000))	<u>6,436</u>	<u>5,913</u>

The bank loans are secured over certain assets of the Company by way of fixed and floating charges.

The above Wilmington Trust facility was drawn down in September 2013. It is forecast that £6.4m will be repaid in quarterly instalments in 2017. Two quarterly repayments will be made in the first half of 2018 with the balance of the facility repaid in September 2018.

The loan bears interest at 4.75% over LIBOR.

17 Dividends

The Directors are not proposing a final dividend (2015: £Nil).

Barchester Propco Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

18 Parent and ultimate parent undertaking

The Company's immediate parent is Barchester Propco Two Topco Limited, incorporated in England and Wales.

The ultimate parent and controlling party is Grove Limited, incorporated in Jersey. The most senior parent entity producing publicly available financial statements is Grove Limited. Its financial statements are available upon request from www.jerseyfsc.org.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Grove Limited, incorporated in Jersey.

The address of Grove Limited is:

Queensway House
Hilgrove Street
St Helier
Jersey
JE1 1ES

The parent of the smallest group in which these financial statements are consolidated is Barchester New Propco Holdco Limited, incorporated in Jersey.

The address of Barchester New Propco Holdco Limited is:

Queensway House
Hilgrove Street
St Helier
Jersey
JE1 1ES