

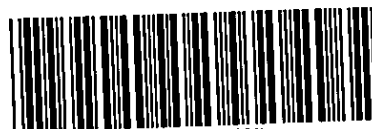
## **CHS (Kincardine) Limited**

**Directors' report and financial statements**

**For the year ended 30 September 2008**

**Registered number 02873622**

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## **Company Information**

### **Directors**

M R Parish  
P J Humphreys  
A A M Hosking  
J Moore

### **Secretary**

Care UK Secretaries Limited

### **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 2008.

### 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 £561,000 (2007: £493,000). During the year, as a result of the NHS exercising a break clause in the 25 year PFI contract, the company sold its leasehold interest in the Kincardine Community Hospital in Stonehaven to the NHS. The company received total sales proceeds of £1,500,000 which gave rise to a one-off profit on disposal of £175,000.

The business has performed well during the year and the directors consider the future prospects to be satisfactory.

An interim dividend of £800,000 (2007: £nil) was paid in the year.

The directors do not recommend a final ordinary dividend to be paid in respect of the current year.

### Directors

The directors who served during the year were as follows:

M R Parish  
P J Humphreys  
A A M Hosking  
J Moore

### Employees

It is group policy to give fair consideration to the employment needs of disabled people to comply with current legislation with regard to disabled persons and, wherever practicable, to continue to employ and promote the careers of existing employees, who become disabled and to consider disabled persons for employment, subsequent training, career development and promotion on the basis of their aptitude and abilities.

Management regularly visit local offices and discuss matters of current interest and concern to the business with members of staff.

Management have developed a series of internal communications tools, including e-mail notices, newsletters and 'cascade' briefings in order to keep employees informed regarding the progress, financial position and commercial issues of the Care UK group.

### Political and charitable donations

The company made no political or charitable donations during the year (2007: £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.

## Directors' Report *(continued)*

### Approval of report

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 auditors 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 auditors are aware of that information.

This report was approved by order of the board on 14 May 2009.



**J Moore**  
Director

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

## **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).

The financial statements are required by law to 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 members of CHS (Kincardine) Limited**

We have audited the financial statements of CHS (Kincardine) Limited for the year ended 30 September 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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**

As described in the Statement of Directors' Responsibilities on page 5, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants, Registered Auditor  
Ipswich

*3 June 2009*

## Profit and Loss Account

For the year ended 30 September 2008

	Note	2008 £000	2007 £000
Turnover	2	1,851	2,296
Cost of sales		(1,336)	(1,617)
<b>Gross profit</b>		<b>515</b>	<b>679</b>
Profit on disposal of fixed assets		175	-
<b>Operating profit</b>		<b>690</b>	<b>679</b>
Other interest receivable and similar income		59	-
Interest payable and similar charges	3	(4)	(7)
<b>Profit on ordinary activities before taxation</b>	4-6	<b>745</b>	<b>672</b>
Tax on profit on ordinary activities	7	(184)	(179)
<b>Profit for the financial year</b>		<b>561</b>	<b>493</b>

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 2008

	Note	2008 £000	2007 £000
<b>Fixed assets</b>			
Tangible assets	9	2,016	3,395
<b>Current assets</b>			
Stocks	10	4	4
Debtors (including £1,900,000 due after more than one year (2007: £Nil))	11	2,268	297
Cash at bank and in hand		54	327
		<u>2,326</u>	<u>628</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(1,190)</u>	<u>(542)</u>
<b>Net current assets</b>		<u>1,136</u>	<u>86</u>
<b>Total assets less current liabilities</b>		<u>3,152</u>	<u>3,481</u>
<b>Creditors: amounts falling due after more than one year</b>	13	-	(100)
<b>Provisions for liabilities and charges:</b>			
Deferred taxation	14	(294)	(284)
<b>Net assets</b>		<u>2,858</u>	<u>3,097</u>
<b>Capital and reserves</b>			
Called up share capital	15	-	-
Profit and loss account	16	2,858	3,097
<b>Shareholders' funds</b>	17	<u>2,858</u>	<u>3,097</u>

These financial statements were approved by the board of directors on 14 May 2009 and were signed on its behalf by:



J Moore  
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 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 obtained from the address given in note 21.

#### **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.

#### **Leasing**

Rental paid under operating leases 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.

## Notes to the financial statements (continued)

### 3 Interest payable

	2008 £000	2007 £000
Interest expense on amounts owed to group undertakings	4	7
	<u>4</u>	<u>7</u>

### 4 Directors' emoluments

The directors received no emoluments during the financial year ended 30 September 2008 for their services to the company (2007: £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. Three directors exercised share options in the ultimate holding company, Care UK Plc, during the year (2007: 3).

Retirement benefits under money purchase pension schemes are accruing to 3 directors (2007: 3).

### 5 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	
	2008	2007
Care staff	73	47
Administration	4	2
	<u>77</u>	<u>49</u>

The aggregate payroll costs of these persons were as follows:

	2008 £000	2007 £000
Wages and salaries	592	451
Social security costs	43	32
Other pension costs	3	2
	<u>638</u>	<u>485</u>

## Notes to the financial statements (continued)

### 6 Profit on ordinary activities before taxation

	2008 £000	2007 £000
<b><i>Profit on ordinary activities before taxation is stated after charging</i></b>		
Depreciation and other amounts written off owned tangible fixed assets	73	99
Rentals payable under operating leases for land and buildings	35	38
	<hr/>	<hr/>

Auditors' remuneration was borne by another group undertaking in both financial years.

### 7 Taxation

	2008 £000	2007 £000
Current tax:		
UK corporation tax at 29% (2007: 30%)	179	222
Adjustment relating to an earlier year	(5)	(3)
	<hr/>	<hr/>
	174	219
Deferred tax:		
Origination and reversal of timing differences	(5)	(18)
Adjustment relating to prior years	15	(22)
	<hr/>	<hr/>
Tax on profit on ordinary activities	184	179
	<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:

	2008 £000	2007 £000
Profit on ordinary activities before tax	745	672
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the expected rate of corporation tax 29% (2007: 30%)	216	202
Effects of:		
Adjustments to tax charge relating to an earlier year	(5)	(3)
Capital allowances for period less than depreciation	14	19
Expenses not deductible for tax purposes	-	1
Profit on disposal of fixed assets	(51)	-
	<hr/>	<hr/>
Current tax charge for year	174	219
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 8 Dividends and other appropriations

	2008 £000	2007 £000
Interim dividend paid	800	-

### 9 Tangible fixed assets

	Land and buildings £000	Fixtures, fittings and equipment £000	Total £000
<b>Cost</b>			
At 1 October 2007	3,752	457	4,209
Additions	-	19	19
Disposals	(1,482)	(181)	(1,663)
At 30 September 2008	2,270	295	2,565
<b>Depreciation</b>			
At 1 October 2007	417	397	814
Charge for year	40	33	73
Disposals	(173)	(165)	(338)
At 30 September 2008	284	265	549
<b>Net book value</b>			
At 30 September 2008	1,986	30	2,016
At 30 September 2007	3,335	60	3,395

Land and buildings include depreciable assets with an original cost of £1,570,000 (2007: £2,594,000). Included within the net book value of land and buildings are long leasehold buildings which have a net book value of £1,986,000 (2007: £3,335,000).

### 10 Stocks

	2008 £000	2007 £000
Raw materials and consumables	4	4

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

## Notes to the financial statements (continued)

### 11 Debtors

	2008 £000	2007 £000
Trade debtors	265	187
Amounts owed by group undertakings	1,986	80
Other debtors	8	-
Prepayments	9	30
	<hr/> 2,268	<hr/> 297

Debtors include amounts owed by group undertakings of £1,900,000 (2007: £Nil) due after more than one year.

### 12 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Amounts owed to group undertakings	417	-
Trade creditors	211	226
Corporation tax	179	222
Other taxes and social security costs	6	30
Other creditors	7	4
Accruals and deferred income	370	60
	<hr/> 1,190	<hr/> 542

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

### 13 Creditors: amounts falling due after more than one year

	2008 £000	2007 £000
Amounts owed to group undertakings	-	100

The amounts owed to group undertakings bears interest at the rate of 1.5% over 3-month LIBOR, with the interest rate being reset quarterly. The loan is unsecured. The amounts advanced are repayable in full by 31 January 2015. The company may, at its discretion, make repayments on account of the principal amounts outstanding. Any capital not paid by 31 January 2015 shall immediately generate interest at the rate of 5.0% over the interest rate then in force.

## Notes to the financial statements (continued)

### 14 Deferred taxation

	2008 £000	2007 £000
Accelerated capital allowances	294	284
Undiscounted deferred tax provision	294	284
At 1 October	284	324
Charged to profit and loss account – current year	(5)	(18)
Charged to profit and loss account – prior years	15	(22)
At 30 September	294	284

All the above amounts are stated at the expected full UK corporation tax rate of 28%.

### 15 Share capital

	2008 £000	2007 £000
<b>Authorised</b>		
1,000 (2007: 1,000) ordinary share of £1 each	1	1
<b>Allotted, called up and fully paid</b>		
2 (2007: 2) ordinary shares of £1 each	-	-

### 16 Profit and loss account

	2008 £000	2007 £000
At 1 October	3,097	2,604
Profit for the financial year	561	493
Dividends paid	(800)	-
At 30 September	2,858	3,097

## Notes to the financial statements (continued)

### 17 Reconciliation of movement in shareholders' funds

	2008 £000	2007 £000
Opening shareholders' funds	3,097	2,604
Profit for the financial year	561	493
Dividends	(800)	-
Closing shareholders' funds	<u>2,858</u>	<u>3,097</u>

### 18 Commitments under operating leases

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

	Land and buildings 2008 £000	Land and buildings 2007 £000	Other 2008 £000	Other 2007 £000
Operating leases which expire:				
In over five years	<u>27</u>	<u>38</u>	<u>-</u>	<u>-</u>

### 19 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 the fund and amounted to £3,000 (2007: £2,000).

### 20 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 £221.0 million (2007: £224.5 million) that expires on 17 February 2015. In addition the group has an overdraft facility of £3 million (2007: £3 million). As at 30 September 2008 the group had drawn down £150.0 million (2007: £160.2 million) of those facilities.

### 21 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, Colchester, Essex, CO4 9QB