

CHS (Kincardine) Limited

Directors' report and financial statements

For the year ended 30 September 2012

Registered number 02873622

FRIDAY



L32

L2BGMAUG

28/06/2013

#14

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 auditor's 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)
T Siddall

Secretary

J D Calow

Auditor

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 2012

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

Business review

The Key Performance Indicators ("KPIs") used by the company to measure financial performance are revenue, operating profit, operating margin, bed numbers and occupancy

Revenue has remained static in the last year (2011 2 2% decrease) while operating profit decreased by 143% (2011 30 5% decrease) over the same period. The decrease in the operating margin was a result of the proportional increase in income being less than the proportional increase in variable costs and other operating expenses

Total bed numbers were unchanged at 46 (2011 46). The principal financial risk facing the business is the level of financial occupancy of non-contracted beds. During the year this averaged 95.7% (2011 97.5%)

The directors consider the future prospects of the company to be satisfactory

Results and dividend

The profit for the year after taxation amounted to £46,000 (2011 £120,000)

No interim dividend was paid in the year (2011 £nil). The directors do not recommend a final ordinary dividend to be paid in respect of the current year (2011 £nil)

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)

T Siddall

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 (2011 £nil)

Directors' Report *(continued)*

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 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 2013

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 auditor's report to the members of CHS (Kincardine) Limited

We have audited the financial statements of CHS (Kincardine) Limited for the year ended 30 September 2012 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 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 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 web-site 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 30 September 2012 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.

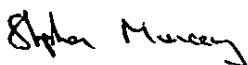
Opinion on other matter prescribed by the Companies Act 2006

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.



Stephen Muncey (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
6 Lower Brook Street
Ipswich
IP4 1AP

28 June 2013

Profit and Loss Account

For the year ended 30 September 2012

	<i>Note</i>	2012 £000	2011 £000
Turnover	2	1,512	1,511
Cost of sales		(1,561)	(1,397)
		<hr/>	<hr/>
Operating (loss)/profit		(49)	114
Other interest receivable and similar income	3	86	32
		<hr/>	<hr/>
Profit on ordinary activities before taxation	6	37	146
Tax on profit on ordinary activities	7	9	(26)
		<hr/>	<hr/>
Profit for the financial year	14, 15	46	120
		<hr/> <hr/>	<hr/> <hr/>

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 9-16 form part of the financial statements

Balance Sheet

As at 30 September 2012

	Note	2012 £000	2011 £000
Fixed assets			
Tangible assets	8	2,144	2,114
Current assets			
Stocks	9	4	4
Debtors (including £920,000 due after more than one year (2011 £1,061,000))	10	1,099	1,310
Cash at bank and in hand		609	305
		<u>1,712</u>	<u>1,619</u>
Creditors , amounts falling due within one year	11	<u>(544)</u>	<u>(440)</u>
Net current assets		<u>1,168</u>	<u>1,179</u>
Total assets less current liabilities		<u>3,312</u>	<u>3,293</u>
Provisions for liabilities and charges			
Deferred taxation	12	(263)	(290)
Net assets		<u>3,049</u>	<u>3,003</u>
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account	14	3,049	3,003
Shareholders' funds	15	<u>3,049</u>	<u>3,003</u>

These financial statements were approved by the board of directors on 27 June 2013 and were signed on its behalf by



A Culhane
Director

The notes on pages 9-16 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 page 3. 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 Health and Social Care Holdings 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 Health and Social Care Holdings 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 Health and Social Care Holdings 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

	2012 £000	2011 £000
Interest received on amounts owed by group undertakings	86	32

4 Directors' emoluments

The directors received no emoluments during the financial year ended 30 September 2012 for their services to the company (2011 *£nil*). The emoluments of J Moore, A Culhane 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 (2011 *none*).

Retirement benefits under money purchase pension schemes are accruing to 3 directors (2011 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	
	2012	2011
Care staff	77	79
Administration and Management	2	2
	<hr/>	<hr/>
	79	81
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows

	2012	2011
	£000	£000
Wages and salaries	969	959
Social security costs	54	63
	<hr/>	<hr/>
	1,023	1,022
	<hr/>	<hr/>

6 Profit on ordinary activities before taxation

	2012	2011
	£000	£000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation and other amounts written off tangible fixed assets		
Owned	56	48
Leased	31	31
Rentals payable under operating leases		
Land and buildings	27	27
	<hr/>	<hr/>

Auditors' remuneration of £1,000 (2011 £1,000) was borne by another group undertaking in both financial years

Notes to the financial statements (continued)

7 Taxation

	2012 £000	2011 £000
UK corporation tax at 25% (2011 27%)	18	51
Adjustments in respect of prior periods	-	(2)
	<u>18</u>	<u>49</u>
Deferred tax		
Origination and reversal of timing differences	(4)	-
Effect of decreased tax rate	(23)	(23)
	<u>(9)</u>	<u>26</u>
Tax on profit on ordinary activities	<u>(9)</u>	<u>26</u>

Current tax reconciliation

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

	2012 £000	2011 £000
Profit on ordinary activities before tax	37	146
Profit on ordinary activities multiplied by the expected rate of corporation tax 25% (2011 27%)	9	39
Effects of		
Expenses not deductible for tax purposes	-	1
Capital allowances for period less than depreciation	10	11
Capitalised revenue expenditure	(1)	-
Adjustments in respect of prior periods	-	(2)
Current tax charge for year	<u>18</u>	<u>49</u>

Factors that may affect future tax changes

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 30 September 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability by approximately £23,000.

Notes to the financial statements *(continued)*

8 Tangible fixed assets

	Land and buildings	Fixtures, fittings and equipment	Total
	£000	£000	£000
Cost			
At 1 October 2011	2,276	603	2,879
Additions	-	117	117
	<hr/>	<hr/>	<hr/>
At 30 September 2012	2,276	720	2,996
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 October 2011	378	387	765
Charge for year	31	56	87
	<hr/>	<hr/>	<hr/>
At 30 September 2012	409	443	852
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 September 2012	<u>1,867</u>	<u>277</u>	<u>2,144</u>
	<hr/>	<hr/>	<hr/>
At 30 September 2011	<u>1,898</u>	<u>216</u>	<u>2,114</u>
	<hr/>	<hr/>	<hr/>

Land and buildings include depreciable assets with an original cost of £1,574,000 (2011 £1,574,000) Included within the net book value of land and buildings are long leasehold buildings which have a net book value of £1,867,000 (2011 £1,898,000)

9 Stocks

	2012 £000	2011 £000
Raw materials and consumables	<u>4</u>	<u>4</u>

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

	2012 £000	2011 £000
Trade debtors	110	228
Amounts owed by group undertakings	980	1,061
Other debtors	2	1
Prepayments	7	20
	<u>1,099</u>	<u>1,310</u>

Debtors include amounts owed by group undertakings of £920,000 (2011 £1,061,000) due after more than one year

11 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	164	66
Amounts owed to group undertakings	57	12
Corporation tax	18	51
Other taxes and social security costs	5	-
Other creditors	9	24
Accruals and deferred income	291	287
	<u>544</u>	<u>440</u>

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

12 Deferred taxation

	2012 £000	2011 £000
Accelerated capital allowances	207	288
Other short-term timing differences	56	2
	<u>263</u>	<u>290</u>
Undiscounted deferred tax provision		
	<u>263</u>	<u>290</u>
At 1 October	290	313
Credited to profit and loss account – current year	(4)	-
Effect of decreased tax rate on opening liability	(23)	(23)
	<u>263</u>	<u>290</u>
At 30 September		
	<u>263</u>	<u>290</u>

Notes to the financial statements (continued)

13 Share capital

	2012 £000	2011 £000
Allotted, called up and fully paid		
2 (2011 2) ordinary shares of £1 each	-	-

14 Profit and loss account

	2012 £000	2011 £000
At 1 October	3,003	2,883
Profit for the financial year	46	120
At 30 September	3,049	3,003

15 Reconciliation of movement in shareholders' funds

	2012 £000	2011 £000
Opening shareholders funds	3,003	2,883
Profit for the financial year	46	120
Closing shareholders funds	3,049	3,003

16 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings 2012 £000	Land and buildings 2011 £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 (2011 £nil).

Notes to the financial statements (continued)

18 Contingent liability

The company has an unsecured loan from its immediate 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 Investment 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 £250m 9¾% Senior Secured Notes. Interest is payable semi-annually in arrears on 1 February and 1 August.

The Senior Secured Notes will mature on 1 August 2017. Prior to 1 August 2014, the Senior Secured Notes may be redeemed in whole or in part at any time by paying a "make-whole" premium. The Senior Secured Notes may be redeemed in whole or in part at any time on or after 1 August 2014 at the redemption prices set forth in the Offering Memorandum. In addition, prior to 1 August 2013, the Issuer may redeem at its option up to 35% of the aggregate principal amount of the Senior Secured Notes with the net proceeds from certain equity offerings at the redemption price set forth in this Offering Memorandum. The Issuer may redeem all of the Senior Secured Notes, at any time, at a price equal to their principal amount plus accrued and unpaid interest, if any, upon the occurrence of certain changes in applicable tax law. If the Issuer sells certain of its assets in some circumstances or experiences a specific kind of change in control, it may be required to offer to repurchase the Senior Secured Notes at a redemption price equal to 100% or 101%, respectively, of the principal amount thereof plus accrued and unpaid interest, if any, to the date of redemption.

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

ii) Super Senior Revolving Credit Facility

As at 30 September 2012 the group had an £80m Super Senior Revolving Credit Facility (the "RCF"), which 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. Each utilisation under the facility is repayable and capable of being redrawn at the end of each interest period. The final repayment date is 13 July 2016.

As at 30 September 2012, £11.9m (2011: £nil) of the RCF has been utilised as cash drawings. The remainder of the facility remained undrawn, with the exception of £14.6m (2011: £17.0m) utilised in relation to performance bonds and £0.5m (2011: £0.5m) in relation to other ancillary utilisations.

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. Care UK Limited prepares group financial statements.

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.