REGISTERED NUMBER 04826774 (England and Wales)

REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2013

FOR

BRANAS ISAF (LLYN COED) LIMITED

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COMPANIES HOUSE

CONTENTS OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2013

BRANAS ISAF (LLYN COED) LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2013

DIRECTORS	H Sheikh F Sheikh M G Hill
REGISTERED OFFICE	5th Floor Metropolitan House 3 Darkes Lane Potters Bar Hertfordshire EN6 1AG
REGISTERED NUMBER	04826774 (England and Wales)

STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2013

Our Market

The Care Market in which the Company operates is a UK Market worth £9 0 billion per annum across the four specialist operating divisions of Adult Learning Disabilities, Mental Health, Young People Residential Services and Foster Care

The market is growing in value by 5 5% per annum

Our Business Model

The Company's business model is to operate throughout mainland Britain in England, Wales and Scotland to provide care to people of any age who are local authority or NHS funded where we are capable of offering an appropriate Care Service

Setting the standard in quality of service

Adult Learning Disabilities
Residential care
Independent supported living
Community support services

Young People Residential Services
Residential care of children and young people

Foster Care
Fostering

Mental Health
Residential care
Independent supported living
Community outreach

Our resources

The key resources that we require to provide care are -

- People to provide care
We need staff and carers who have appropriate skills and qualities to look after children or adults in need of care

- People with skills to manage, train and support our people who provide care
We need skilled staff to provide the management and training to our people who provide care

- Buildings, homes and land
We need the land and buildings to provide accommodation for residential services or supported living

- Financial resources
We need financial stability to be able to employ the right staff and to provide the right land and buildings

Our Strategy

We shall continue to improve the quality and scope of our services, increase market share and grow shareholder value

Our understanding of the social care market and our relationships with local authority commissioners is vital to this objective and we are confident in the strength of our position

However, we can always do more and the coming year will see a further significant expansion of our endeavours This is driven by the complex financial position that local authorities are in and their need to have trusted business partners who can help them deliver statutory duties efficiently and with care

Strategic objectives

Our KPI's help us measure the Company's performance against its objectives which are -
- Social care expertise
- Nationwide locations
- High occupancy
- Continued growth
- High quality
- Excellent reputation
- Shareholder value

STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2013

Key performance indications

2013	2012
4 places	3 places
Capacity	Capacity
£0 5m	£0 5m
Profit after tax	Profit after tax

Our Risks

Principal risks and our strategic response

All providers of health and social care are conscious of the need for management vigilance and the requirement to have a thorough commitment to delivering safe care of a high quality CareTech's approach to quality and safe service delivery is characterised by a mix of inspection and a commitment to building quality into everything we do

The market for the provision of social care services continues to be dynamic, presenting both risks and opportunities Overall numbers of people needing support will increase, but a smaller proportion of them will be routed into residential services Those who do need a residential care solution will have more complex needs and are likely to require a wider range of services, including clinical and therapeutic support Our operational management teams are already focusing on the delivery of high quality care and as we move forward this will become increasingly specialised with the benefit of professional qualified care co-ordinators who will prepare and direct personalised care plans within the services

Most service users will be supported in their own homes through domiciliary care or in more formal supported living arrangements This is a major growth area for care providers and CareTech already has a solid reputation for its good quality and varied solutions

However we are building this to a higher level and refining our organisational structure to build more rapidly on our successes to date

-Service offer and user needs

We have to create and staff a service offer which matches to the needs of the service user and can be communicated to commissioners

-Quality and safety

We have to provide and deliver safe care of a high quality

-Service Value

The service offer has to be provided to meet the needs of the commissioners at a fair price

-Reputation

The Company has to have a reputation for delivering a service that is good value and takes account of all risks

-Growth funding

The funding to enable the Company to keep growing has to be put in place

-Manage debt

The debt which is incurred in employing the people and acquiring the premises has to be carefully managed

M G Hill - Director
26/2/2014

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2013

The directors present their report with the financial statements of the company for the year ended 30 September 2013

PRINCIPAL ACTIVITY
The company's principal activity during the period continued to be that of the provision of a range of specialist care services for young people

REVIEW OF BUSINESS
The income statement on page 6 sets out the results for the year

FUTURE PROSPECTS
The directors are satisfied with the results for the year and the future prospects of the company

KEY PERFORMANCE INDICATORS
Client occupation levels and associated income streams are the key monitor of performance and these have been maintained during the year

PRINCIPAL RISKS AND UNCERTAINTIES
The company's performance and its reputation is underpinned by the quality of its services To this end, the company invests significantly in its quality management processes There are also a number of financial risks and uncertainties which could impact the company's performance and these are set out in note 16

DISABLED PERSONS
It is the company's policy to ensure that disabled persons are treated fairly and consistently in terms of recruitment, training, career development and promotion and that their employment opportunities should be based on a realistic assessment of their aptitudes and abilities Wherever possible, the company will continue the employment of persons who become disabled during the course of their employment with the company through retraining, acquisition of special aids and equipment or the provision of suitable alternative employment

EMPLOYEE INFORMATION PROGRAMME
The directors recognise the benefits which arise from keeping employees informed of the company's progress and plans and through their participation in the company's performance The company is, therefore, committed to providing its employees with information on a regular basis, to consulting with them on a regular basis so that their views may be taken into account when taking decisions which may affect their interests and to encouraging their participation in schemes through which they will benefit from the company's progress and profitability

DIVIDENDS
During the period, the company paid a dividend of £671,000 (2012 £Nil)

DIRECTORS
The directors shown below have held office during the whole of the period from 1 October 2012 to the date of this report

H Sheikh
F Sheikh
M G Hill

Other changes in directors holding office are as follows

G Lapham - resigned 30 November 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES
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 International Financial Reporting Standards as adopted by the European Union 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 judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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

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

ON BEHALF OF THE BOARD

Michael Hill

M G Hill - Director

Date 26/7/2014

INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Notes	30 9 13 £'000	30 9 12 £'000
CONTINUING OPERATIONS			
Revenue		907	882
Cost of sales		(304)	(287)
GROSS PROFIT		603	595
Administrative expenses		(73)	(73)
OPERATING PROFIT		530	522
PROFIT BEFORE INCOME TAX	3	530	522
Income tax	4	-	-
PROFIT FOR THE YEAR		530	522

The notes form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2013

	30 9 13 £'000	30 9 12 £'000
PROFIT FOR THE YEAR	530	522
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	530	522

The notes form part of these financial statements

BRANAS ISAF (LLYN COED) LIMITED (REGISTERED NUMBER. 04826774)

STATEMENT OF FINANCIAL POSITION
30 SEPTEMBER 2013

	Notes	30 9 13 £'000	30 9 12 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	19	14
CURRENT ASSETS			
Trade and other receivables	7	605	700
Tax receivable		-	9
Cash and cash equivalents	8	-	14
		605	723
TOTAL ASSETS		624	737
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	9	-	-
Capital redemption reserve	10	55	55
Retained earnings	10	530	671
TOTAL EQUITY		585	726
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	12	3	3
CURRENT LIABILITIES			
Trade and other payables	11	8	8
Tax payable		28	-
		36	8
TOTAL LIABILITIES		39	11
TOTAL EQUITY AND LIABILITIES		624	737

The company is entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies for the year ended 30 September 2013

The members have not required the company to obtain an audit of its financial statements for the year ended 30 September 2013 in accordance with Section 476 of the Companies Act 2006

The directors acknowledge their responsibilities for
(a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
(b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company

The financial statements were approved by the Board of Directors on 26 February 2014 and were signed on its behalf by

Michael Hill

M G Hill - Director

The notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Retained earnings £'000	Capital redemption reserve £'000	Total equity £'000
Balance at 1 October 2011	149	55	204
Changes in equity			
Total comprehensive income	522	-	522
Balance at 30 September 2012	671	55	726
Changes in equity			
Dividends	(671)	-	(671)
Total comprehensive income	530	-	530
Balance at 30 September 2013	530	55	585

The notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Notes	30 9 13 £'000	30 9 12 £'000
Cash flows from operating activities			
Cash generated from operations	1	626	(48)
Tax paid		37	-
Net cash from operating activities		663	(48)
Cash flows from investing activities			
Purchase of tangible fixed assets		(6)	-
Net cash from investing activities		(6)	-
Cash flows from financing activities			
Equity dividends paid		(671)	-
Net cash from financing activities		(671)	-
Decrease in cash and cash equivalents		(14)	(48)
Cash and cash equivalents at beginning of year	2	14	62
Cash and cash equivalents at end of year	2	-	14

The notes form part of these financial statements

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2013

1 RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	30 9 13	30 9 12
	£'000	£'000
Profit before income tax	530	522
Depreciation charges	1	-
Change in intercompany balance	153	(580)
	684	(58)
(Increase)/decrease in trade and other receivables	(58)	22
Decrease in trade and other payables	-	(12)
Cash generated from operations	626	(48)

2 CASH AND CASH EQUIVALENTS

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statement of financial position amounts

Year ended 30 September 2013

	30/9/13	1/10/12
	£'000	£'000
Cash and cash equivalents	-	14

Year ended 30 September 2012

	30/9/12	1/10/11
	£'000	£'000
Cash and cash equivalents	14	62

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2013

1 **ACCOUNTING POLICIES**

Background and basis of preparation
The Company is registered and domiciled in the UK

Applicable accounting standards

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements on the grounds that it is a wholly owned subsidiary of CareTech Holdings PLC, for which consolidated financial statements are prepared and are publicly available from Metropolitan House, 3 Darkes Lane, Potters Bar, Hertfordshire EN6 1AG

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs")

The following adopted IFRSs were available for early application but have not been applied by the company in these financial statements

Endorsed	Effective for periods beginning on or after
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IAS 19 Employee Benefits (Revised June 2011)	1 January 2013
IAS 27 (Revised), Separate Financial Statements	1 January 2013
Transition Guidance - Amendments to IFRS 10, IFRS 11 and IFRS 12	1 January 2013

The Directors anticipate that the above Standards will be adopted in the company's financial statements for the period commencing 1 October 2013 and that their adoption will have no material impact on the financial statements of the company There are other standards and interpretations in issue but these are not considered to be relevant to the Company

During the year, Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) was adopted, but had no impact on the presentation of the Statement of Comprehensive Income

Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value and contingent consideration is stated at fair value through profit or loss

Going Concern
The directors have a reasonable expectation that the group of which the company is a member has adequate resources to continue in operational existence for the next twelve months Further details are given in the financial statements of the ultimate parent company, CareTech Holdings PLC Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Inventories

Inventories are valued at the lower of cost and net realisable value The cost of inventories is based on a first-in first-out cost basis

Financial instruments

Recognition, initial measurement and derecognition
Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value Subsequent measurement of financial assets and financial liabilities are described below

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred A financial liability is derecognised when it is extinguished, discharged, cancelled or expires

1 **ACCOUNTING POLICIES - continued**

Applicable accounting standards - continued

Classification and subsequent measurement of financial assets
For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired Different criteria to determine impairment are applied for each category of financial assets, which are described below

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment Discounting is omitted where the effect of discounting is immaterial The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to shared credit risk characteristics The impairment loss estimate is then based on recent historical counterparty default rates for each identified group

Financial assets at FVTPL
Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition All derivative financial instruments fall into this category Assets in this category are measured at fair value with gains or losses recognised in profit or loss The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists

Classification and subsequent measurement of financial liabilities
The company's financial liabilities include borrowings, trade and other payables and derivative financial instruments Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income

Where a non-substantial modification to the terms of a financial liability arises this is accounted for as an adjustment to the existing liability The carrying value of the existing liabilities is adjusted for fees paid or costs incurred The effective interest rate method is amended such that the adjusted carrying amount and the revised estimate of future cash flows are discounted over the revised, estimated life of the liability No gain or loss is recorded on modification

Derivative financial instruments and hedging
From time to time, the Group enters into derivative financial instruments, such as interest rate swaps, to manage its exposure to interest rate risk

Derivatives are initially recognised at fair value at the date a derivative is entered into and are subsequently remeasured to their fair value at each balance sheet date A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship The Group does not apply hedge accounting to these financial instruments

A derivative is presented as a non-current asset or non-current liability if the Group has an unconditional right to defer payment beyond 12 months Otherwise derivatives are presented as current assets or liabilities

1 **ACCOUNTING POLICIES - continued**

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses

Cost includes expenditure that is directly attributable to the acquisition of the asset The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use and capitalised borrowing costs Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the company, and its cost can be measured reliably The carrying amount of the replaced component is derecognised The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses Lease payments are accounted for as described below

Depreciation is charged to the profit or loss over the estimated useful lives of each part of an item of property, plant and equipment Land (which comprises approximately 50% of the land and buildings balance) is not depreciated The Directors reassess the residual value estimates, particularly in respect of properties, on an annual basis The estimated useful lives are as follows

Freehold buildings	2% straight-line to residual value,
Long leasehold property	over the life of the lease (to a maximum of 50 years),
Short leasehold property	over the life of the lease,
Fixtures, fittings and equipment	15% straight line or 25% reducing balance dependent on date of acquisition
Motor Vehicles	25% reducing balance

Intangible assets and goodwill

All business combinations are accounted for by applying the acquisition method Goodwill represents the excess of the fair value of the consideration over the fair value of the assets, liabilities and contingent liabilities acquired on acquisition of subsidiaries Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable

Goodwill is stated at cost less any accumulated impairment losses Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment

Negative goodwill (bargain purchase credit) arising on an acquisition is recognised in profit or loss

Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date Other intangible assets are amortised from the date they are available for use The estimated useful lives are as follows

Customer relationships	3 - 20 years, and
Software and licences	5 years

1 **ACCOUNTING POLICIES - continued**

Applicable accounting standards - continued

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows

Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment If any such indication exists, the asset's recoverable amount is estimated

For goodwill and assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount Impairment losses are recognised in the profit or loss

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets

Calculation of recoverable amount

The recoverable amount of the company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate Receivables with a short duration are not discounted

The recoverable amount of other assets is the greater of their net selling price and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs

Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised

An impairment loss in respect of goodwill is not reversed

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount

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

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between proceeds (net of transaction costs) and redemption value being recognised in the profit or loss over the period of the borrowings on an effective interest basis

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date

Interest associated with qualifying properties under development is capitalised in accordance with IAS 23 borrowing costs

1 **ACCOUNTING POLICIES - continued**

Employee benefits

Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit or loss as incurred

Short term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation If the effect is material, provisions are determined by discounting the expected, risk adjusted, future cash flows at a pre-tax risk-fee rate

Revenue

Revenue comprises the fair value of fee income receivable for the period in respect of the provision of care services and is recognised in respect of the days that care has been provided in the relevant period Revenue invoiced in advance is included in deferred income until service is provided

Expenses

Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability

Financing costs
Financing costs, comprising interest payable on bank loans and overdrafts, finance charges on finance leases, the unwinding of the discount on provisions and the costs incurred in connection with the arrangement of borrowings are recognised in the income statement using the effective interest rate method

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method Interest income also includes gains arising on the change in fair value of hedging instruments in the income statement

Financing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset

Financing costs also include losses arising on the change in fair value of hedging instruments that are recognised in the income statement

Pre-contract costs
Pre-contract costs include the costs attributable to a contract for the period from the date of securing the contract to the date at which financial close is achieved The award of preferred bidder status is considered as the point at which it is probable that the contract has been secured, although contracts are individually reviewed in order to apply the most appropriate treatment Costs that relate directly to a contract and which are incurred in this period are included as part of pre-contract costs where they can be separately identified and reliably measured Such amounts are held within other receivables until such time as financial close of the contract is achieved, at which time they are transferred to assets in the course of construction

Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease Lease incentives received are recognised in the income statement as an integral part of the total lease expense

1 **ACCOUNTING POLICIES - continued**

The company accounts for sale and leaseback transactions according to the nature of the lease arrangement which arises Transactions which give rise to an operating lease, in which substantially all the risks and rewards of ownership are transferred, result in a profit or loss on disposal being recognised immediately, if the transaction is at fair value, calculated by reference to the sale price and the previous carrying value Profits or losses arising on transactions giving rise to a finance lease, where the company retains substantially all the risks and rewards of ownership, are deferred and amortised over the shorter of the lease term and the life of the asset

Taxation

Tax on the profit or loss for the year comprises current and deferred tax Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

The company is part of a larger group of companies and as a result will be able to take advantage of group relief before paying any corporation tax The tax benefits arising from group relief are recognised in the income statements of the surrendering and recipient companies

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes The following temporary differences are not provided for where the parent company controls the reversals the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised The carrying amounts of deferred tax assets are reviewed at each balance sheet date

Segmental analysis

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments

Based on an analysis of risks and returns, the directors consider that the company has one identifiable business segment, being the provision of care services The company likewise operates entirely in the UK and the directors consider the risks and returns do not differ between geographical locations As such, no additional segmental disclosure is necessary

2 **EMPLOYEES AND DIRECTORS**

	30 9 13 £'000	30 9 12 £'000
Wages and salaries	281	265
Social security costs	23	22
	304	287

The average monthly number of employees during the year was as follows

	30 9 13	30 9 12
Residential care staff	17	16
Management and administration	1	1
	18	17

No directors received any remuneration for their services to the company in the current period or preceding year

3 PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging

	30 9 13	30 9 12
	£'000	£'000
Depreciation - owned assets	1	-

4 INCOME TAX

Analysis of tax expense
No liability to UK corporation tax arose on ordinary activities for the year ended 30 September 2013 nor for the year ended 30 September 2012

Factors affecting the tax expense
The tax assessed for the year is lower than the standard rate of corporation tax in the UK The difference is explained below

	30 9 13	30 9 12
	£'000	£'000
Profit on ordinary activities before income tax	530	522
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23 500% (2012 - 25%)	125	131
Effects of		
Group relief	(125)	(131)
Tax expense	-	-

5 DIVIDENDS

The company paid dividends of £671,000 in the financial year (2012 £Nil)

6 PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings	Motor vehicles	Totals
	£'000	£'000	£'000
COST			
At 1 October 2012	19	4	23
Additions	6	-	6
At 30 September 2013	25	4	29
DEPRECIATION			
At 1 October 2012	8	1	9
Charge for year	1	-	1
At 30 September 2013	9	1	10
NET BOOK VALUE			
At 30 September 2013	16	3	19

6 PROPERTY, PLANT AND EQUIPMENT - continued

	Fixtures and fittings £'000	Motor vehicles £'000	Totals £'000
COST			
At 1 October 2011 and 30 September 2012	19	4	23
DEPRECIATION			
At 1 October 2011 and 30 September 2012	8	1	9
NET BOOK VALUE			
At 30 September 2012	11	3	14

7 TRADE AND OTHER RECEIVABLES

	30 9 13 £'000	30 9 12 £'000
Current		
Trade receivables	77	20
Amounts owed by group undertakings	527	680
Prepayments and accrued income	1	-
	605	700

8 CASH AND CASH EQUIVALENTS

	30 9 13 £'000	30 9 12 £'000
Cash at bank	-	14

9 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid

Number	Class	Nominal value	30 9 13 £	30 9 12 £
1	Ordinary	£1	1	1

10 RESERVES

	Retained earnings £'000	Capital redemption reserve £'000	Totals £'000
At 1 October 2012	671	55	726
Profit for the year	530		530
Dividends	(671)		(671)
At 30 September 2013	530	55	585

Capital Reserve

Represents capital contributions from the company's immediate parent

11 TRADE AND OTHER PAYABLES

	30 9 13 £'000	30 9 12 £'000
Current		
Social security and other taxes	-	5
Accrued expenses	8	3
	8	8

All amounts are expected to be settled within 12 months of the balance sheet date

12 DEFERRED TAX

Recognised deferred tax assets and liabilities

	Assets/(liabilities)	
	2013 £000	2012 £000
Property, plant and equipment	(3)	(3)
Tax liabilities	(3)	(3)

The company had no unrecognised deferred tax assets at the balance sheet data (2012 £Nil)

There were no movements in deferred tax during the previous or current period

13 RELATED PARTY DISCLOSURES

The company has conducted a commercial trading relationship with a number of companies in its wider group

The company had the following transactions in the year with related parties

	30 9 13 £'000 Debtor/ (creditor) balance	30 9 12 £'000 Debtor/ (creditor) balance
Parent company	(24)	98
Wider group companies	551	582
	527	680

The movement during the year is due to cash advances made by the company

The directors are considered to be the key management personnel of the company Their emoluments are disclosed in note 2

14 EMPLOYEE BENEFITS

Defined contribution plans

The company operates a number of defined contribution pension schemes in respect of its employees

The assets of the schemes are held separately from those of the company The pension cost charge represents the amount of the contribution payable to the schemes in respect of the year and totalled £Nil in the current year (2012 £Nil)

15 ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is CareTech Holdings PLC The consolidated financial statements of this Group are available to the public and may be obtained from Metropolitan House, 3 Darkes Lane, Potters Bar, Hertfordshire, EN6 1AG

16 FINANCIAL INSTRUMENTS

The use of financial instruments is managed under policies and procedures approved by the Board These are designed to reduce the financial risks faced by the company, which primarily relate to credit, interest and liquidity risks, which arise in the normal course of the company's business

Credit risk

Financial instruments which potentially expose the company to credit risk consist primarily of cash equivalents and trade receivables Cash equivalents are deposited only with major financial institutions that satisfy certain credit criteria

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis Credit evaluations are carried out on all significant prospective customers and all existing customers requiring credit beyond a certain threshold Varying approval levels are set on the extension of credit depending upon the value of the sale

Where the credit risk is deemed to have risen to an unacceptable level, remedial actions including the variation of terms of trade are implemented under the guidance of senior management until the level of credit risk has been normalised

The company provides credit to customers in the normal course of business with a provision for specific doubtful receivables The balance includes the amounts considered recoverable which also equals their fair value The company does not require collateral in respect of financial assets During the year there was no charge to the income statement for bad or doubtful debts (30 September 2012 £Nil)

At the balance sheet date, there were no significant concentrations of credit risk The maximum exposure to credit risk is represented by the carrying amount of each financial asset

The trade receivables as at 30 September are aged as follows

	30 9 13 £'000	30 9 12 £'000
Not past due	77	20
Not more than three months past due	-	-
More than three months but not more than six months past due	-	-
More than six months past due	-	-
Trade receivables	77	20

Interest rate risk

The company finances its operations through called up share capital, retained profits, intergroup borrowings and bank borrowings The company's income is by its nature relatively stable and its growth is, inter alia, impacted by inflation Company policy is to balance interest rate fixes between the short, medium and long term The benchmark rate for bank borrowings is LIBOR

Liquidity Risk

The company prepares annual cash flow forecasts reflecting known commitments and anticipated projects Borrowing facilities are arranged as necessary to finance requirements The wider group has available bank and overdraft facilities, sufficient, with cash flow from profits, to fund present commitments Term facilities are utilised to fund capital expenditure and short term flexibility is achieved by the utilisation of overdraft facilities in respect of financial liabilities There were no contractual cash flow maturities at 30 September 2013 (30 September 2012 £Nil)

Capital risk management

The company manages its capital to ensure that activities of the company will be able to continue as going concerns whilst maximising returns for stakeholders through the optimisation of debt and equity The company does not currently have any external debt and details of the company's equity are disclosed in the Statement of Financial Position

Foreign currency risk

The company operates entirely in the UK and is not exposed to any foreign currency risks

Sensitivity analysis

In managing interest rate risks the company aims to reduce the impact of short-term fluctuations on the company's earnings Over the longer-term, however, permanent changes in interest rates would have an impact on earnings However, the wider group's financing arrangements mean that there is not expected to be a significant impact from interest rate changes on the company

Fair values

Book values are considered to be equivalent to fair values

17 ACCOUNTING ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions which effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses Actual results may differ from these estimates

Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected

In the process of applying the company's accounting policies, the directors have made the following estimates and judgements which have the most significant effect on the amounts recognised in the financial statements

Property, plant and equipment

It is company policy to depreciate property, plant and equipment to their estimated residual value over their estimated useful lives This applies an appropriate matching of the revenue earned with the capital costs of delivery of services A key element of this policy is the annual estimate of the residual value of such assets Similarly the directors estimate the useful life applied to each category of property, plant and equipment which, in turn, determines the annual depreciation charge Variations in residual values or asset lives could impact significantly company profit through an increase in the depreciation charge

Current asset provisions

In the course of normal trading activities, judgement is used to establish the net realisable value of various elements of working capital, principally trade receivables Provisions are established for bad and doubtful debts Provisions are based on the facts available at the time and are also determined by using profiles, based upon past practise, applied to aged receivables

In estimating the collectability of trade receivables, judgement is required assessing their likely realisation, including the current creditworthiness of each customer and related ageing of past due balance Specific accounts are assessed in situations where a customer may not be able to meet its financial obligations due to deterioration of its financial condition, credit ratings or bankruptcy

Deferred taxation

The company may recognise deferred tax assets in respect of temporary differences arising This requires management to make decisions on the recoverability of such deferred tax assets based on future forecasts of taxable profit If these forecast profits do not materialise, or there are changes in the tax rates or to the period over which the losses or timing difference might be recognised, the value of the deferred tax asset will need to be revised in a future period