

Barchester PropCo Three Limited

Directors' report and financial statements

Registered number 06364231

31 December 2014

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Company information

Directors	Pete Calveley Mark Hazlewood Ian Portal
Secretary	Ian Portal
Auditor	KPMG LLP 100 Temple Street Bristol BS1 6AG
Bankers	The Royal Bank of Scotland plc London Corporate Services 2 ½ Devonshire Square London EC2M 4XJ
Solicitors	Nabarro LLP 125 London Wall London EC2Y 5AL
Registered office	Suite 304 Third Floor, Design Centre East Chelsea Harbour London SW10 0XF
Registered number	06364231

Directors' report

The directors present their Directors' Report and the audited financial statements for the year ended 31 December 2014.

Principal activity

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

Business Review

The directors are satisfied with the result for the year. Details of the result for the year are set out in the profit and loss account on page 7.

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

BHHL's primary activity is the provision of residential nursing care for the elderly. The group also provides nursing care services to individuals with specialist higher acuity care needs. Specialist care services include caring for elderly mentally infirm and young physically disabled and there is a strategy of seeking to establish further specialist care provision.

Barchester commands a leading position in the UK long term care sector and is the UK's fourth largest provider. The business provides in excess of 12,800 registered beds, spread across its portfolio of 198 high quality homes 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. BHHL has a significant number of private pay residents.

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

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

BHHL'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 and also on residents with specialist care needs.

The directors have a reasonable expectation that the Group and company has adequate resources to continue in operation existence for the foreseeable future. The directors therefore believe that it is appropriate to prepare the financial statements on a going concern basis. Please refer to note 1 for further detail.

Dividends

The directors do not recommend the payment of a dividend (2013: £nil).

Directors' Report *(continued)*

Directors

The directors who held office during the year were as follows (the directors holding office at the date of approval are shown on page 1):

David Duncan (*resigned 14 October 2014*)
Jon Hather (*resigned 14 October 2014*)
Pete Calveley (*appointed 14 October 2014*)
Mark Hazlewood (*appointed 14 October 2014*)
Ian Portal (*appointed 5 November 2014*)

Political contributions

The Company made no political donations or incurred and political expenditure during the year (2013: £nil).

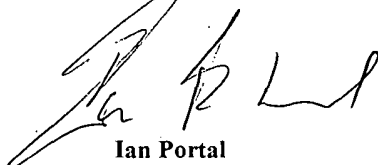
Disclosure of information to auditor

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 are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

Auditor

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,



Ian Portal
Secretary

Suite 304
Third Floor, Design Centre East
Chelsea Harbour
London
SW10 0XF

25 June 2015

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

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

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

- select suitable accounting policies and then apply them consistently;
- make 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
100 Temple Street
Bristol
BS1 6AG
United Kingdom

Independent auditor's report to the members of Barchester PropCo Three Limited

We have audited the financial statements of Barchester PropCo Three Limited for the year ended 31 December 2014 set out on pages 7 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 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 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, 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 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 2014 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

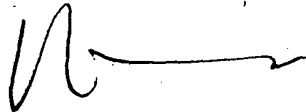
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Barchester PropCo Three 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Nicholas Hall (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

29 Jan 2015

Profit and Loss Account
for the year ended 31 December 2014

	<i>Note</i>	2014 £000	2013 £000
Turnover	<i>1</i>	2,820	2,747
Cost of sales		(604)	(637)
		<hr/>	<hr/>
Gross and operating profit		2,216	2,110
Interest payable and similar charges	<i>4</i>	(1,842)	(454)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>2</i>	374	1,656
Tax credit/(charge) on profit on ordinary activities	<i>5</i>	248	(236)
		<hr/>	<hr/>
Profit for the financial year	<i>10</i>	622	1,420
		<hr/>	<hr/>

There were no recognised gains or losses other than those shown above.

There were no acquisitions or discontinued activities during either year.

The notes from pages 10 to 16 form a part of the financial statements.

Statement of total recognised gains and losses
for the year ended 31 December 2014

	2014 £000	2013 £000
Profit for the financial year	622	1,420
Unrealised deficits on revaluation of properties	-	-
Total recognised gains and losses related to the financial year	622	1,420

Reconciliation of movements in equity shareholder's funds
for the year ended 31 December 2014

	2014 £000	2013 £000
Profit for the financial year	622	1,420
Opening shareholder's funds	20,061	18,641
Closing shareholder's funds	20,683	20,061

Note of historical costs profits and losses
for the year ended 31 December 2014

	2014 £000	2013 £000
Reported profit on ordinary activities before taxation	374	1,656
Difference between historical cost depreciation charge and actual depreciation charge calculated on the revalued amount	131	131
Historical cost profit on ordinary activities before taxation	505	1,787
Historical cost profit for the year retained after taxation	753	1,551

Balance Sheet
at 31 December 2014

	<i>Note</i>	2014 £000	2013 £000
Fixed assets			
Tangible assets	6	36,533	37,135
Creditors: amounts falling due within one year	7	(15,293)	(16,516)
Net current liabilities		(15,293)	(16,516)
Total assets less current liabilities		21,240	20,619
Provisions for liabilities	8	(557)	(558)
Net assets		20,683	20,061
Capital and reserves			
Called up share capital	9	-	-
Revaluation reserve	10	15,614	15,745
Profit and loss account	10	5,069	4,316
Shareholder's funds		20,683	20,061

The notes from pages 10 to 16 form a part of the financial statements.

These financial statements were approved by the board of directors on
were signed on its behalf by:

25 June 2015 and


Mark Hazlewood
Director

Company registered number: 06364231

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 except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of freehold properties (see below).

The Company is exempt from the requirement of FRS 1 (revised 1996) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Barchester New Propco HoldCo 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 Grove 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 Grove Limited and Barchester New Propco HoldCo Limited within which the Company is included, can be obtained from the address given in note 11.

Going concern

Notwithstanding net current liabilities of £15,293,000 (2013: £16,516,000) the company has adequate long term support from the 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 Group 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.

Group companies have confirmed that any amounts due to group undertakings will not be demanded within the next year.

Turnover

Revenue is derived from leasing its properties to related undertakings under operating leases and is recognised on a straight line basis over the period of the lease.

Taxation

The charge for taxation is based on the result 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)

1 Accounting policies (continued)

Fixed assets and depreciation

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Valuations are performed with sufficient regularity to ensure that the carrying value does not differ significantly from the fair value at the balance sheet date. Valuations of care homes are calculated on an investment basis.

To ensure that the carrying amount of the properties can be supported, the carrying amounts are subject to annual impairment reviews in accordance with Financial Reporting Standard 11 'Impairment of fixed assets and goodwill'.

Impairment reviews are undertaken where there are indications that the carrying value may not be recoverable. An impairment loss on assets carried at cost is recognised in the profit and loss account to reduce the carrying value to the recoverable amount. An impairment loss on assets carried at revalued amount is recognised in the revaluation reserve, except where an asset is revalued below historical cost, in which case the deficit is recognised in the profit and loss account.

Increases in the carrying amount of land and buildings arising on revaluation are recognised in the revaluation reserve or in the profit and loss account if reversing impairments previously taken to the profit and loss account. Decreases in the carrying amount are recognised in the revaluation reserve where they reverse previous increases of the same asset; all other decreases are recognised in the profit and loss account.

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	- 50 years
Fixtures and Fittings	- 10 years
Motor vehicles	- 4 years

No depreciation is charged on freehold land.

The estimated residual value of the Company's freehold buildings reflects the high quality nature of those assets and the Group's practice to maintain those assets in a continual state of sound repair and to make improvements thereto from time to time.

2 Profit on ordinary activities before taxation

	2014 £000	2013 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation and other amounts written off tangible fixed assets:		
- Owned	604	638
Rental income from group undertakings	(2,820)	(2,747)
	<hr/>	<hr/>

The remuneration of the auditor in the current and prior year was borne by another Group company. The estimate of this for the current year is £4,000 (2013:£4,000).

Notes (continued)

3 Remuneration of directors

The Company had no employees other than directors (2013:nil).

The directors received £nil (2013:£nil) emoluments for services to the Company during the year. The directors received remuneration for services to Grove Limited, of which Barchester PropCo Three Limited is a subsidiary undertaking, however, the proportion attributable to their services to Barchester PropCo Three Limited is not separately identifiable.

4 Interest payable and similar charges

	2014 £000	2013 £000
On bank loans and overdrafts recharged from related undertakings	1,640	373
Loan issue costs recharged from related undertakings	202	81
	<u>1,842</u>	<u>454</u>

The bank loans, on which interest is paid by the company, are held in Barchester Propco Limited, a related undertaking with the same immediate parent undertaking. The loan issue costs are also held in Barchester PropCo Limited. The interest expense above represents the company share of the charges in the year.

5 Taxation

	2014 £000	2013 £000
UK Corporation tax		
Current tax on income for the year	-	247
Adjustments in respect of prior periods	(247)	-
Total current tax	<u>(247)</u>	<u>247</u>
Deferred tax (note 8)		
Origination/reversal of timing differences	27	42
Adjustments in respect of prior periods	-	-
Effects of change in corporation tax rate	(28)	(53)
Total deferred tax	<u>(1)</u>	<u>(11)</u>
Total tax (credit)/charge	<u>(248)</u>	<u>236</u>

Notes (continued)

5 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2013: lower) than the standard rate of corporation tax in the UK of 21.49% (2013: 23.25%). The differences are explained below.

	2014 £000	2013 £000
Current tax reconciliation		
Profit on ordinary activities before tax	374	1,656
Current tax at 21.49% (2013: 23.25%)	81	385
<i>Effects of:</i>		
Group relief	147	-
Transfer pricing	(248)	(147)
Ineligible depreciation	47	51
Capital allowances in period in excess of depreciation	(27)	(42)
Prior period adjustments	(247)	-
Total current tax (credit)/charge (see above)	(247)	247

Reductions in the UK corporation tax rate from 23% to 21% were effective from 1 April 2014. The further reduction to 20% will be effective from 1 April 2015 and will reduce the company's future tax liabilities accordingly.

The deferred tax asset at 31 December 2014 has been calculated based on the rates of 20% substantively enacted at the balance sheet date.

6 Tangible fixed assets

	Freehold land and buildings £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost or valuation				
At the beginning year	33,935	4,749	31	38,715
Additions	-	2	-	2
At end of year	33,935	4,751	31	38,717
Depreciation				
At beginning of year	220	1,336	24	1,580
Charge for the year	220	377	7	604
At end of year	440	1,713	31	2,184
Net book value				
At 31 December 2014	33,495	3,038	-	36,533
At 31 December 2013	33,715	3,413	7	37,135

Notes (continued)

6 Tangible fixed assets (continued)

Certain assets of the Company were used as security against debt held in a related party undertaking, Barchester Propco Limited.

Included within land and buildings is £7,168,000 (2013: £7,168,000) of land which is not depreciated.

The net book value of land and buildings comprises:

	2014 £000	2013 £000
Freehold	33,495	33,715

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with FRS 15 'Tangible fixed assets'.

	2014 £000	2013 £000
Historical cost of revalued assets	23,034	23,034
Aggregate depreciation thereon	(2,115)	(1,644)
Historical cost net book value	20,919	21,390

The tangible fixed assets held by the Company were professionally valued on 30 January 2013 in accordance with the Appraisal and Valuation manual of the Royal Institution of Chartered Surveyors by Colliers CRE, external surveyors, in accordance with Financial Reporting Standard 15 'Tangible fixed assets'. The valuation was £37,773,000 representing open market value of the properties as investments, having regard to the total annual rental payable by Barchester Healthcare Homes Limited to Barchester PropCo Three Limited as at the date of valuation. The valuation was accounted for in the year ended 31 December 2012.

The Colliers review was conducted in accordance with the practice statements in the valuation standards (The Red Book) published by the Royal Institution of Chartered Surveyors. Colliers CRE are members of the Royal Institution of Chartered Surveyors and have appropriate qualification and recent experience in the valuation of properties in the relevant locations.

Company Directors are not aware of any material change in the value between 31 December 2014 and 30 January 2013, therefore valuations have not been updated per FRS15.

7 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Amounts owed to group undertakings	15,293	16,516

The amounts due to group undertakings are legally due on demand and are thus due within one year, although it is not expected that a demand for these amounts will be made within the next year.

Notes (continued)

8 Provisions for liabilities

	Deferred taxation £000	Total £000
Company		
At beginning of the year	558	558
Amounts provided in profit and loss account	(1)	(1)
At end of year	557	557

The elements of deferred taxation are as follows:

	2014 £000	2013 £000
Difference between accumulated depreciation and amortisation and capital allowances	557	558
Deferred tax liability	557	558

9 Called up share capital

	2014 £	2013 £
<i>Allotted, issued and fully paid</i>		
1 (2013:1) Ordinary shares of £1 each	1	1

10 Reserves

	Revaluation £000	Profit and loss Account £000	Total £000
At the beginning of the year	15,745	4,316	20,061
Retained profit for the year	-	622	622
Transfer between revaluation reserve and profit and loss account	(131)	131	-
At end of the year	15,614	5,069	20,683

Notes (continued)

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

The immediate parent undertaking is Barchester PropCo Two 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 New PropCo Holdco Limited. The largest group in which the results of the Company are consolidated is that headed by Grove Limited. The consolidated accounts of Grove Limited are available to the public and may be obtained from www.jerseyfsc.com