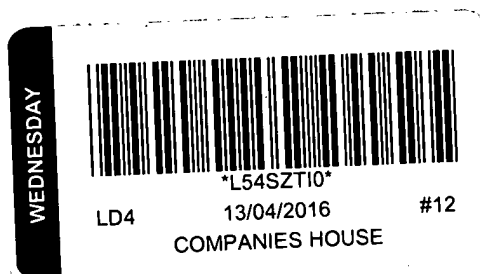


## **CHS (Kincardine) Limited**

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

For the year ended 30 September 2015

Registered number 02873622



## 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 to the members of CHS (Kincardine) Limited	6
Profit and Loss Account	7
Balance Sheet	8
Notes to the financial statements	9

## **Company Information**

### **Directors**

M R Parish  
P J Humpreys (Resigned 07/10/14)  
R Pearman  
A Knight  
M Rosenberg  
P Whitecross (Appointed 12/12/14)

### **Secretary**

J D Calow

### **Auditor**

KPMG LLP  
Botanic House  
100 Hills Road  
Cambridge  
CB2 1JZ

### **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  
Essex  
CO4 9QB

### **Registered number**

02873622

## Directors' Report

The directors present their annual report and financial statements for the year ended 30 September 2015.

### Principal activities

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

### Business review

The Company has not presented an Annual Report in these financial statements due to the small companies exemption available to it.

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

Revenue has increased in the last year to £1,512,000 (2014: £1,281,000) while the adjusted operating loss decreased to £(347,000) (2014: £(655,000)) over the same period. The increase in the gross margin was a result of the increase in income primarily driven by occupancy growth.

Total bed numbers were unchanged at 46 (2014: 46). The principal financial risk facing the business is the level of financial occupancy of non-contracted beds. During the year this averaged 89.5% (2014: 75.6%).

Impairment assessments of the carrying value of the residential care homes have been conducted as well as a review of our lease commitments for any onerous contracts, the impairment value was £965,000. This has arisen from the combination of the impact of the National Living Wage as well as Local Authority funding shortfalls restricting fee growth and resulting in a disconnect between income and costs.

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

### Results and dividend

The loss for the year after taxation amounted to £(1,392,000) (2014: £(536,000) loss).

No interim dividend was paid in the year (2014: £nil). The directors do not recommend a final ordinary dividend to be paid in respect of the current year (2014: £nil).

### Directors

The directors who served during the year were as follows:

M R Parish

P J Humphreys (Resigned 07/10/14)

R Pearman

A Knight

M Rosenberg

P Whitecross (Appointed 12/12/14)

### 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 (2014: £nil).

### 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



**M Rosenberg**  
Director

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

11 April 2016

## **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 2015 set out on pages 7 to 19. 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](http://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 2015 and of its loss 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*

**Stephanie Beavis (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants  
Botanic House, 100 Hills Road  
Cambridge  
CB2 1JZ

*11 April 2016*

## **Profit and Loss Account**

*For the year ended 30 September 2015*

	Note	2015 £000	2014 £000
<b>Turnover</b>	2	<b>1,512</b>	1,281
Cost of sales		<b>(1,751)</b>	(1,833)
		<hr/>	<hr/>
<b>Gross Loss</b>		<b>(239)</b>	(552)
Administrative expenses		<b>(1,073)</b>	(103)
		<hr/>	<hr/>
<b>Operating Loss</b>		<b>(1,312)</b>	(655)
		<hr/>	<hr/>
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)		<b>(209)</b>	(523)
Depreciation of tangible assets		<b>(138)</b>	(132)
		<hr/>	<hr/>
<b>Adjusted operating (loss)</b>		<b>(347)</b>	(655)
Impairment Losses	6	<b>(965)</b>	-
		<hr/>	<hr/>
<b>Operating (loss)/profit</b>		<b>(1,312)</b>	(655)
		<hr/>	<hr/>
Other interest payable	3	<b>(44)</b>	(5)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	6	<b>(1,356)</b>	(660)
Tax on profit on ordinary activities	7	<b>(36)</b>	124
		<hr/>	<hr/>
<b>Loss for the financial year</b>	14,15	<b>(1,392)</b>	(536)
		<hr/>	<hr/>

All results derive from continuing activities.

The company has no recognised gains or losses other than the profit for the 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 9-19 form part of the financial statements**




## Balance Sheet

As at 30 September 2015

	Note	2015 £000	2014 £000
<b>Fixed assets</b>			
Tangible assets	8	1,177	2,187
<b>Current assets</b>			
Stock	9	2	4
Debtors	10	177	289
Cash at bank and in hand		12	770
		<b>191</b>	<b>1,063</b>
<b>Creditors:</b> amounts falling due within one year	11	<b>(202)</b>	<b>(1,149)</b>
<b>Net current (liabilities)</b>		<b>(11)</b>	<b>(86)</b>
<b>Total assets less current liabilities</b>		<b>1,166</b>	<b>2,101</b>
<b>Creditors:</b> amounts falling due after one year	12	<b>(421)</b>	-
<b>Provisions for liabilities and charges:</b>			
Deferred taxation	13	<b>(123)</b>	<b>(87)</b>
<b>Net assets</b>		<b>622</b>	<b>2,014</b>
<b>Capital and reserves</b>			
Profit and loss account	14	<b>622</b>	<b>2,014</b>
<b>Shareholders' funds</b>	15	<b>622</b>	<b>2,014</b>

These financial statements were approved by the board of directors on 11 April 2016 and were signed on its behalf by:

  
M Rosenberg  
Director

The notes on pages 9-19 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 financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £11,000. It is not envisaged that the company will be dependent on its parent, Care UK Limited, for working capital funds, but the parent has indicated that it will make available such funds as are needed by the group. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. 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 CHS (Kincardine) Limited ("The Company") to continue as a going concern.

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.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### **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	The shorter of the period of the lease or the associated contract
Furniture, fittings and equipment	3 to 10 years

#### **Impairment of Fixed Assets**

The company assesses tangible fixed assets where there are indications that the assets could be impaired. Indicators of impairment include factors internal and external to the organisation that suggest the asset's value may have declined. Where indicators suggest that the value of the asset may have declined, the group estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The value in use calculation requires an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Further details are given in note 8.

#### **Calculation of recoverable amount**

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

#### **Reversals of impairment**

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **Stocks**

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

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

### ***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***

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

### ***Non-GAAP Performance Measures***

The board believe that the measure "adjusted" operating profit provides additional useful information for the shareholders and other stakeholders on the underlying performance of the business. These measures are consistent with how business performance is monitored internally. The adjusted operating profit is not a recognised profit measure under UK GAAP and may not be directly comparable with "adjusted" profit measures used by other companies.

Adjusted operating profit is defined as Operating (loss) / profit adjusted to exclude non-recurring costs. Adjusted EBITDA is defined as Adjusted operating profit plus depreciation.

## **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. All sites operate within the UK..

## **3 Interest payable**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Interest payable on amounts owed to group undertakings	<b>(44)</b>	<b>(5)</b>
	<hr/>	<hr/>

## **4 Directors' emoluments**

The directors received no emoluments during the financial year ended 30 September 2015 for their services to the company (2014: £nil). The emoluments of R Pearman, A Knight and M Rosenberg are disclosed in the financial statements of Care UK Community Partnerships Limited and the emoluments of M R Parish, P J Humphreys and P Whitecross are paid by and disclosed in the financial statements of Care UK Limited.

Retirement benefits under money purchase pension schemes are accruing to 2 directors (2014: 4).

## Notes to the financial statements (continued)

### 5 Staff numbers and cost

No staff were directly employed by the company for the year ended 30 September 2015. All staff working directly with the service provision of this company were employed by other Group companies and the below disclosures relate to these staff.

	Number of employees	
	2015	2014
Care staff	77	87
	<hr/>	<hr/>
	77	87
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	1,008	942
Social security costs	69	61
Other Pension costs	6	5
	<hr/>	<hr/>
	1,083	1,008
	<hr/>	<hr/>

### 6 Profit on ordinary activities before taxation

	2015 £000	2014 £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	107	102
Leased	32	32
Rentals payable under operating leases:		
Land and buildings	27	28
Impairment	965	-
	<hr/>	<hr/>

Auditors' remuneration of £1,000 (2014: £1,000) was borne by another group undertaking in both financial years.

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

### 7 Taxation

	<b>2015</b> <b>£000</b>	2014 £000
UK corporation tax at 20.5% (2014: 22%)	-	-
Deferred tax:		
Origination and reversal of timing differences	<b>(67)</b>	(123)
Adjustments related to prior periods	<b>103</b>	(1)
	<hr/>	<hr/>
Tax credit on (loss) on ordinary activities	<b>36</b>	(124)
	<hr/> <hr/>	<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:

	<b>2015</b> <b>£000</b>	2014 £000
(Loss) on ordinary activities before tax	<b>(1,356)</b>	(660)
	<hr/>	<hr/>
(Loss) on ordinary activities multiplied by the expected rate of corporation tax 20.5% (2014: 22%)	<b>(278)</b>	(145)
Effects of:		
Capital allowances for period less than depreciation	<b>28</b>	29
Group Relief Surrendered	<b>250</b>	-
Losses for the year	-	116
	<hr/>	<hr/>
Current tax (credit)/charge for year	-	-
	<hr/> <hr/>	<hr/> <hr/>

#### Factors that may affect future tax changes

The reduction in the UK corporation tax rate from 21% to 20% was effective from 1 April 2015. The main rate of corporation tax will further reduce to 19% from 1 April 2017, this was substantively enacted on 26 October 2015.

## 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 2014	2,276	760	3,036
Additions	-	94	94
Disposals	-	(239)	(239)
	<hr/>	<hr/>	<hr/>
At 30 September 2015	2,276	615	2,891
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 October 2014	472	377	849
Charge for year	32	107	139
Impairment charge	798	167	965
Disposals	-	(239)	(239)
	<hr/>	<hr/>	<hr/>
At 30 September 2015	1,302	412	1,714
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 September 2015	974	203	1,177
	<hr/>	<hr/>	<hr/>
At 30 September 2014	1,804	383	2,187
	<hr/>	<hr/>	<hr/>

Land and buildings include depreciable assets with an original cost of £1,573,000 (2014: £1,573,000). Included within the net book value of land and buildings are long leasehold buildings which have a net book value of £974,000 (2014: £1,804,000).

#### Impairment

The company considers each individual care home as a cash generating unit (CGU), except in circumstances where certain care homes operate under contractual arrangements with a single local authority in which case the assets are grouped together to form a larger CGU for the purposes of impairment assessment.

Impairment assessments are conducted at this level when indicators of impairment are considered to exist. Consistent with the sector, a combination of the impact of the National Living Wage and Local Authority funding shortfalls restricting fees has resulted in the impairment assessment of the carrying value of the residential care homes.

The recoverable amount of the care homes that are assessed for impairment have been determined based on value in use methodology or fair value less cost to sell. As a result of the assessments the company has recognised an impairment charge of £965,000 (2014: £nil) relating to the care home.

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

### 8 Tangible fixed assets *(continued)*

Significant assumptions used in the value in use assessments are summarised below:

Post-tax discount rate: 10.0%

Long term growth rate: 2.4%

The above assumptions are subject to sensitivity analysis and the impairment review performed is predominantly dependent upon the judgements made in arriving at the future growth rates and discount rates applied in the cash flow projections that are extrapolated over the useful economic life of the respective asset.

### 9 Stocks

	2015 £000	2014 £000
Raw materials and consumables	2	4

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

### 10 Debtors

	2015 £000	2014 £000
Trade debtors	168	161
Amounts owed by group undertakings	-	117
Prepayments	9	11
	<u>177</u>	<u>289</u>

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

	2015 £000	2014 £000
Trade creditors	40	82
Amounts owed to group undertakings	20	941
Other creditors	5	5
Accruals and deferred income	137	121
	<u>202</u>	<u>1,149</u>

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



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

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

	2015 £000	2014 £000
Amounts owed to group undertakings	421	-
	<u>421</u>	<u>-</u>

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

### 13 Deferred taxation

	2015 £000	2014 £000
Accelerated capital allowances	123	192
Unrelieved tax losses	-	(105)
	<u>123</u>	<u>87</u>
Undiscounted deferred tax provision	123	87
At 1 October	87	211
Charged/(credited) to profit and loss - prior year	103	(1)
Charged/(credited) to profit and loss - current year	(67)	(123)
	<u>123</u>	<u>87</u>
At 30 September	123	87

### 14 Profit and loss account

	2015 £000	2014 £000
At 1 October	2,014	2,550
(Loss) for the financial year	(1,392)	(536)
	<u>622</u>	<u>2,014</u>
At 30 September	622	2,014

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

### 15 Reconciliation of movement in shareholders' funds

	<b>2015</b>	2014
	<b>£000</b>	£000
Opening shareholder's funds	<b>2,014</b>	2,550
Loss for the financial year	<b>(1,392)</b>	(536)
Closing shareholder's funds	<b>622</b>	2,014

### 16 Commitments under operating leases

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

	<b>Land and buildings</b>	Land and buildings
	<b>2015</b>	2014
	<b>£000</b>	£000
Operating leases which expire: In over five years	<b>27</b>	29

### 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 £6,000 (2014: £5,000).

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

### **18 Contingent liability**

Amounts owed to group undertakings due after more than one year include an unsecured loan from its immediate parent undertaking, Care UK Limited. The loan is repayable by the borrower in full by 30 September 2020. Interest is payable on the amount of the advance outstanding at a rate above LIBOR agreed between the parties. For amounts owed to Group undertakings due within one year these are unsecured, repayable on demand and carry no interest charge.

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**

Up until 17 July 2014 Care UK Health & Social Care Plc ("the Issuer") had £325.0m of 9¼% Senior Secured Notes in issue (the "2010 Notes").

On 17 July 2014 the Issuer issued £400.0m of floating rate Senior Secured Notes ("the 2014 Notes"). The proceeds of the issue were used to redeem all of the outstanding 2010 Notes, the associated accrued interest and the related redemption premium. The remaining proceeds were used to repay outstanding amounts under the Revolving Credit Facility and pay transaction fees and expenses in connection with the issue of the 2014 Notes.

The 2014 Notes are divided into two tranches, a First Lien tranche of £325.0m (the "2014 Senior Secured Notes"), which mature on 15 July 2019, and a Second Lien tranche of £75.0m (the "2014 Second Lien Notes"), which mature on 15 January 2020. Interest on the 2014 Senior Secured Notes accrues at a rate per annum, reset quarterly, equal to three-month GBP LIBOR plus 5.0%. Interest on the 2014 Second Lien Notes accrues at a rate per annum, reset quarterly, equal to three-month GBP LIBOR plus 7.5%. For both liens interest is payable quarterly in arrears on each of 15 October, 15 January, 15 April and 15 July.

The Issuer may redeem the 2014 Notes in whole or in part at any time on or after 15 July 2015 at the redemption prices set out in the Offering Memorandum. Prior to 15 July 2015, the Issuer may redeem all or part of the 2014 Notes by paying a 'make whole' premium as set out in the Offering Memorandum.

During the three month period ended 30 June 2015 Care UK Health & Social Care Finance Limited, a parent undertaking of the Issuer, purchased in aggregate £16.2m of 2014 Second Lien Notes and subsequently transferred these to the Issuer for cancellation. In addition, the Issuer purchased and cancelled £16.2m of 2014 Second Lien Notes during the year. As a result of these transactions the total of Second Lien Notes remaining in issue at 30 September 2015 was £42.6m.

In July 2015 Care UK Health & Social Care Finance Limited, a parent undertaking of the Issuer, purchased £5.0m of 2014 Second Lien Notes with the intention of transferring these to the Issuer for cancellation. As at 30 September 2015 these Notes are still held by Care UK Health & Social Care Finance Limited and are presented as 'amounts due to related party undertakings' in the consolidated statement of financial position.

In July 2015 the Issuer made an offer to purchase in respect of the 2014 Senior Secured Notes for a maximum of £95.0m. The offer was fully subscribed and completed on 14 August 2015 and the Notes were subsequently cancelled. As a result of this transaction the total of Senior Secured Notes remaining in issue at 30 September 2015 was £230.0m.

The 2014 Senior Secured Notes are guaranteed on a senior basis and the 2014 Second Lien Notes are guaranteed on a senior subordinated basis by Care UK Health & Social Care Investments Limited and certain subsidiary guarantors.

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

### 18 Contingent liability *(continued)*

#### ii) Super Senior Revolving Credit Facility

On the 11 July 2014 the £115.0m Senior Revolving Credit Facility (the "original RCF") was replaced by an amended £65.0m Revolving Credit Facility (the "amended RCF"). On 17 July 2014 the original RCF utilisations were repaid in full from the proceeds of the issue of the 2014 Notes together with utilisations drawn on the amended RCF.

As at 30 September 2015, £10.0m (30 September 2014: £4.0m) of the amended RCF has been utilised as cash drawings. The remainder of the facility remained undrawn, with the exception of £9.4m (30 September 2014: £10.1m) utilised in relation to performance bonds provided in relation certain contracts in the Health Care division.

The margin payable on any loan utilisation under the amended RCF is in the range of 2.25% to 3.25% 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 11 May 2019.

The Amended and Restated Senior Revolving Facility Agreement requires Care UK Health & Social Care Investments Limited, as the parent guarantor, to ensure compliance with a financial covenant relating to super senior gross leverage (calculated as the ratio of the aggregate amount of all outstanding loans under the Amended Revolving Credit Facility to Consolidated EBITDA of the Group for the 12 months ending on that quarter end).

### 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.

The company's immediate parent company is Community Health Services 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.