Avery Homes Kettering Limited
(formerly Avery Homes 123 Limited)

Directors' report and financial statements

Registered number 06556372

31 March 2011

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2011

Principal activities and business review

The company did not trade during the year

Proposed dividend

The directors do not recommend the payment of a dividend

Directors

The directors who held office during the year were as follows

I Matthews
JMB Strowbridge
DP Burke (resigned 1 March 2012)

Disclosure of information to auditor

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

Auditor

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

By order of the board

JMB Strowbridge
Director

15 Basset Court
Loake Close, Grange Park
Northampton
NN4 5EZ

30 May 2012

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

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

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

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

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transaction and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

KPMG

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditor's report to the members of Avery Homes Kettering Limited (formerly Avery Homes 123 Limited)

We have audited the financial statements of Avery Homes Kettering Limited (formerly Avery Homes 123 Limited) for the year ended 31 March 2011 set out on pages 5 to 9 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 auditor

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at 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 31 March 2011 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 auditor's report to the members of Avery Homes Kettering Limited
(formerly Avery Homes 123 Limited)*(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Paul Moran (Senior Statutory Auditor) 30 May 2012
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Profit and loss account

for the year ended 31 March 2011

During the current and preceding financial periods the company did not trade, received no income and incurred no expenditure Consequently during the periods the company made neither a profit nor a loss and had no other recognised gains or losses

Balance sheet

at 31 March 2011

	Note	2011 £	2010 £
Current assets			
Debtors	*3*	1	1
Net assets		1	1
Capital and reserves			
Called up share capital	*4*	1	1
Shareholders' funds		1	1

These financial statements were approved by the board of directors on 30 May 2012 and were signed on its behalf by

JMB Strowbridge
Director

Registered number 06556372

Reconciliation of movements in shareholders' funds
for the year ended 31 March 2011

	2011	2010
	£	£
Opening and closing shareholders' funds	1	1

Notes
(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As 100% of the company's voting rights are controlled within the group headed by Optimum Care Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group

Going concern

The company receives financial support from other group companies, principally the immediate and ultimate parent companies These companies have indicated that they are willing to continue to provide financial support to the company for the foreseeable future by not seeking repayment of the amounts currently made available and by providing additional funds that may be needed by the company as required The company is subject to a group composite guarantee and debenture arrangement (note 5) The company's financial position is therefore dependent on that of the Group The following analysis considers the position of the Group as a whole

Detailed information on the trading performance of the Group can be found in the financial statements of the ultimate parent undertaking, Optimum Care Limited.

At the year end the Group had total bank loan facilities of £69 9m, which were fully drawn Subsequent to the year end, the Group has entered into sale and leaseback arrangements on two care homes, the proceeds of which have been applied in reducing the bank loans The Group has also paid the two half yearly £0 5m loan repayment instalments which were payable in June 2011 and December 2011 respectively As a result, at the end of March 2012, the Group had reduced its bank debt to £50 8m This debt originally had a final maturity date of 6 June 2012 but on 22 May 2012 this debt was renegotiated into new bank facilities comprising loan facilities of £50 8m and an overdraft facility of £0 5m

The financial performance of the Group is in line with expectations and the Group meets its day-to-day working capital requirements through operating cash flows, bank loans, overdraft facilities and preference share capital The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is expected to have a sufficient level of financial resources available under the renegotiated bank loan and overdraft facilities through until 6 June 2013 when the new bank facilities fall due for renewal

The forecasts assume that ongoing bank facilities will continue to be available from 6 June 2013 The bank loan and overdraft facilities that were put in place on 22 May 2012 will be re-assessed on 6 June 2013 when these facilities then fall due for renewal The repayment terms of the bank facilities are discussed in more detail in note 16 but the repayment terms of the bank loans include an amount of £49 8m being repayable on 6 June 2013 The ability to successfully refinance the bank facilities will depend on factors including, but not limited to, the level of borrowings that the Group will require, expectations for the care home sector, conditions in the credit market and the financial performance of the Group at that time Initial discussions with the Group's bankers, based on future forecasts, suggest that it is not unreasonable to assume that these will be capable of further refinancing on 6 June 2013 when they fall due

Notes *(continued)*

1 Accounting policies *(continued)*

Going concern (continued)

The Group's shareholders have indicated their continuing financial support for the Group for the foreseeable future In particular the Group's preference share capital (which is classified as debt under FRS 25 *Financial Instruments disclosure and presentation*) is only redeemable upon either a sale or flotation of the Group and such redemption is not considered to be foreseeable based upon current shareholder intentions Since the year end the Group's controlling shareholder, Graphite Capital Partners, has also provided an additional £0 5m in preference share capital

After making enquiries and considering the above issues in detail the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to prepare the financial statements on a going concern basis

Classification of financial instruments issued by the company

Financial instruments issued by the company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee

Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability at that date to the extent that they are declared prior to the year end Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

2 Remuneration of directors

No remuneration was paid to the directors during the current or preceding year The directors were the only employees

Notes *(continued)*

3 Debtors

	2011 £	2010 £
Amounts owed by group undertakings	**1**	1

4 Called up share capital

	2011 £	2010 £
Authorised		
1,000 Ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid		
1 Ordinary share of £1	**1**	1

5 Contingent liabilities

The company, together with fellow subsidiary companies and the ultimate parent undertaking, has entered into a composite banking arrangement to secure group interest and banking facilities As part of this arrangement a cross-guarantee was given to the bank by the company

Group borrowings secured but unprovided in these financial statements amount to £69,727,000 *(2010 £64,232,000)*

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

The company is a subsidiary undertaking of Optimum Debtco Limited, incorporated in England and Wales The ultimate parent company is Optimum Care Limited, incorporated in England and Wales

The only group in which the results of the company are consolidated is that headed by Optimum Care Limited The consolidated financial statements of Optimum Care Limited are available to the public and may be obtained from Companies House

The directors consider the ultimate controlling party to be Graphite Capital Partners, the majority shareholder of the ultimate parent