Registered number: 02873622

CHS (KINCARDINE) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

CONTENTS

COMPANY INFORMATION

Directors	M R Parish R Pearman A Knight M Rosenberg P Whitecross
Company secretary	J D Calow
Registered number	02873622
Registered office	Connaught House 850 The Crescent Colchester Business Park Colchester Essex CO4 9QB
Independent auditors	KPMG LLP Botanic House 100 Hills Road Cambridge CB2 1AR
Bankers	HSBC Bank Plc Midland House 26 North Station Road Colchester Essex CO1 1SY

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors present their report and the financial statements for the year ended 30 September 2018.

Principal activity

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 profit for the year, after taxation, amounted to £680,000 (2017: loss £48,000).

The Company has not presented a Strategic 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 loss (operating profit or loss adjusted to exclude non-recurring costs), operating margin, bed numbers and occupancy.

Revenue has increased in the last year to £1,806,000 (2017: £1,636,000) while the adjusted operating loss decreased to £(54,000) (2017: £(27,000)) over the same period. The decrease in the gross profit was the result of increased spend on agency staff while occupancy of non-contracted beds averaged 94.0% in the year (2017: 93.0%).

Total bed numbers were unchanged at 45 (2017: 45). The principal financial risk facing the business is the level of financial occupancy of non-contracted beds.

A review of the carrying value of the residential care homes has again been conducted as well as a review of our lease commitments for any onerous contracts, this has resulted in the reversal of a prior year impairment of £811,000 (2017: nil) due to improved trading conditions. The original provision was created due to 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.

Directors

The directors who served during the year were:

M R Parish
R Pearman
A Knight
M Rosenberg
P Whitecross

Political and charitable donations

The company made no political or charitable donations during the year (2017: £nil).

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018

Employee involvement

Management regularly visit local services 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.

Disabled 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.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

Subsequent to the year end the Care UK group has put in place a series of transactions that significantly changes the financing arrangements of the group.

Auditors

The auditors, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 21 February 2019 and signed on its behalf.

M Rosenberg
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2018

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 United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.
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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or to have no realistic alternative but to do so.

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 to enable them to ensure that they comply with the Companies Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CHS (KINCARDINE) LIMITED

Opinion

We have audited the financial statements of CHS (Kincardine) Limited ("the company") for the year ended 30 September 2018 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the valuation of property, plant and equipment, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

S Beavis

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

Botanic House
100 Hills Road
Cambridge
CB2 1AR

21 February 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 £000	*2017* *£000*
Turnover	4	**1,806**	*1,636*
Cost of sales		**(1,756)**	*(1,565)*
Gross profit		**50**	*71*
Administrative expenses		**707**	*(98)*
Operating profit/(loss)		**757**	*(27)*
Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)		**87**	*44*
Depreciation of tangible assets		**(141)**	*(71)*
Adjusted operating loss		**(54)**	*(27)*
Impairment reversal		**811**	-
Operating profit/(loss)		**757**	*(27)*
Interest payable and expenses	8	**(60)**	*(28)*
Profit/(loss) before tax		**697**	*(55)*
Tax on profit/(loss)	9	**(17)**	*7*
Profit/(loss) for the financial year		**680**	*(48)*
Total comprehensive income/(loss) for the year		**680**	*(48)*

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

The notes on pages 12 to 28 form part of these financial statements.

BALANCE SHEET
AS AT 30 SEPTEMBER 2018

	Note		2018 £000		2017 £000
Fixed assets					
Tangible assets	10		**2,251**		*1,127*
			2,251		*1,127*
Current assets					
Stocks	11	**5**		*5*	
Debtors: amounts falling due after more than one year	12,16	**42**		*59*	
Debtors: amounts falling due within one year	12	**76**		*36*	
Cash at bank and in hand	13	**12**		*12*	
		135		*112*	
Creditors: amounts falling due within one year	14	**(1,054)**		*(161)*	
Net current liabilities			**(919)**		*(49)*
Total assets less current liabilities			**1,332**		*1,078*
Creditors: amounts falling due after more than one year	15		**-**		*(426)*
Net assets			**1,332**		*652*
Capital and reserves					
Called up share capital	17		**-**		*-*
Profit and loss account			**1,332**		*652*
Shareholders' funds			**1,332**		*652*

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.financial statements

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 February 2019.

M Rosenberg
Director

The notes on pages 12 to 28 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 October 2017	-	652	652
Comprehensive income for the year			
Profit for the year	-	680	680
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	680	680
Total transactions with owners	-	-	-
At 30 September 2018	-	1,332	1,332

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 October 2016	-	700	700
Comprehensive loss for the year			
Loss for the year	-	(48)	(48)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(48)	(48)
Total transactions with owners	-	-	-
At 30 September 2017	-	652	652

The notes on pages 12 to 28 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

1. General information

The company is a wholly owned subsidiary of Care UK Limited, which is registered in England and Wales.
Registered office: Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9QB.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The disclosure requirements of section 1 'Reduced disclosures for subsidiaries' of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Care UK Health and Social Care Holdings Limited as at 30 September 2018 and these financial statements may be obtained from Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9QB.

2. Accounting policies (continued)

2.3 Going concern

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 2. The company has access to funds provided by Care UK Limited, a parent company within the Group.

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 and at least 12 months from the date of authorisation of these statements. 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 £961,000 (2017: £108,000) (after accounting for debtors due in more than 1 year). The parent undertaking, Care UK Ltd, has indicated its intention to continue to make available such funds that it will provide the necessary financial support, by making funds available and not seeking repayment of amounts currently made available if it would put them into financial difficulty, as is needed by the company to settle any amounts for the foreseeable future and specifically within at least 12 months of the signed date of these accounts. 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. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2. Accounting policies (continued)

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Long-term leasehold buildings	- The shorter of the period of the lease or the associated contract
Fixtures, fittings and equipment	- 7 years
Other fixed assets	- Over the useful economic life

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.6 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2. Accounting policies (continued)

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.12 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Leased assets: the Company as lessee

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.14 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2. Accounting policies (continued)

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.16 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 when applicable. Adjusted EBITDA is defined as Adjusted operating profit plus depreciation.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in conformity with FRS 102 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year then ended. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

Estimates are used in accounting for allowances for uncollectable receivables, depreciation and impairment, and taxes. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the year that an adjustment is determined to be required.

Management regularly discusses with the Group Audit Committee the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates.

Significant accounting judgements in applying the Company's accounting policies have been applied by the Company in order to prepare the consolidated financial statements with respect to the value of tangible assets (note 10) and are described below.

Tangible assets
The group 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 or increased. Where indicators suggest that the value of the asset may have declined or increased, 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 10.

4. Turnover

The whole of the 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.

	2018	*2017*
	£000	*£000*
United Kingdom	**1,806**	*1,636*

5. Auditors' remuneration

Auditors' remuneration of £1,000 (2017: £1,000) was borne by another group undertaking in both financial years.

6. Employees

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	*2017 No.*
Care staff	**72**	*69*

No staff were directly employed by the company for the year ended 30 September 2018. 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.

7. Directors' remuneration

The directors received no emoluments during the financial year ended 30 September 2018 for their services to the company (2017: £nil).

The emoluments of R Pearman, A Knight and M Rosenberg for services to the Care UK Ltd Group are paid by and disclosed within the accounts of Care UK Community Partnerships Ltd.

The emoluments of M Parish and P Whitecross for services to the Care UK Ltd Group are paid by and disclosed within the accounts of Care UK Health and Social Care Investments Ltd.

Retirement benefits under money purchase pension schemes are accruing to 2 directors (2017: 2).

8. Interest payable and similar charges

	2018 £000	*2017 £000*
Loans from group undertakings	**60**	*28*
	60	*28*

9. Taxation

	2018 £000	*2017 £000*
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	17	*(8)*
Adjustments in respect of prior periods	-	*1*
Total deferred tax	17	*(7)*
Taxation on profit/(loss) on ordinary activities	17	*(7)*

Factors affecting tax charge for the year

The tax charge for the year is lower than *(2017 - higher than)* the standard rate of corporation tax in the UK of 19.0% *(2017 - 19.5%)*. The differences are explained below:

	2018 £000	*2017 £000*
Profit/(loss) on ordinary activities before tax	697	*(55)*
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2017 - 19.5%)	132	*(11)*
Effects of:		
Expenses not deductible for tax purposes	16	*5*
Non taxable income	(154)	-
Changes in the deferred tax rate	(2)	*1*
Group relief surrendered	25	*(3)*
Adjustments to tax charge in respect of prior periods	-	*1*
Total tax charge/(credit) for the year	17	*(7)*

Factors that may affect future tax charges

The reduction in the UK corporation tax rate from 20% to 19% was effective from 1 April 2017. The main rate of corporation tax will further reduce to 17% from 1 April 2020, this was substantively enacted on 6 September 2016.

10. Tangible fixed assets

	Land and buildings £000	Fixtures and fittings £000	Computer equipment £000	Assets in course of construct'n £000	Total £000
Cost or valuation					
At 1 October 2017	2,276	624	2	-	2,902
Additions	-	84	7	-	91
Transfers intra group	-	-	-	363	363
Disposals	-	(46)	(1)	-	(47)
Transfers between classes	-	363	-	(363)	-
At 30 September 2018	2,276	1,025	8	-	3,309
Depreciation					
At 1 October 2017	1,336	437	2	-	1,775
Charge for the year on owned assets	18	122	1	-	141
Disposals	-	(46)	(1)	-	(47)
Reversal of impairment charge	(756)	(55)	-	-	(811)
At 30 September 2018	598	458	2	-	1,058
Net book value					
At 30 September 2018	1,678	567	6	-	2,251
At 30 September 2017	*940*	*187*	*-*	*-*	*1,127*

10. Tangible fixed assets (continued)

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 release of £811,000 (2017: £nil).

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

Post-tax discount rate: 8.10%
Long term growth rate: 1.90%

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.

11. Stocks

	2018	*2017*
	£000	*£000*
Raw materials and consumables	**5**	*5*

Stock recognised in cost of sales during the year as an expense was £110,000 *(2017 - £102,000).*

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

12. Debtors

	2018 £000	2017 £000
Due after more than one year		
Deferred tax asset	**42**	*59*
	42	*59*

	2018 £000	2017 £000
Due within one year		
Trade debtors	**51**	*12*
Other debtors	**16**	*15*
Prepayments and accrued income	**9**	*9*
	76	*36*

13. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	**12**	*12*

14. Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	**30**	*27*
Amounts owed to group undertakings	**880**	*-*
Other creditors	**19**	*6*
Accruals and deferred income	**125**	*128*
	1,054	*161*

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

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15. Creditors: Amounts falling due after more than one year

	2018 £000	*2017 £000*
Amounts owed to group undertakings	-	*426*
	-	*426*

The amounts owed to group undertakings are unsecured and bear a fixed rate of 7.5% (2017: 7.5%). The amounts advanced are repayable in full by 30 September 2019. The company may, at its discretion, make repayments on account of the principal amounts outstanding.

16. Deferred taxation

	2018 £000
At beginning of year	59
Charged to profit or loss	(17)
At end of year	**42**

The deferred tax asset is made up as follows:

	2018 £000
Accelerated capital allowances	42
	42

17. Share capital

	2018 £000	*2017 £000*
Shares classified as equity		
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	-	-

18. 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 £10,000 (2017: £6,000).

19. Commitments under operating leases

At 30 September 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	*2017*
	£000	*£000*
Not later than 1 year	**27**	*27*
Later than 1 year and not later than 5 years	**106**	*106*
Later than 5 years	**1,946**	*1,973*
Total	**2,079**	*2,106*

20. Contingent liabilities

Amounts owed to group undertakings due within one year include an unsecured loan from a parent undertaking, Care UK Limited. The loan is repayable by the borrower in full by 30 September 2019. 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 9¾% 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 2018 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 2018 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 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 2018 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.

ii) 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 2018, £39.0m (30 September 2017: £4.0m) of the amended RCF has been utilised as cash drawings. The remainder of the facility remains undrawn following the expiry of performance bonds provided in relation to 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).

21. Post balance sheet events

During December 2018 and January 2019 the Care UK group put in place a series of transactions that significantly changes the financing arrangements of the group.

Firstly, the separate development group, Silver Sea repaid £35.1m of outstanding loans to Care UK following the freehold sales of a number of care homes. In addition, the Silver Sea group advanced Care UK £13.0m of surplus proceeds by way of a fixed term loan under normal arm's length commercial arrangements. All care homes involved in the transaction continue to be operated by Care UK under similar leasehold arrangements.

The above arrangements allowed for the repayment of all outstanding borrowings under the group's existing Senior Revolving Credit Facility (£39.0m as at 30 September 2018). Furthermore, on 25 January 2019 and simultaneously with the arrangements outlined below, this £65m RCF facility was replaced with a new five year, £32.5m RCF facility on similar commercial terms.

On 25 January 2019 the group completed on a new £250.0m five year term loan with net proceeds of £242.0m received after deducting fees. The margin payable on the term loan is in the range of 5.0% to 5.5% above LIBOR depending on the net leverage of the group.

Proceeds from the above transactions were utilised to redeem both the First Lien and Second Lien tranches of the 2014 Notes. The redemption values excluding accrued interest at settlement were £230.0m and £37.6m respectively.

As part of the above arrangements, Second Lien Notes of £5.0m (£6.3m including accrued interest) held in treasury by the group's parent Care UK Health & Social Care Finance Limited were transferred to the issuer and subsequently cancelled resulting in a capital contribution to the group.

In addition, the loans to the group's parent Care UK Health & Social Care Finance Limited of £6.6m were repaid in full.

The above financing arrangements put in place a stable, long term capital structure with increased liquidity to support growth investment as well as reducing debt servicing costs.

22. Controlling party

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 the company, are available from its registered office at Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9QB.