

Christchurch Court (UK) Limited
Annual report and consolidated financial statements
for the year ended 30 April 2014

Registered number: 07051134

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Christchurch Court (UK) Limited

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Christchurch Court (UK) Limited

Officers and Professional Advisors

DIRECTORS

P Preston
S Kidd
D Roth
J Proudlock

COMPANY SECRETARY

J Proudlock
MH Secretaries Limited

REGISTERED OFFICE

2 Christchurch Road
Abington
Northampton
Northamptonshire
United Kingdom
NN1 5LL

BANKERS

Santander Corporate Banking
Bridle Road,
Bootle, Merseyside
L30 4GB

SOLICITORS

Marriott Harrison LLP
11 Staple Inn
London
WC1V 7QH

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
St. Albans, United Kingdom

Christchurch Court (UK) Limited

Strategic report

The principal activities of the Group comprise the provision of neurological rehabilitation services and supported living. The group operates from locations in Northampton and Bedford. Higher occupancy levels due to full year maturity of our Bedford service and the opening of a new community service in Northampton have contributed to overall revenue growth during the period. To meet this growth the Group continues to invest heavily in therapeutic resource to align with the needs of our service users.

The wider economic climate continues to present challenges for the NHS, the company's principal customer. Consequently, there is continual focus on demonstrating the value of the company's services and the delivery of positive outcomes for service users.

The group continues to explore opportunities for new service locations and expects general levels of activity to improve in line with its development plans.

The performance of the company and group is measured with reference to financial and non-financial Key Performance Indicators. The Group had turnover for the year of £5,558,476 (2013: £5,103,896) and loss after taxation of £206,584 (2013: £192,071). Non-financial Key Performance Indicators surrounding occupancy levels and clinical and operational compliance and efficiencies were met in the year.

Net liabilities as at 30 April 2014 were £793,030 (2013: £586,436).

Going concern

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Following the year end, the Group has refinanced Vendor Deferred Consideration that has fallen due (£500,000). Further details regarding the adoption of the going concern basis can be found in Note 1 to the financial statements.

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk. The Group does not use derivative financial instruments to manage these risks.

Cash flow risk

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk

The Group's principal financial assets are bank balances and trade debtors.

The Group's credit risk is primarily attributable to its trade debtors. As most of the Group's customer base is represented by Clinical Commissioning Groups and Local Authorities, the overall credit risk is considered low.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for future developments, the Company receives long term intercompany funding from its immediate and ultimate parent company, Christchurch Court Holdings Limited, and that company's majority shareholder and controlling party, Sovereign Capital Partners Limited Partnership III.

Christchurch Court (UK) Limited

Strategic report (continued)

Approved by the Board and signed on its behalf by:



J Proudlock
Director
21 August 2014

2 Christchurch Road, Abington, Northampton, Northamptonshire, United Kingdom, NN1 5LL

Christchurch Court (UK) Limited

Directors' report

The directors present the annual report and audited financial statements for the year ended 30 April 2014

Dividends

The directors do not recommend a dividend.

Directors

The directors, who served throughout the period and to the date of this report, unless stated otherwise, were as follows:

P Preston

S Kidd

D Roth

J Proudlock (appointed 18 October 2013)

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company. This is achieved through formal and informal meetings and the Group newsletter.

Christchurch Court (UK) Limited

Directors' report (continued)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself 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 provisions of s418 of the Companies Act 2006.

Deloitte have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



J Proudlock
Director
21 August 2014

2 Christchurch Road, Abington, Northampton, Northamptonshire, United Kingdom, NN1 5LL

Christchurch Court (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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Christchurch Court (UK) Limited

Independent auditor's report to the member of Christchurch Court (UK) Limited

We have audited the financial statements of Christchurch Court (UK) Limited for the year ended 30 April 2014 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 25. 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 express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 Group's and the parent 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements 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 Group's and parent Company's affairs as at 30 April 2014 and of the group's loss 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 and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Christchurch Court (UK) Limited

Independent auditor's report to the member of Christchurch Court (UK) Limited (continued)

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.



Paul Schofield (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

St. Albans, UK

26 August 2014

Christchurch Court (UK) Limited

Consolidated profit and loss account

For the year ended 30 April 2014

| | Note | 2014 £ | 2013 £ |
|----------------------------------------------------|-------------|--------------------|--------------------|
| Turnover | 2 | 5,558,476 | 5,103,896 |
| Cost of sales | | (2,569,940) | (2,308,400) |
| Gross profit | | 2,988,536 | 2,795,496 |
| Other operating expenses | | (2,128,624) | (2,029,645) |
| Operating profit | | 859,912 | 765,851 |
| Finance charges (net) | 4 | (964,417) | (882,204) |
| Loss on ordinary activities before taxation | 3 | (104,505) | (116,353) |
| Tax on loss on ordinary activities | 7 | (102,079) | (75,718) |
| Loss for the financial year | | (206,584) | (192,071) |

There were no gains or losses for the period apart from the result shown above. Therefore, no Statement of total recognised gains and losses has been presented.

The results above derive from continuing operations.

Christchurch Court (UK) Limited

Consolidated balance sheet

As at 30 April 2014

| | Note | 2014 £ | 2013 £ |
|----------------------------------------------------------------|------|-------------------|-------------------|
| Fixed assets | | | |
| Intangible assets | 9 | 6,283,094 | 6,674,294 |
| Tangible assets | 10 | 13,520,158 | 13,831,752 |
| | | <u>19,803,252</u> | <u>20,506,046</u> |
| Current assets | | | |
| Debtors | | | |
| – due within one year | 12 | 371,818 | 398,444 |
| Cash at bank and in hand | | 13,458 | 41,899 |
| | | <u>385,276</u> | <u>440,343</u> |
| Creditors: Amounts falling due within one year | 13 | <u>(802,339)</u> | <u>(712,533)</u> |
| Net current liabilities | | <u>(417,063)</u> | <u>(272,190)</u> |
| Total assets less current liabilities | | 19,386,189 | 20,233,856 |
| Creditors: Amounts falling due after more than one year | 14 | (19,585,935) | (20,226,726) |
| Provisions for liabilities | 15 | (593,274) | (593,566) |
| Net liabilities | | <u>(793,020)</u> | <u>(586,436)</u> |
| Capital and reserves | | | |
| Called-up share capital | 16 | 1 | 1 |
| Profit and loss account | 17 | (793,021) | (586,437) |
| Shareholder's deficit | 18 | <u>(793,020)</u> | <u>(586,436)</u> |

The financial statements of Christchurch Court (UK) Limited, (registered number 07051134), were approved by the board of directors and authorised for issue on 21 August 2014. They were signed on its behalf by:



J Proudlock
Director

Christchurch Court (UK) Limited

Company balance sheet

As at 30 April 2014

| | Note | 2014 £ | 2013 £ |
|----------------------------------------------------------------|------|---------------------|---------------------|
| Fixed assets | | | |
| Investments | 11 | 18,915,145 | 18,915,145 |
| | | <u>18,915,145</u> | <u>18,915,145</u> |
| Current assets | | | |
| Debtors | | | |
| – due within one year | 12 | 11,609 | 11,544 |
| – due after one year | 12 | - | 384,061 |
| Cash at bank and in hand | | 784 | 816 |
| | | <u>12,393</u> | <u>396,421</u> |
| Creditors: Amounts falling due within one year | 13 | <u>(387,200)</u> | <u>(374,627)</u> |
| Net current liabilities | | <u>(374,807)</u> | <u>21,794</u> |
| Total assets less current liabilities | | <u>18,540,338</u> | <u>18,936,939</u> |
| Creditors: Amounts falling due after more than one year | 14 | <u>(21,322,943)</u> | <u>(20,764,710)</u> |
| Provision for liabilities | 15 | <u>(500,000)</u> | <u>(500,000)</u> |
| Net liabilities | | <u>(3,282,605)</u> | <u>(2,327,771)</u> |
| Capital and reserves | | | |
| Called-up share capital | 16 | 1 | 1 |
| Profit and loss account | 17 | <u>(3,282,606)</u> | <u>(2,327,772)</u> |
| Shareholder's deficit | 18 | <u>(3,282,605)</u> | <u>(2,327,771)</u> |

The financial statements of Christchurch Court (UK) Ltd (registered number 07051134), were approved by the board of directors and authorised for issue on 21 August 2014. They were signed on its behalf by:



J Proudlock
Director

Christchurch Court (UK) Ltd

Consolidated cash flow statement

For the year ended 30 April 2014

| | Note | 2014 £ | 2013 £ |
|--------------------------------------------------|-------------|-------------------|-------------------|
| Net cash inflow from operating activities | 19 | 1,777,859 | 1,396,059 |
| Interest paid | 20 | (466,390) | (480,501) |
| Tax paid | 20 | (101,796) | (66,000) |
| Capital expenditure and financial investment | 20 | (120,019) | (201,619) |
| Cash inflow before financing | | 1,089,654 | 647,939 |
| Financing | 20 | (1,118,095) | (719,616) |
| Decrease in cash in the year | | (28,441) | (71,677) |

Christchurch Court (UK) Limited

Notes to the financial statements

For the year ended 30 April 2014 (continued)

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 30 April each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report. The Strategic report also describes the Group's exposure to risks and its policies for managing these.

The Group meets its day to day working capital requirements through surplus operating cash flows and expects to be able to do this for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to generate adequate cash flows to meet its operating requirements. The Group's majority shareholder and controlling party, Sovereign Capital Partners Limited Partnership III has confirmed it will provide additional support should it be required.

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Intangible assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years.

Separately acquired brands are shown at historical cost and are amortised over its useful economic life, which is 20 years.

Provision is made for any impairment of intangible assets.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line/reducing balance basis over its expected useful life, as follows:

| | |
|------------------------------------|-----------------------------------|
| Freehold Property and Improvements | 2% or 15% Straight-Line per annum |
| Fixtures and Fittings | 15% Reducing Balance |
| Motor Vehicles | 25% Reducing Balance |
| Office and Computer Equipment | 33.33% Straight-Line per annum |

Residual value is calculated on prices prevailing at the date of acquisition.

Depreciation commences when the asset to which it relates to is first brought into use in the production or supply of services or for administrative purposes on a continuing basis in the reporting entity's activities.

Christchurch Court (UK) Limited

Notes to the financial statements

For the year ended 30 April 2014 (continued)

1. Accounting policies (continued)

Investments

Except as stated below, fixed asset investments are shown at cost less provision for impairment.

In the Company balance sheet, for investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

Taxation

Current tax, including UK corporation tax and foreign 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 tax 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 Group's taxable profits and its results as stated in the financial statements 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.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover is stated net of VAT and trade discounts. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date turnover represents the value of the service provided to date, calculated with reference to service days completed as a proportion of the total contract. Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of Creditors due within one year.

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Christchurch Court (UK) Limited

Notes to the financial statements

For the year ended 30 April 2014 (continued)

1. Accounting policies (continued)

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2. Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the UK.

Christchurch Court (UK) Limited

Notes to the financial statements

For the year ended 30 April 2014 (continued)

3. Loss on ordinary activities before taxation

This is stated after charging/(crediting):

| | 2014 £ | 2013 £ |
|--------------------------------------------------|-----------|-----------|
| Depreciation of tangible fixed assets | | |
| owned | 412,130 | 431,607 |
| held under finance lease | 18,808 | 1,567 |
| Amortisation of goodwill/branding | 391,340 | 389,941 |
| Loss /(gain) on disposal of tangible fixed asset | 536 | (786) |
| Operating lease rentals - Other | 36,678 | 17,961 |
| Auditor's remuneration | 23,160 | 38,820 |

The analysis of auditor's remuneration is as follows:

| | 2014 £ | 2013 £ |
|----------------------------------------------------------------|---------------|---------------|
| Fees payable to the Company's auditors for the audit of | | |
| - the Company's annual financial statements | 3,600 | 3,600 |
| - the Company's subsidiaries' annual financial statements | 9,180 | 9,180 |
| Total audit fees | 12,780 | 12,780 |
| Tax services | 6,780 | 22,440 |
| Total non-audit fees | 6,780 | 22,440 |

Fees payable to the Company's auditor for the audit of the Company's annual financial statements are borne by the Company's subsidiary, Christchurch Court Limited.

4. Finance charges (net)

| | 2014 £ | 2013 £ |
|----------------------------------------------------|------------------|------------------|
| Interest payable and similar charges | (964,421) | (882,207) |
| Less: Investment income – bank interest receivable | 4 | 3 |
| | (964,417) | (882,204) |

Interest payable and similar charges

| | 2014 £ | 2013 £ |
|-------------------|------------------|------------------|
| Bank loan | (427,799) | (441,293) |
| Finance lease | (6,593) | (2,080) |
| Intercompany loan | (530,029) | (438,834) |
| | (964,421) | (882,207) |

Christchurch Court (UK) Limited

Notes to the financial statements

For the year ended 30 April 2014 (continued)

5. Staff costs

The average monthly number of employees (including executive directors) was:

| | 2014 Number | 2013 Number |
|------------|----------------|----------------|
| Care Staff | 112 | 103 |
| Central | 25 | 22 |
| | <u>137</u> | <u>125</u> |

Their aggregate remuneration comprised:

| | 2014 £ | 2013 £ |
|-----------------------------------|------------------|------------------|
| Wages and salaries | 2,540,328 | 2,082,466 |
| Social security costs | 197,584 | 167,301 |
| Other pension costs (see note 22) | 40,741 | 40,713 |
| | <u>2,778,653</u> | <u>2,290,480</u> |

6. Directors' remuneration and transactions

| | 2014 £ | 2013 £ |
|---------------------------------------------------------|----------------|----------------|
| Directors' remuneration | | |
| Emoluments | 334,250 | 248,395 |
| Company contributions to money purchase pension schemes | 19,845 | 21,275 |
| | <u>354,095</u> | <u>269,670</u> |

| | Number | Number |
|------------------------------------------------|----------|----------|
| The number of directors who: | | |
| Are members of a money purchase pension scheme | <u>4</u> | <u>2</u> |

| | 2014 £ | 2013 £ |
|---------------------------------------------------|--------------|--------------|
| Remuneration of the highest paid director: | | |
| Emoluments | 163,000 | 128,000 |
| Company contributions to money purchase schemes | <u>9,600</u> | <u>7,680</u> |

Directors' transactions

Details of transactions with directors during the year are disclosed in note 23.

Christchurch Court (UK) Limited

Notes to the financial statements

For the year ended 30 April 2014 (continued)

7. Tax on loss on ordinary activities

The tax charge comprises:

| | 2014 £ | 2013 £ |
|----------------------------------------------------|----------------|---------------|
| Current tax | | |
| UK corporation tax | 112,044 | 125,834 |
| Adjustment in respect of prior years | (9,673) | (94,922) |
| Total current tax | <u>102,371</u> | <u>30,912</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 10,079 | 32,649 |
| Effect of changes in tax rate on opening liability | (13,916) | 16,113 |
| Adjustment in respect of prior years | 3,545 | (3,956) |
| Total deferred tax (see note 15) | <u>(292)</u> | <u>44,806</u> |
| Total tax on loss on ordinary activities | <u>102,079</u> | <u>75,718</u> |

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

| | 2014 £ | 2013 £ |
|----------------------------------------------------------------------------------------------------|------------------|------------------|
| Group loss on ordinary activities before tax | <u>(104,505)</u> | <u>(116,353)</u> |
| Tax on Group loss on ordinary activities at blended UK corporation tax rate of 22.8% (2012: 25.8%) | (23,861) | (27,808) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 172,720 | 195,197 |
| Capital allowances in (excess)/ deficit of depreciation | (13,245) | (25,928) |
| Other short term timing differences | 264 | (416) |
| Adjustment in respect of prior years | (9,673) | (94,922) |
| Group relief claimed | (23,834) | (15,211) |
| Group current tax charge for year | <u>102,371</u> | <u>30,912</u> |

In March 2012, the UK Government announced a reduction in the standard rate of UK corporation tax to 24% effective 1 April 2012 and to 23% effective 1 April 2013. These rate reductions became substantively enacted in March 2012 and July 2012 respectively.

In December 2012, the UK Government also proposed to further reduce the standard rate of UK corporation tax to 21% effective 1 April 2014 and in March 2013, proposed to further reduce the standard rate of UK corporation tax to 20% effective 1 April 2015. These rate reductions became substantively enacted in July 2013.

Christchurch Court (UK) Limited

Notes to the financial statements

For the year ended 30 April 2014 (continued)

8. Loss attributable to the Company

The loss for the financial year dealt with in the financial statements of the parent Company was £954,834 (2013: £878,811). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent Company.

9. Intangible assets

| | Goodwill £ | Brands £ | Total £ |
|-----------------------|------------------|---------------|------------------|
| Group Cost | | | |
| At 1 May 2013 | 7,740,220 | 43,155 | 7,783,375 |
| Additions | - | 140 | 140 |
| At 30 April 2014 | <u>7,740,220</u> | <u>43,295</u> | <u>7,783,515</u> |
| Amortisation | | | |
| At 1 May 2013 | 1,106,105 | 2,976 | 1,109,081 |
| Charge for the year | 387,011 | 4,329 | 391,340 |
| At 30 April 2014 | <u>1,493,116</u> | <u>7,305</u> | <u>1,500,421</u> |
| Net book value | | | |
| At 30 April 2014 | <u>6,247,104</u> | <u>35,990</u> | <u>6,283,094</u> |
| At 30 April 2013 | <u>6,634,115</u> | <u>40,179</u> | <u>6,674,294</u> |

Christchurch Court (UK) Limited

Notes to the financial statements

For the year ended 30 April 2014 (continued)

10. Tangible fixed assets

| | Freehold property and improvements £ | Fixtures and fittings £ | Motor vehicles £ | Office and computer equipment £ | Total £ |
|--------------------------------------|-----------------------------------------------|-------------------------------|------------------------|------------------------------------------|------------|
| Group Cost | | | | | |
| At 1 May 2013 | 15,295,539 | 325,235 | 11,250 | 201,347 | 15,833,371 |
| Additions | 18,593 | 38,322 | - | 62,965 | 119,880 |
| Disposals | (312) | - | - | (18,741) | (19,053) |
| At 30 April 2014 | 15,313,820 | 363,557 | 11,250 | 245,571 | 15,934,198 |
| Depreciation | | | | | |
| At 1 May 2013 | 1,730,513 | 181,926 | 6,864 | 82,316 | 2,001,619 |
| Charge for the year | 367,431 | 24,629 | 1,096 | 37,782 | 430,938 |
| Disposals | (140) | - | - | (18,377) | (18,517) |
| At 30 April 2014 | 2,097,804 | 206,555 | 7,960 | 101,721 | 2,414,040 |
| Net book value | | | | | |
| At 30 April 2014 | 13,216,016 | 157,002 | 3,290 | 143,850 | 13,520,158 |
| At 30 April 2013 | 13,565,026 | 143,309 | 4,386 | 119,031 | 13,831,752 |
| Leased assets included above: | | | | | |
| Net book value | | | | | |
| At 30 April 2014 | - | - | - | 73,663 | 73,663 |
| At 30 April 2013 | - | - | - | 92,475 | 92,475 |

All tangible fixed assets are held in Christchurch Court Ltd.

Christchurch Court (UK) Limited

Notes to the financial statements

For the year ended 30 April 2014 (continued)

11. Investments

| | Subsidiary undertaking |
|--------------------------------|------------------------|
| | £ |
| Company | |
| Cost and net book value | |
| At 1 May 2013/ 30 April 2014 | <u>18,915,145</u> |

Principal Group investments

The parent Company and the Group have investments in the following subsidiary undertaking which principally affected the profits or net assets of the Group.

| Subsidiary undertaking | Country of incorporation or principal business address | Principal activity | Description of shares held | Proportion of nominal value of shares held by the company |
|----------------------------|--------------------------------------------------------|--------------------|-----------------------------------|-----------------------------------------------------------|
| Christchurch Court Limited | UK | Healthcare | "A" Ordinary Shares of £1 each | 100% |
| | | | "C" Ordinary Shares of £0.50 each | 100% |

12. Debtors

| | Group | | Company | |
|-----------------------------------------------|----------------|----------------|---------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | £ | £ | £ | £ |
| Amounts falling due within one year: | | | | |
| Trade debtors | 302,412 | 228,205 | - | - |
| Other debtors | 1,751 | 108,501 | - | - |
| Staff loans | - | 8,195 | - | - |
| Prepayments and accrued income | 67,655 | 53,543 | 11,609 | 11,544 |
| | <u>371,818</u> | <u>398,444</u> | <u>11,609</u> | <u>11,544</u> |
| Amounts falling due after more than one year: | | | | |
| Amounts owed by Group undertakings | - | - | - | 384,061 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>384,061</u> |

Christchurch Court (UK) Limited

Notes to the financial statements

For the year ended 30 April 2014 (continued)

13. Creditors – amounts falling due within one year

| | Group | | Company | |
|---------------------------------------------|----------------|----------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | £ | £ | £ | £ |
| Bank loan | 331,966 | 320,251 | 331,966 | 320,251 |
| Obligations under finance lease | 28,168 | 20,378 | - | - |
| Trade creditors | 167,756 | 97,440 | - | - |
| Corporation tax | 46,411 | 45,836 | - | - |
| Other creditors | 36,853 | 36,016 | - | - |
| Other taxation and social security | 51,293 | 49,618 | - | - |
| Accruals and deferred income | 135,840 | 140,099 | 55,234 | 54,375 |
| Defined contribution pension scheme accrual | 4,052 | 2,895 | - | - |
| | <u>802,339</u> | <u>712,533</u> | <u>387,200</u> | <u>374,626</u> |

14. Creditors – amounts falling due after more than one year

| | Group | | Company | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | £ | £ | £ | £ |
| Other creditors | | | | |
| Bank loan | 7,520,730 | 7,852,696 | 7,520,730 | 7,852,696 |
| Obligations under finance lease | 44,554 | 55,079 | - | - |
| Amounts owed to Group undertakings | 12,020,651 | 12,318,951 | 13,802,213 | 12,912,014 |
| | <u>19,585,935</u> | <u>20,226,726</u> | <u>21,322,943</u> | <u>20,764,710</u> |

Christchurch Court (UK) Limited

Notes to the financial statements

For the year ended 30 April 2014 (continued)

14. Creditors – amounts falling due after more than one year (continued)

Borrowings are repayable as follows:

| | Group | | Company | |
|-------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | £ | £ | £ | £ |
| Bank loans | | | | |
| Between one and two years | 369,014 | 332,639 | 369,014 | 332,639 |
| Between two and five years | 1,218,036 | 1,167,167 | 1,218,036 | 1,167,167 |
| After five years | 5,933,680 | 6,352,890 | 5,933,680 | 6,352,890 |
| | <u>7,520,730</u> | <u>7,852,696</u> | <u>7,520,730</u> | <u>7,852,696</u> |
| On demand or within one year | 331,966 | 320,251 | 331,966 | 320,251 |
| | <u>7,852,696</u> | <u>8,172,947</u> | <u>7,852,696</u> | <u>8,172,947</u> |
| Amounts owed to Group undertakings | | | | |
| Between one and two years | - | - | - | - |
| Between two and five years | 12,020,651 | 12,318,951 | 13,802,213 | 12,912,014 |
| | <u>12,020,651</u> | <u>12,318,951</u> | <u>13,802,213</u> | <u>12,912,014</u> |
| On demand or within one year | - | - | - | - |
| | <u>12,020,651</u> | <u>12,318,951</u> | <u>13,802,213</u> | <u>12,912,014</u> |
| Finance leases | | | | |
| Between one and two years | 22,510 | 24,574 | - | - |
| Between two and five years | 22,044 | 30,505 | - | - |
| | <u>44,554</u> | <u>55,079</u> | <u>-</u> | <u>-</u> |
| On demand or within one year | 28,168 | 20,377 | - | - |
| | <u>72,722</u> | <u>75,456</u> | <u>-</u> | <u>-</u> |
| Total borrowings including finance lease | | | | |
| Between one and two years | 391,524 | 357,213 | 369,014 | 332,639 |
| Between two and five years | 13,260,731 | 13,516,623 | 15,020,249 | 14,079,181 |
| After five years | 5,933,680 | 6,352,890 | 5,933,680 | 6,352,890 |
| | <u>19,585,935</u> | <u>20,226,726</u> | <u>21,322,943</u> | <u>20,764,710</u> |
| On demand or within one year | 360,134 | 340,629 | 331,966 | 320,251 |
| | <u>19,946,069</u> | <u>20,567,355</u> | <u>21,654,909</u> | <u>21,084,961</u> |

The bank loan is secured on freehold properties with a net book value of £13.0 million and is repayable in quarterly instalments to maturity in September 2020. The interest rate applicable to the bank loan is 4.78%.

Christchurch Court (UK) Limited

Notes to the financial statements

For the year ended 30 April 2014 (continued)

15. Provisions for liabilities

| | Deferred taxation £ | Deferred consideration £ | Total £ |
|----------------------------------------|---------------------------|--------------------------------|----------------|
| Group | | | |
| At 1 May 2013 | 93,566 | 500,000 | 593,566 |
| Credited to profit and loss account | (3,837) | - | - |
| Adjustment in respect of prior periods | 3,545 | - | - |
| | <u>93,274</u> | <u>500,000</u> | <u>593,566</u> |
| At 30 April 2014 | <u>93,274</u> | <u>500,000</u> | <u>593,566</u> |

| | Deferred consideration £ |
|---------------------------------|--------------------------------|
| Company | |
| At 1 May 2013 and 30 April 2014 | <u>500,000</u> |

Deferred tax

Deferred tax is provided as follows:

| | 2014 £ | 2013 £ |
|-----------------------------------|---------------|---------------|
| Group | | |
| Accelerated capital allowances | 94,084 | 94,232 |
| Other timing differences | (810) | (666) |
| | <u>93,274</u> | <u>93,566</u> |
| Provision for deferred tax | <u>93,274</u> | <u>93,566</u> |

Deferred consideration

The provision for deferred consideration is in respect of the acquisition of Christchurch Court Limited in accordance with the terms and conditions of the Share Purchase Agreement dated 14 September 2010. The deferred consideration was paid on 3 July 2014.

16. Called-up share capital

| | 2014 £ | 2013 £ |
|-------------------------------------------|-----------|-----------|
| Allotted, called-up and fully-paid | | |
| 1 ordinary share of £1 | <u>1</u> | <u>1</u> |

Christchurch Court (UK) Limited

Notes to the financial statements

For the year ended 30 April 2014 (continued)

17. Reserves

| | Profit and loss account £ |
|-----------------------------|------------------------------------|
| Group | |
| At 1 May 2013 | (586,437) |
| Loss for the financial year | (206,584) |
| | <u>(793,021)</u> |
| At 30 April 2014 | <u>(793,021)</u> |
| Company | |
| At 1 May 2013 | (2,327,772) |
| Loss for the financial year | (954,834) |
| | <u>(3,282,606)</u> |
| At 30 April 2014 | <u>(3,282,606)</u> |

18. Reconciliation of movements in shareholder's deficit

| | 2014 £ | 2013 £ |
|---------------------------------------|--------------------|--------------------|
| Group | | |
| Loss for the financial year | (206,584) | (192,071) |
| | <u>(206,584)</u> | <u>(192,071)</u> |
| Net increase in shareholder's deficit | (586,436) | (394,365) |
| Opening shareholder's deficit | <u>(793,020)</u> | <u>(586,436)</u> |
| Closing shareholder's deficit | <u>(793,020)</u> | <u>(586,436)</u> |
| Company | | |
| Loss for the financial year | (954,834) | (878,811) |
| | <u>(954,834)</u> | <u>(878,811)</u> |
| Net increase in shareholder's deficit | (2,327,771) | (1,448,960) |
| Opening shareholder's deficit | <u>(3,282,605)</u> | <u>(2,327,771)</u> |
| Closing shareholder's deficit | <u>(3,282,605)</u> | <u>(2,327,771)</u> |

Christchurch Court (UK) Limited

Notes to the financial statements

For the year ended 30 April 2014 (continued)

19. Reconciliation of operating profit to operating cash flows

| | 2014 £ | 2013 £ |
|--------------------------------------------------|------------------|------------------|
| Operating profit | 859,912 | 765,851 |
| Depreciation and amortisation | 822,278 | 823,115 |
| Loss/ (gain) on disposal of tangible fixed asset | 536 | (786) |
| Decrease/ (increase) in debtors | 26,626 | (118,650) |
| Increase/ (decrease) in creditors | 68,507 | (73,471) |
| Net cash inflow from operating activities | 1,777,859 | 1,396,059 |

Net cash inflows from operating activities relate to continuing activities.

20. Analysis of cash flows and reconciliation of net debt

| | 2014 £ | 2013 £ |
|--------------------------------------------------------|--------------------|------------------|
| Returns on investments and servicing of finance | | |
| Interest paid | (466,390) | (480,501) |
| Net cash outflow | (466,390) | (480,501) |
| Taxation | | |
| Tax paid | (101,796) | (66,000) |
| Net cash outflow | (101,796) | (66,000) |
| Capital expenditure and financial investment | | |
| Capital expenditure | (120,019) | (203,019) |
| Proceeds on disposal of tangible fixed asset | - | 1,400 |
| Net cash outflow | (120,019) | (201,619) |
| Financing | | |
| New borrowings – finance lease | 19,604 | 80,970 |
| Loans repaid | (356,650) | (345,309) |
| Investor Loan Note payments | (758,710) | (449,764) |
| Repayment of obligations under finance leases | (22,339) | (5,513) |
| Net cash outflow | (1,118,095) | (719,616) |

Christchurch Court (UK) Limited

Notes to the financial statements

For the year ended 30 April 2014 (continued)

20. Analysis of cash flows and reconciliation of net debt (continued)

| | At 1 May 2013 £ | Cash Flow £ | Non-Cash Movement £ | At 30 April 2014 £ |
|--------------------------|-----------------------|------------------|---------------------------|--------------------------|
| Cash at bank and in hand | 41,899 | (28,441) | - | 13,458 |
| Debt due within one year | (320,251) | 356,650 | (368,365) | (331,966) |
| Debt due after one year | (20,171,647) | 758,710 | (128,444) | (19,541,381) |
| Finance leases | (75,457) | 2,735 | - | (72,722) |
| Net debt | (20,525,456) | 1,089,654 | (496,809) | (19,932,611) |

| | 2014 £ | 2013 £ |
|-------------------------------------------------------------|---------------------|---------------------|
| Decrease in cash in the year | (28,441) | (71,677) |
| Cash outflow from repayment of debt and lease financing | 1,118,095 | 719,617 |
| Change in net debt resulting from cash flows | 1,089,654 | 647,940 |
| Intercompany interest for the period | (460,409) | (371,254) |
| Amortisation of loan arrangement costs in the period | (36,400) | (36,400) |
| Change in net debt resulting from non-cash movements | (496,809) | (407,654) |
| Movement in net debt in period | 592,845 | 240,286 |
| Opening net debt | (20,525,456) | (20,765,742) |
| Closing net debt | (19,932,611) | (20,525,456) |

21. Financial commitments

There were no capital commitments at year end.

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

| | 2014 | | 2013 | |
|------------------------------|----------------------------|---------------|----------------------------|---------------|
| | Land and buildings £ | Other £ | Land and buildings £ | Other £ |
| Group | | | | |
| Expiry date | | | | |
| - within one year | 16,650 | 13,151 | 16,050 | - |
| - between two and five years | - | - | - | 13,151 |
| | 16,650 | 13,151 | 16,050 | 13,151 |

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

Christchurch Court (UK) Limited

Notes to the financial statements

For the year ended 30 April 2014 (continued)

22. Retirement benefit schemes

Defined contribution schemes

The Group operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in funds under the control of trustees. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the company are reduced by the amount of forfeited contributions.

The total cost charged to income statement of £40,741 (2013: £40,713) represents contributions payable to this scheme at rates specified in the rules of the plans. As at 30 April 2014, contributions of £4,052 (2013: £2,895) due in respect of the current reporting period had not been paid over to the scheme.

23. Related party transactions

The company has taken advantage of the exemption permitted by Financial Reporting Standard No.8 not to disclose transactions with other undertakings within its qualifying group.

Directors' transactions

The only transactions with Directors in the period were their remuneration as disclosed in note 6.

24. Subsequent Events

On 3 July 2014, the Company's immediate parent company issued A Loan Notes and B Loan Notes totalling £535,000 to the Group's majority shareholder and controlling party, Sovereign Capital Partners Limited Partnership III. Arrangement fees of £35,000 were incurred in the refinancing and funded from the loan note proceeds. Net proceeds of £500,000 were lent by the Company's parent undertaking to allow the Company to pay Vendor deferred consideration of £500,000 in accordance with the terms and conditions of the Share Purchase Agreement of Christchurch Court Limited dated 14 September 2010.

25. Controlling party

The immediate and the ultimate parent undertaking is Christchurch Court Holdings Limited. The results of the Company are consolidated in this annual report and financial statements, being the smallest group in which the results of the company are consolidated, and in the annual report and financial statements of Christchurch Court Holdings Limited, being the largest group in which results are consolidated. The majority shareholder and controlling party of the ultimate parent undertaking is Sovereign Capital Partners Limited Partnership III. All controlling parties are incorporated in the United Kingdom.