

CHS Kincardine Limited

Directors' report and financial statements
For the year ended 30 September 2005
Registered number 02873622



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Company Information

Directors

M R Parish
P J Humphreys

Secretary

P J Humphreys

Auditors

KPMG Audit Plc
6 Lower Brook Street
Ipswich
Suffolk
IP4 1AP

Bankers

HSBC Bank Plc
Midland House
26 North Station Road
Colchester
Essex
CO1 1SY

Registered Office

Connaught House
850 The Crescent
Colchester Business Park
Colchester
CO4 9QB

Registered number

02873622

Directors' Report

The directors present their report and financial statements for the year ended 30 September 2005.

Principal activities and review of the business

The company's principal activity during the year continued to be the development and operation of nursing and residential care homes for the elderly.

Results and dividend

The profit for the year after taxation amounted to £447,000 (2004: £305,000). The directors consider the future prospects to be satisfactory.

The directors recommend a final ordinary dividend of £250,000 for the year (2004: £nil).

Directors

The directors who served during the year were as follows:

M R Parish
P J Humphreys

None of the directors who held office at the year end had any interest in the shares of the company.

The interests of M R Parish and P J Humphreys in the shares of the ultimate holding company, Care UK Plc, are disclosed in the financial statements of that company.

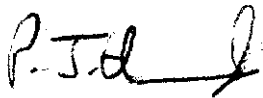
Political and charitable donations

The company made no political or charitable donations during the year (2004: £nil).

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company will be proposed at the forthcoming Annual General Meeting.

This report was approved by order of the board on 21 July 2006.



P J Humphreys
Director

Connaught House
850 The Crescent
Colchester Business Park
Colchester
CO4 9QB

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those 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 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Independent auditors' report to the shareholders of CHS Kincardine Limited

We have audited the accounts on pages 6 to 14.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors are responsible for preparing the directors' report, and as described on page 4, the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 30 September 2005 and of the profit of the company for the year then ended and the accounts have been properly prepared in accordance with the Companies Act 1985.

25 JUL 2006

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants, Registered Auditor
Ipswich

Profit and Loss Account

For the year ended 30 September 2005

	<i>Note</i>	2005 £000	2004 £000
Turnover	2	2,150	2,095
Cost of sales		(1,490)	(1,483)
Operating profit		660	612
Other interest receivable and similar income		2	2
Profit on ordinary activities before taxation	3-5	662	614
Tax on profit on ordinary activities	6	(214)	(309)
Profit on ordinary activities after taxation		448	305
Dividends on equity shares	7	(250)	-
Retained profit for the financial year		198	305

All results derive from continuing activities.

The company has no recognised gains or losses other than the profit for the above year.

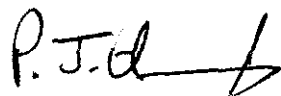
There were no material differences between the result as disclosed in the profit and loss account and that given by an unmodified historical cost basis during the current year.

Balance Sheet

As at 30 September 2005

	Note	2005 £000	2004 £000
Fixed assets			
Tangible assets	8	3,573	3,663
Current assets			
Stocks	9	4	5
Debtors	10	248	5,721
Cash at bank and in hand		74	1,437
		<u>326</u>	<u>7,163</u>
Creditors: amounts falling due within one year	11	<u>(1,149)</u>	<u>(8,277)</u>
Net current liabilities		<u>(823)</u>	<u>(1,114)</u>
Total assets less current liabilities		<u>2,750</u>	<u>2,549</u>
Provisions for liabilities and charges:			
Deferred taxation	12	<u>(325)</u>	<u>(322)</u>
Net assets		<u>2,425</u>	<u>2,227</u>
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account	14	<u>2,425</u>	<u>2,227</u>
Shareholders' funds - equity interest	15	<u>2,425</u>	<u>2,227</u>

These financial statements were approved by the board of directors on 21 July 2006 and were signed on its behalf by:



P J Humphreys
Director

Notes to 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 company's financial statements.

Basis of preparation

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

The company is exempt from the requirement of Financial Reporting Standard No 1 (revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Care UK Plc and its cash flows are included within the consolidated cash flow statement of that company.

As the company is a wholly owned subsidiary of Care UK Plc, the company has taken advantage of the exemption contained in Financial Reporting Standard No 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Care UK Plc, within which this company is included, can be contained from the address given in note 19.

Fixed assets

Long leasehold land and buildings are carried in the financial statements at cost. The cost of land and buildings includes both the costs of financing assets in the course of construction and other costs that are directly attributable to bringing the asset into working condition for its intended use.

Depreciation is provided to write off the cost, less estimated residual values, of fixed assets by equal instalments over their estimated useful economic lives as follows:

Long leasehold buildings	50 years, or if shorter, the period of the lease or the associated contract
Furniture, fittings, and equipment	3 to 10 years

Stocks

Stocks are valued at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in independently administered managed funds. Contributions to defined contribution personal pension schemes are charged to the profit and loss account in the year in which they become payable.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Leasing

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

2 Turnover

Turnover represents sales and services to third party customers in the health and social care sector, stated net of any applicable value added tax. Turnover is recognised when services are provided.

3 Directors' emoluments

The directors received no emoluments during the financial year ended 30 September 2005 for their services to the company (2004: £nil). The emoluments of M R Parish and P J Humphreys and their share options are disclosed in the financial statements of Care UK Plc. Retirement benefits under money purchase pension schemes are accruing to 2 directors (2004: 2).

4 Staff numbers and cost

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2005	2004
Care staff	53	54
Administration	3	3
	<hr/>	<hr/>
	56	57
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2005	2004
	£000	£000
Wages and salaries	431	467
Social security costs	29	29
Other pension costs	2	4
	<hr/>	<hr/>
	462	500
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

5 Profit on ordinary activities before taxation

	2005 £000	2004 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation and other amounts written off owned tangible fixed assets	96	95
Rentals payable under operating leases for land and buildings	38	38
	<hr/>	<hr/>

Auditors remuneration was borne by the ultimate parent company in both financial years.

6 Taxation

	2005 £000	2004 £000
Current tax:		
UK corporation tax at 30% (2004: 30%)	212	193
Adjustment relating to an earlier year	(1)	110
	<hr/>	<hr/>
	211	303
Deferred tax:		
Origination and reversal of timing differences	3	6
	<hr/>	<hr/>
Tax on profit on ordinary activities	214	309
	<hr/>	<hr/>

Current tax reconciliation

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:

	2005 £000	2004 £000
Profit on ordinary activities before tax	661	614
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax 30% (2004: 30%)	198	184
Effects of:		
Adjustments to tax charge relating to an earlier year	(1)	110
Capital allowances for period in excess of depreciation	(3)	(6)
Depreciation relating to ineligible assets	17	15
	<hr/>	<hr/>
Current tax charge for year	211	303
	<hr/>	<hr/>

Notes to the financial statements (continued)

7 Dividends and other appropriations

	2005 £000	2004 £000
Final dividend proposed	250	-

8 Tangible fixed assets

	Land and buildings £000	Fixtures, fittings and equipment £000	Total £000
Cost			
At 1 October 2004	3,750	436	4,186
Additions	-	5	5
	<hr/>	<hr/>	<hr/>
At 30 September 2005	3,750	441	4,191
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 October 2004	261	262	523
Charge for year	52	43	95
	<hr/>	<hr/>	<hr/>
At 30 September 2005	313	305	618
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 September 2005	3,437	136	3,573
	<hr/>	<hr/>	<hr/>
At 30 September 2004	3,489	174	3,663
	<hr/>	<hr/>	<hr/>

Land and buildings include depreciable assets with an original cost of £2,593,000 (2004: £2,593,000). Included within the net book value of land and buildings are long leasehold buildings which have a net book value of £3,437,000 (2004: £3,489,000).

9 Stocks

	2005 £000	2004 £000
Raw materials and consumables	4	5

The difference between the purchase price or production cost of stocks and their replacement cost is not significant.

Notes to the financial statements (continued)

10 Debtors

	2005 £000	2004 £000
Trade debtors	3	188
Amounts owed by group undertakings	214	5,509
Prepayments	31	24
	<hr/> 248 <hr/>	<hr/> 5,721 <hr/>

11 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Trade creditors	48	325
Amounts owed to group undertakings	171	7,633
Corporation tax	212	193
Other taxes and social security costs	150	46
Accruals and deferred income	318	80
Dividend payable	250	-
	<hr/> 1,149 <hr/>	<hr/> 8,277 <hr/>

The amounts owed to group undertakings are unsecured, repayable on demand and carry no interest charge.

12 Deferred taxation

	2005 £000	2004 £000
Accelerated capital allowances	325	322
Undiscounted deferred tax provision	<hr/> 325 <hr/>	<hr/> 322 <hr/>
At 1 October	322	316
Charged to profit and loss account – current year	3	6
At 30 September	<hr/> 325 <hr/>	<hr/> 322 <hr/>

All the above amounts are stated at the expected full UK corporation tax rate of 30%.

Notes to the financial statements (continued)

13 Share capital

	2005 £000	2004 £000
Authorised		
1,000 (2004: 1,000) ordinary share of £1 each	1	1
	<hr/>	<hr/>
Allotted, called up and fully paid		
2 (2004: 2) ordinary shares of £1 each	-	-
	<hr/>	<hr/>

14 Profit and loss account

	2005 £000	2004 £000
At 1 October	2,227	1,922
Retained profit	198	305
	<hr/>	<hr/>
At 30 September	2,425	2,227
	<hr/>	<hr/>

15 Reconciliation of movement in shareholders' funds

	2005 £000	2004 £000
At 1 October	2,227	1,922
Profit for the financial year	448	305
Dividends	(250)	-
	<hr/>	<hr/>
At 30 September	2,425	2,227
	<hr/>	<hr/>

16 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 2005 £000	Land and buildings 2004 £000	Other 2005 £000	Other 2004 £000
Operating leases which expire:				
In over five years	38	38	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the financial statements *(continued)*

17 Pension commitments

The Care UK Plc group has an Inland Revenue approved defined contributions group pension plan. Contributions to this scheme are charged to the profit and loss account evenly throughout the year. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost for the year represents contributions payable by the company to fund and amounted to £2,000 (2004: £4,000).

18 Contingent liability

The group's bankers hold a fixed and floating charge over the assets of the company to secure amounts advanced to the parent company and certain fellow subsidiaries. The group has a secured loan facility of £123.5 million that expires on 17 February 2015. In addition the group has an overdraft facility of £3 million. As at 30 September 2005 the group had drawn down £100.8 million (2004: £72.9 million) of those facilities.

19 Controlling party

The company is a wholly owned subsidiary of Community Health Services Limited and its ultimate parent company and controlling party is Care UK Plc. Both of these companies are registered in England and Wales.

The only group in which the results of the company are consolidated is that headed by Care UK Plc.

Copies of the financial statements of Care UK Plc are available from its registered office at Connaught House, 850 The Crescent, Colchester Business Park, Essex, CO4 9QB