

## **CHS (Kincardine) Limited**

### **Directors' report and financial statements**

For the year ended 30 September 2011

Registered number 02873622

FRIDAY



\*L1C3J0HC\*

LD6

29/06/2012

#295

COMPANIES HOUSE

## Contents

Company Information	2
Directors' Report	3
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	5
Independent auditors' report	6
Profit and Loss Account	7
Balance Sheet	8
Notes to the financial statements	9

## Company Information

### Directors

M R Parish  
P J Humphreys  
A Culhane (Appointed 28/03/12)  
J Moore (Resigned 28/03/12)  
H Owens (Resigned 1/8/11)  
T Siddall (Appointed 1/8/11)

### Secretary

J D Calow

### 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 annual report and financial statements for the year ended 30 September 2011

### **Principal activities**

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 £120,000 (2010 £148,000)

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

No interim dividend was paid in the year (2010 £nil)

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 Culhane           Appointed (28/03/12)

J Moore             Resigned (28/03/12)

H Owens            Resigned (1/8/11)

T Siddall           Appointed (1/8/11)

### **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

## Directors' Report *(continued)*

### Political and charitable donations

The company made no political or charitable donations during the year (2010 £nil)

### Disclosure of information to auditors

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

### Auditors

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

By order of the board



**A Culhane**  
Director

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

27 June 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 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

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

## **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 2011 set out on pages 7 to 17. 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 auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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](http://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 30 September 2011 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.

### **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

*S Beavis*

**S Beavis (Senior Statutory Auditor)  
for and on behalf of KPMG Audit Plc, Statutory Auditor**

Chartered Accountants  
6 Lower Brook Street  
Ipswich  
IP4 1AP

*28 June 2012*

## **Profit and Loss Account**

*For the year ended 30 September 2011*

	<i>Note</i>	<b>2011</b> <b>£000</b>	2010 £000
<b>Turnover</b>	2	<b>1,511</b>	1,545
Cost of sales		<b>(1,397)</b>	(1,381)
<b>Operating profit</b>		<b>114</b>	164
Other interest receivable and similar income	3	<b>32</b>	38
<b>Profit on ordinary activities before taxation</b>	6	<b>146</b>	202
Tax on profit on ordinary activities	7	<b>(26)</b>	(54)
<b>Profit for the financial year</b>		<b>120</b>	148

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

**Notes on pages 9-17 form part of the financial statements**



## Balance Sheet

As at 30 September 2011

	Note	2011 £000	2010 £000
<b>Fixed assets</b>			
Tangible assets	8	2,114	2,148
<b>Current assets</b>			
Stocks	9	4	4
Debtors (including £1,061,000 due after more than one year (2010 £208,000))	10	1,310	524
Cash at bank and in hand		305	931
		<b>1,619</b>	<b>1,459</b>
<b>Creditors:</b> amounts falling due within one year	11	<b>(440)</b>	<b>(411)</b>
<b>Net current assets</b>		<b>1,179</b>	<b>1,048</b>
<b>Total assets less current liabilities</b>		<b>3,293</b>	<b>3,196</b>
<b>Provisions for liabilities and charges:</b>			
Deferred taxation	12	(290)	(313)
<b>Net assets</b>		<b>3,003</b>	<b>2,883</b>
<b>Capital and reserves</b>			
Called up share capital	13	-	-
Profit and loss account	14	3,003	2,883
<b>Shareholders' funds</b>	15	<b>3,003</b>	<b>2,883</b>

These financial statements were approved by the board of directors on 27 June 2012 and were signed on its behalf by



A Culhane  
Director

The notes on pages 9-17 form part of the financial statements

## 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's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report on pages 3 to 4. The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. In addition the company has access to funds provided by Care UK Limited, a parent company. The directors, having assessed the responses of the directors of Care UK Limited to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Care UK group to continue as a going concern. On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Care UK Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 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 Care UK Limited, 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. The consolidated financial statements of Care UK Limited, within which this company is included, can be obtained 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.

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### **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.

### 3 Interest receivable

	2011 £000	2010 £000
Interest received on amounts owed by group undertakings	32	38

### 4 Directors' emoluments

The directors received no emoluments during the financial year ended 30 September 2011 for their services to the company (2010: £nil). The emoluments of J Moore, H Owens and T Siddall are disclosed in the financial statements of Care UK Community Partnerships Limited and the emoluments of M R Parish and P J Humphreys and their share options are disclosed in the financial statements of Care UK Limited. No directors exercised share options in the ultimate holding company, Care UK Limited, during the year (2010: 3).

Retirement benefits under money purchase pension schemes are accruing to 3 directors (2010: 3).

## Notes to the financial statements (continued)

### 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	
	2011	2010
Care staff	79	74
Administration and Management	2	2
	<hr/>	<hr/>
	81	76
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows

	2011 £000	2010 £000
Wages and salaries	959	968
Social security costs	63	73
	<hr/>	<hr/>
	1,022	1,041
	<hr/>	<hr/>

### 6 Profit on ordinary activities before taxation

	2011 £000	2010 £000
<b><i>Profit on ordinary activities before taxation is stated after charging:</i></b>		
Depreciation and other amounts written off tangible fixed assets		
- owned	48	44
- leased	31	31
Rentals payable under operating leases		
Land and buildings	27	27
	<hr/>	<hr/>

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

## Notes to the financial statements *(continued)*

### 7 Taxation

	2011 £000	2010 £000
UK corporation tax at 27% (2010 28%)	51	69
Adjustments in respect of prior periods	(2)	1
	<hr/> 49	<hr/> 70
Deferred tax		
Origination and reversal of timing differences	-	1
Adjustments in respect of prior periods	-	(5)
Effect of decreased tax rate	(23)	(12)
	<hr/> 26	<hr/> 54
Tax on profit on ordinary activities	<hr/> <hr/> 26	<hr/> <hr/> 54

#### Current tax reconciliation

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

	2011 £000	2010 £000
Profit on ordinary activities before tax	146	202
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the expected rate of corporation tax 27% (2010 28%)	39	57
Effects of		
Expenses not deductible for tax purposes	1	3
Capital allowances for period less than depreciation	11	9
Adjustments in respect of prior periods	(2)	1
	<hr/>	<hr/>
Current tax charge for year	<hr/> <hr/> 49	<hr/> <hr/> 70

#### Factors that may affect future tax changes

The 2012 budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012.

This will reduce the company's future current tax charge accordingly and have no effect on the deferred tax liability at 30 September 2011 (which has been calculated based on the rate of 25% substantively enacted at the balance sheet date).

There would be no overall effect from the further reductions from 25% to 22%, if these applied to the deferred tax balance at 30 September 2011, on the deferred tax liability.

## Notes to the financial statements (continued)

### 8 Tangible fixed assets

	Land and buildings	Fixtures fittings and equipment	Total
	£000	£000	£000
<b>Cost</b>			
At 1 October 2010	2,276	558	2,834
Additions	-	45	45
	<hr/>	<hr/>	<hr/>
At 30 September 2011	2,276	603	2,879
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 October 2010	347	339	686
Charge for year	31	48	79
	<hr/>	<hr/>	<hr/>
At 30 September 2011	378	387	765
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 September 2011	<b>1,898</b>	<b>216</b>	<b>2,114</b>
	<hr/>	<hr/>	<hr/>
At 30 September 2010	1,929	219	2,148
	<hr/>	<hr/>	<hr/>

Land and buildings include depreciable assets with an original cost of £1,574,000 (2010 £1,574,000) Included within the net book value of land and buildings are long leasehold buildings which have a net book value of £1,898,000 (2010 £1,901,000)

### 9 Stocks

	2011 £000	2010 £000
Raw materials and consumables	4	4
	<hr/>	<hr/>

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

	2011 £000	2010 £000
Trade debtors	228	273
Amounts owed by group undertakings	1,061	238
Other debtors	1	1
Prepayments	20	12
	<u>1,310</u>	<u>524</u>

Debtors include amounts owed by group undertakings of £1,061,000 (2010 £208,000) due after more than one year

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

	2011 £000	2010 £000
Trade creditors	66	29
Amounts owed to group undertakings	12	-
Corporation tax	51	68
Other taxes and social security costs	-	5
Other creditors	24	23
Accruals and deferred income	287	286
	<u>440</u>	<u>411</u>

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

### 12 Deferred taxation

	2011 £000	2010 £000
Accelerated capital allowances	288	311
Other short-term timing differences	2	2
	<u>290</u>	<u>313</u>
Undiscounted deferred tax provision		
	<u>290</u>	<u>313</u>
At 1 October	313	329
Charged to profit and loss account – current year	-	1
Credited to profit and loss account – prior years	-	(5)
Effect of decreased tax rate on opening liability	(23)	(12)
	<u>290</u>	<u>313</u>
At 30 September	<u>290</u>	<u>313</u>

## Notes to the financial statements (continued)

### 12 Deferred taxation (continued)

#### Factors that may affect future tax changes

The 2012 budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012.

This will reduce the company's future current tax charge accordingly and have no effect on the deferred tax liability at 30 September 2011 (which has been calculated based on the rate of 25% substantively enacted at the balance sheet date).

There would be no overall effect from the further reductions from 25% to 22%, if these applied to the deferred tax balance at 30 September 2011, on the deferred tax liability.

### 13 Share capital

	2011 £000	2010 £000
<b>Allotted, called up and fully paid</b>		
2 (2010: 2) ordinary shares of £1 each	-	-

### 14 Profit and loss account

	2011 £000	2010 £000
<b>At 1 October</b>	<b>2,883</b>	<b>2,735</b>
Profit for the financial year	120	148
<b>At 30 September</b>	<b>3,003</b>	<b>2,883</b>

### 15 Reconciliation of movement in shareholders' funds

	2011 £000	2010 £000
<b>Opening shareholders funds</b>	<b>2,883</b>	<b>2,735</b>
Profit for the financial year	120	148
<b>Closing shareholders funds</b>	<b>3,003</b>	<b>2,883</b>



## Notes to the financial statements *(continued)*

### 16 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings 2011 £000	Land and buildings 2010 £000
Operating leases which expire in over five years	27	27

### 17 Pension commitments

The Care UK Limited group has an HMRC 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 £nil (2010 £nil).

### 18 Contingent liability

The company has an unsecured loan from a parent undertaking, Care UK Limited. The loan is repayable by the borrower in full by 31 January 2015. Interest is payable on the amount of the advance outstanding at a rate above LIBOR agreed between the parties.

In addition the company is a guarantor to the funding arrangements disclosed in the financial statements of Care UK Health and Social Care Investments Limited – please refer to those financial statements for full details, a brief summary of which is given below.

#### i) Senior Secured Notes

In July 2010 Care UK Health & Social Care plc (the Issuer) issued £250 million 9¾% Senior Secured Notes. Interest is payable semi-annually in arrears.

The Senior Secured Notes will mature on 1 August 2017. The Senior Secured Notes are guaranteed on a senior secured basis by each of Care UK Health & Social Care Investments Limited, Care UK Limited, and certain of the Issuer's other operating subsidiaries.

#### ii) Super Senior Revolving Credit Facility

The group has an £80 million Super Senior Revolving Credit Facility, a revolving facility loan. The facility expires on 13 July 2016. The margin payable on the outstanding loan is in the range of 2.5% to 4.0% above LIBOR plus any mandatory costs depending on the total net leverage of the group. The final repayment date is 13 July 2016. The facility remains undrawn with the exception of £17.0 million as at 30 September 2011 (2010 £22.0 million) in relation to performance bonds.

## **Notes to the financial statements** *(continued)*

### **19 Ultimate parent company and controlling party**

The company is a wholly owned subsidiary of Care UK Limited, which is registered in England and Wales

The company's ultimate parent company and controlling party is Care UK Health and Social Care Holdings Limited, which is registered in England and Wales

Copies of the financial statements of Care UK Health and Social Care Holdings Limited, which include the consolidated results of this company, are available from its registered office at Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9QB