

NOVACARE UK LIMITED

Registered Number 03196506

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

31 DECEMBER 2011

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NOVACARE UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

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NOVACARE UK LIMITED

DIRECTORS' REPORT

The directors present their annual report and the financial statements of the Company for the year ended 31 December 2011

The Directors' Report has been prepared in accordance with the provisions applicable to companies subject to the small companies regime

PRINCIPAL ACTIVITY

The principal activity of the Company during the period has been the dispensing and supply of Ostomy products. The expectation is that Novacare will continue to trade in this area for the foreseeable future and that margins will continue to be in line with its' current trading position. As many Ostomy procedures result in permanent stomas, many of Novacare's end patients are loyal to their first brand of Ostomy product and therefore few switch brand after the first year of use. Therefore due to the nature of the market we have a significant resistance to changes in economic conditions and therefore have predictable cash flows.

RESULTS AND DIVIDENDS

Turnover increased by £31,000 to £760,000 being a 4.3% increase over the prior year. The profit for the year after taxation was £255,000 (2010: £217,000). The Directors do not recommend payment of a dividend for the year (2010: £nil).

GOING CONCERN

The Company's business activities, together with factors likely to affect its future development, performance and position are set out above.

During 2008, the ultimate parent company took out bank borrowings to partly fund the acquisition of ConvaTec group. During 2010 the group refinanced this debt. These borrowings are due for repayment by ConvaTec Healthcare E S A and ConvaTec Inc, in instalments at various dates between 2012 and 2018. The amount of borrowing outstanding for the ConvaTec group of companies at 31 December 2011 was approximately \$2.7 billion and is subject to the group meeting certain covenants. This is secured against certain companies within the group, including Novacare UK Limited. If the group were to default on repayments in the future, this could threaten the ability of the company to continue as a going concern. However, the management of Novacare UK Limited and the group believe that the group will generate sufficient operating cash flows to cover all debt repayments as they fall due.

Having considered the company's business activities, principal risks, uncertainties and the current uncertain economic environment, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company continues to generate strong profit, and expects to continue to do so for the foreseeable future. Thus, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

DIRECTORS

The directors who served during the year and to the date of this report are as follows:

C B Edwards
R Heginbotham
M J Lydon
S J Taylor
S Cottrill

(Appointed 9th May 2011)

NOVACARE UK LIMITED

DIRECTORS' REPORT (CONTINUED)

AUDITOR

In the case of each of the persons who are directors of the Company at the date when this report was approved

- So far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- Each of the directors has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office and accordingly a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved and signed on behalf of the Board of Directors



S J Taylor
Director

15 June 2012

GDC First Avenue
Deeside Industrial Park
Deeside
Flintshire CH5 2NU

NOVACARE UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting estimates that are reasonable and prudent, 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOVACARE UK LIMITED

We have audited the financial statements of Novacare UK Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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, 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 to 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 Auditor.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

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 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

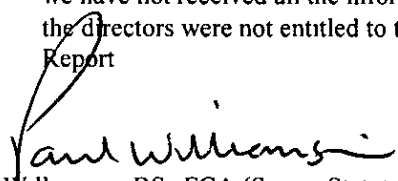
Opinion on other matter prescribed by the Companies Act 2006

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, or
- the directors were not entitled to take advantage of the small companies exemptions in preparing the Directors' Report.


Paul Williamson BSc FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Reading, United Kingdom

15 June 2012

NOVACARE UK LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2011

	Note	2011 £'000	2010 £'000
TURNOVER	3	760	729
Cost of sales		<u>(482)</u>	<u>(488)</u>
GROSS PROFIT		278	241
Administrative expenses		<u>(23)</u>	<u>(24)</u>
OPERATING PROFIT, BEING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	<u>255</u>	<u>217</u>
Tax on profit on ordinary activities	5	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	12,13	<u>255</u>	<u>217</u>

Turnover and operating profit are derived from continuing activities

There are no recognised gains or losses for the year other than shown in the above Profit and Loss Account. Consequently a separate Statement of Total Recognised Gains and Losses has not been presented

The notes on pages 9 to 14 form part of these financial statements

NOVACARE UK LIMITED

BALANCE SHEET 31 December 2011

	Note	2011 £'000	2010 £'000
FIXED ASSETS			
Intangible fixed assets – goodwill	8	<u>33</u>	<u>56</u>
CURRENT ASSETS			
Debtors	9	1,987	1,533
Creditors Amounts falling due within one year	10	<u>(222)</u>	<u>(46)</u>
NET CURRENT ASSETS		<u>1,765</u>	<u>1,487</u>
TOTAL ASSETS LESS CURRENT LIABILITIES, BEING NET ASSETS		<u>1,798</u>	<u>1,543</u>
CAPITAL AND RESERVES			
Called up share capital	11	-	-
Profit and loss account	12	<u>1,798</u>	<u>1,543</u>
TOTAL SHAREHOLDER'S FUNDS	13	<u>1,798</u>	<u>1,543</u>

The financial statements of Novacare UK Limited, registration number 03196506, were approved by the Board of Directors and authorised for issue on 15 June 2012. They were signed on its behalf by



S J Taylor
Director

The notes on pages 9 to 14 form part of these financial statements

NOVACARE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

1 ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable law and United Kingdom accounting standards. The principal accounting policies, which the directors have adopted within those standards, and which have been consistently applied throughout the current and preceding year are set out below.

Going Concern

Novacare UK Limited's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on page 2. The assets of the company are all secured against the external borrowings of the Convatec group. The management of Novacare UK Limited and the group believe that the group will generate sufficient operating cash flows to cover all debt repayments as they fall due.

Having considered these risks and the current uncertain economic environment, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company continues to generate strong profit and expects to continue to do so for the foreseeable future. Thus, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Intangible fixed assets

Purchased goodwill arising on the acquisition of businesses represents the excess of the fair value of the consideration paid and the fair value of any net assets acquired. The directors have reviewed the amortisation period of the asset based on their experience of the industry and the nature of the acquisition. They have concluded that the useful economic life of this asset is fifteen years and therefore the goodwill has been capitalised and is being written off on a straight line basis over this period. Provision is made for any impairment.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the profit and loss account that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted.

Deferred tax is measured at the standard rate of tax that is expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax assets and liabilities recognised have not been discounted.

Operating Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis, over the lease term.

Pensions

The Company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and actually paid are shown as either accruals or prepayments in the balance sheet.

NOVACARE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2 CASH FLOW STATEMENT

The Company has taken advantage of the exemption granted by Financial Reporting Standard 1 (Revised) Cash Flow Statements to wholly owned subsidiaries of a parent undertaking presenting a group cash flow statement whose financial statements are publicly available. Accordingly no cash flow statement has been prepared.

3 TURNOVER

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied to customers during the financial year. Turnover is recognised at the point of despatch.

Turnover is attributable to one continuing activity, the dispensing and supply of Ostomy products.

Turnover consists entirely of sales made in the United Kingdom.

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging

	2011 £'000	2010 £'000
Amortisation of intangible fixed assets	23	24

The audit fee for the year of £2,000 (2010: £2,000) is borne by the parent undertaking.

NOVACARE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2011

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2011 £'000	2010 £'000
Current tax:		
UK Corporation tax on profits for the year	-	-
Tax on profit on ordinary activities	-	-

The differences between the current tax shown above and the amount calculated by applying the standard rate of UK Corporation tax to the loss before tax is as follows

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	255	217
Profit on ordinary activities multiplied by blended rate in the United Kingdom 26.5% (2010 28.5%)	68	61
Effects of Permanent differences	6	7
Group relief received for nil consideration	(74)	(68)
UK Corporation tax for the year	-	-

NOVACARE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2011

6 STAFF NUMBERS AND COSTS

The average number of persons employed, including directors, by the Company during the year was as follows

	2011 Number	2010 Number
Administration	6	7

Payroll costs are borne by another group undertaking and are not recharged to the company

7 DIRECTORS' EMOLUMENTS

Directors' emoluments are paid by a fellow Group undertaking and are not recharged to the Company. The allocation of their remuneration to services performed for Novacare UK Limited was £nil (2010: £nil).

Directors received no benefits for their services from the Company.

8 INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 1 January and 31 December 2011	<u>350</u>
Amortisation	
1 January 2011	294
Charge for the year	<u>23</u>
31 December 2011	<u>317</u>
Net book value	
31 December 2011	<u>33</u>
31 December 2010	<u>56</u>

NOVACARE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2011

9 DEBTORS

	2011 £'000	2010 £'000
Trade debtors	57	67
Amounts owed from group undertakings	1,930	1,420
	<u>1,987</u>	<u>1,487</u>

10 CREDITORS: amounts falling due within one year

	2011 £'000	2010 £'000
Amounts owed to group undertakings	222	46

11 CALLED UP SHARE CAPITAL

	2011 £	2010 £
Allotted, called up and fully paid		
2 Ordinary Shares of £1 each	<u>2</u>	<u>2</u>

12 RESERVES

	Called up Share capital £'000	Profit and Loss account £'000	Total Shareholder's funds	
			2011 £'000	2010 £'000
At 1 January	-	1,543	1,543	1,326
Profit for the year	-	255	255	217
At 31 December	<u>-</u>	<u>1,798</u>	<u>1,798</u>	<u>1,543</u>

NOVACARE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2011 £'000	2010 £'000
Profit for the year	255	217
Opening shareholder's funds	1,543	1,326
Closing shareholder's funds	1,798	1,543

14 OPERATING LEASE COMMITMENTS

The Company was committed to the following operating lease payments at the year end

Annual obligations under operating leases expiring	Land and Buildings	
	2011 £'000	2010 £'000
Between 1 and 5 years	7	7

Operating lease costs are borne by another group undertaking and are not recharged to the company

15 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption available under Financial Reporting Standard 8 Related Party Disclosures and accordingly has not disclosed related party transactions with members of other group companies

16 CONTINGENT LIABILITY

The ultimate parent undertaking has secured borrowings against the underlying assets of various subsidiaries within the group, including those of Novacare UK Limited. These outstanding borrowings totalled \$2.7 billion at 31 December 2011.

17 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking and controlling party is Cidron Healthcare Ltd, which is incorporated in Jersey. Consolidated financial statements for ConvaTec Healthcare A S a r l, the largest Group to consolidate the results of this Company, can be obtained from The Manager, Noella Antoine, ConvaTec Healthcare A S a r l, 5 rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg.

The immediate parent undertaking is Amcare Ltd, which is registered in England. Cidron Healthcare B S a r l is the smallest Group of undertakings for which accounts are drawn up and of which the Company is a member. Consolidated financial statements for Cidron Healthcare B S a r l can be obtained from The Manager, Ingrid Moinet, ConvaTec Healthcare B S a r l, 5 rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg.