Financial Statements
Advanced Specialist Care Limited

For the year ended 30 September 2015

Registered number: SC096630

Advanced Specialist Care Limited
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Company Information

Director	Mr A R Banks
Registered number	SC096630
Registered office	Earn House Lamberkine Drive Perth PH1 1RA
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 110 Queen Street Level 8 Glasgow G1 3BX

Advanced Specialist Care Limited
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Contents

Advanced Specialist Care Limited
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Strategic Report
For the year ended 30 September 2015

The director, in preparing this strategic report, has complied with s414C of the Companies Act 2006.

Principal activities

The principal activity of the company is the provision of residential care for adults with learning difficulties. The company is a wholly owned subsidiary of Balhousie Holdings Limited ("the Group").

Results and dividends

The director is satisfied with the results for the period given the prevailing market conditions. A more detailed analysis of the performance is provided in the Business Review below.

Business review and future developments

This represented the first full year that Advanced Specialist Care Limited has been operating with an average occupancy above 90%. The results of the company were achieved in difficult market conditions but reflect the continued development of the facility. The company is looking at opportunities to extend the service through public sector contracts and is considering utilising additional sites within the Balhousie portfolio where that meets its strategic objectives.

Principal risks and uncertainties

The main risks associated with the company's financial assets and liabilities are set out below in the context of the overall Group that it is part of:-

The Group is financed by bank borrowing and, therefore, there is exposure to interest rate fluctuations and liquidity risk. The Group aims to mitigate liquidity risk by managing cash generated by its operations, and in addition, has fixed the interest cost applied to the majority of the Group debt using interest rate swaps. There are no derivatives held for speculative purposes.

Credit risk is managed by invoicing in advance whenever possible to private residents and ensuring that all sales invoices are raised timeously. Appropriate credit control procedures are followed for all operations. Credit risk is also reduced by being in the advantageous position of having a significant level of income generated through local government and across a variety of local authorities.

Operational risk is managed by the care home manager and the Group's Operational Support Team. This is monitored internally by management and externally by regular inspections, both announced and unannounced, by the Care Inspectorate. The Care Inspectorate will inspect the homes and provide feedback on any potential areas for improvement which is then implemented by the Group's Operations Director.

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

Mr A R Banks
Director

Date: 29 June 2016

Director's Report
For the year ended 30 September 2015

The director presents his report and the audited financial statements for the year ended 30 September 2015.

Principal risks and uncertainties

The Strategic Report on page 1 contains details of the principal risks and uncertainties facing the business.

Results

The profit for the year, after taxation, amounted to £1,281,000 (2014 - £1,015,000).

Director

The director who served during the year was:

Mr A R Banks

Disclosure of information to auditor

The director at the time when this Director's report is approved has confirmed that:

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

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Director's Report

For the year ended 30 September 2015

Director's responsibilities statement

The director is responsible for preparing the Strategic report, the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

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

Mr A R Banks
Director

Date: 29 June 2016

Grant Thornton

Independent Auditor's Report to the Members of Advanced Specialist Care Limited

We have audited the financial statements of Advanced Specialist Care Limited for the year ended 30 September 2015, which comprise the Profit and loss account, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law 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 director and auditor

As explained more fully in the Director's responsibilities statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Grant Thornton

Independent Auditor's Report to the Members of Advanced Specialist Care Limited

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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Thomas Chadwick (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Glasgow

29 June 2016

Advanced Specialist Care Limited
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Profit and Loss Account
For the year ended 30 September 2015

	Note	2015 £	2014 £
Turnover	1,2	**3,313,236**	3,132,531
Cost of sales		**(1,739,745)**	(1,807,085)
Gross profit		**1,573,491**	1,325,446
Administrative expenses		**(270,071)**	(288,779)
Operating profit	3	**1,303,420**	1,036,667
Interest receivable and similar income		**112**	-
Profit on ordinary activities before taxation		**1,303,532**	1,036,667
Tax on profit on ordinary activities	5	**(22,451)**	(22,123)
Profit for the financial year	11	**1,281,081**	1,014,544

All amounts relate to continuing operations.

There were no recognised gains and losses for 2015 or 2014 other than those included in the Profit and Loss account.

The notes on pages 8 to 15 form part of these financial statements.

Advanced Specialist Care Limited
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Balance Sheet
As at 30 September 2015

	Note	£	2015 £	£	2014 £
Fixed assets					
Tangible assets	6		**8,091,966**		8,069,246
Current assets					
Stocks		**2,205**		2,205	
Debtors	7	**3,093,062**		1,863,077	
Cash at bank		**16,339**		15,036	
		3,111,606		1,880,318	
Creditors: amounts falling due within one year	8	**(227,627)**		(277,151)	
Net current assets			**2,883,979**		1,603,167
Total assets less current liabilities			**10,975,945**		9,672,413
Provisions for liabilities					
Deferred tax	9		**(177,843)**		(155,392)
Net assets			**10,798,102**		9,517,021
Capital and reserves					
Called up share capital	10		**50,000**		50,000
Revaluation reserve	11		**3,809,228**		3,809,228
Profit and loss account	11		**6,938,874**		5,657,793
Shareholders' funds	12		**10,798,102**		9,517,021

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Mr A R Banks
Director

Date: 29 June 2016

The notes on pages 8 to 15 form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 September 2015

1. Accounting Policies

The financial statements are prepared in accordance with the applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been applied consistently throughout the current and preceding financial period.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold property and in accordance with applicable accounting standards.

The company's borrowings are all through the parent company, Balhousie Holdings Limited (together with its subsidiaries "the Group". The company is reliant on the Group for continued finanical support.

The group and company's principal risks and uncertainties are detailed in the Strategic Report.

The Group is funded by cash flows from operations and bank term loan facilities which incorporate a working capital facility. The Group agreed revised terms of its bank facility in June 2016, including the interest cost, repayment terms, the financial & information covenants and general undertakings attaching to the facilities. The facilities are for a five year term to November 2019.

The directors have prepared consolidated forecasts and projections in conjunction with the agreement reached by the Group and these have been used by the directors as the basis for the going concern assertion with respect to the approval of these financial statements.

The projections take account of reasonably possible changes in the key trading assumptions upon which the associated financial covenants and general undertakings were agreed between the Group and its lenders. The principal underlying trading assumptions include care home occupancy levels, resident fee rates, operational costs and levels of capital expenditure across the existing portfolio. The projections and context of these key assumptions are based upon the Group continuing to operate its existing portfolio of care homes, each of which has an established and mature trading record.

As detailed in the Group financial statements the Group has disclosed the existence of a contingent liability in relation to its defence of two claims lodged by HMRC in respect for VAT arising on a historic sale and leaseback transaction. In May 2016, the First Tier Tribunal found in favour of the Group in connection with the first claim of £825,800 and found in favour of HMRC against Faskally Care Home Limited in connection with the second claim of £204,160 plus interest. The directors have taken the decision to provide for the costs of the second claim in the current year.

The projections show that the company and Group should be able to operate within the existing covenanted resources available to it, for a period of not less than 12 months from the date of approving these financial statements.

Having considered the foregoing matters, the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future and for this reason, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Notes to the Financial Statements
For the year ended 30 September 2015

1. Accounting Policies (continued)

1.2 Cash flow statement

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within a group whose consolidated financial statements are publicly available and include a consolidated cash flow statement, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Turnover

Turnover represents fee income receivable from care services provided. Turnover is recognised in the year in which the company obtains the right to consideration as the services under contracts have been delivered and is recorded at the value of consideration due. 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.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Furniture, fittings and equipment	-	12.5% Straight line
Motor vehicles	-	25% Reducing balance

No depreciation is provided on freehold property in the current and preceding period. The director considers that this accounting policy, which represent a departure from the statutory rules is necessary to provide a true and fair view as permitted under FRS 15 'Tangible Fixed Assets'.

The company has a policy and practice of regular maintenance and repairs (charges for which are recognised in the profit and loss account) such that the freehold property is kept to its previously assessed standards of performance. As a result the property maintains a high residual value and any depreciation is not considered material.

1.5 Revaluation of tangible fixed assets

Freehold property is carried at current period value at the balance sheet date. A full valuation is obtained from a qualified valuer for each property every five years, with an interim valuation three years after the previous full valuation, and in any year where it is likely that there has been a material change in value.

Revaluation gains and losses are recognised in the statement of total recognised gains and losses unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the losses are recognised in the Profit and loss account.

1.6 Stocks

Stock comprises of care home consumables and are stated at cost. Provisions are made for obsolete and slow moving stocks.

Notes to the Financial Statements
For the year ended 30 September 2015

1. Accounting Policies (continued)

1.7 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

1.8 Deferred taxation

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

Deferred 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 or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences 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 when, 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 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.

1.9 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

2. Turnover

The whole of the turnover is attributable to the provision of care services.

All turnover arose within the United Kingdom.

3. Operating profit

The operating profit is stated after charging:

	2015	2014
	£	£
Depreciation of tangible fixed assets:		
- owned by the company	**41,541**	33,056

During the year, no director received any emoluments (2014 - £NIL). The director was also director of, and was remunerated by, the parent company Balhousie Holdings Limited in both periods.

Audit remuneration was borne by Balhousie Holdings Limited. The director estimated fees payable in relation to this company amounted to £3,000 (2014: £3000).

4. Staff costs

Staff costs were as follows:

	2015	2014
	£	£
Wages and salaries	**1,500,898**	1,425,153
Social security costs	**119,448**	112,596
Other pension costs	**18,898**	14,305
	1,639,244	1,552,054

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

	2015	2014
	No.	No.
Home Staff	**88**	83

5. Taxation

	2015	2014
	£	£
Analysis of tax charge in the year		
Deferred tax (see note 9)		
Origination and reversal of timing differences	**22,451**	22,123
Tax on profit on ordinary activities	**22,451**	22,123

Notes to the Financial Statements
For the year ended 30 September 2015

5. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 20.5% (2014 - 22%). The differences are explained below:

	2015	2014
	£	£
Profit on ordinary activities before tax	**1,303,532**	1,036,667
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.5% (2014 - 22%)	**267,206**	228,067
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**234**	5,933
Capital allowances for year in excess of depreciation	**(23,011)**	(24,000)
Non-qualifying depreciation	**(33)**	1,000
Group relief	**(244,396)**	(130,000)
Transfer pricing adjustments	**-**	(81,000)
Current tax charge for the year (see note above)	**-**	-

Factors that may affect future tax charges
The rate of UK corporation tax fell from 21% to 20% on 1 April 2015. The rate will fall further to 19% from 1 April 2017 and to 18% from 1 April 2020. The Group have recognised deferred tax at a rate of 20% on the basis that they anticipate the majority of the deferred tax liability to unwind at this rate and as such it is deemed most prudent.

Notes to the Financial Statements

For the year ended 30 September 2015

6. Tangible fixed assets

	Freehold property £	Furniture, fittings and equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 October 2014	**7,901,547**	**569,479**	**27,145**	**8,498,171**
Additions	-	**64,261**	-	**64,261**
At 30 September 2015	**7,901,547**	**633,740**	**27,145**	**8,562,432**
Depreciation				
At 1 October 2014	-	**407,700**	**21,225**	**428,925**
Charge for the year	-	**40,061**	**1,480**	**41,541**
At 30 September 2015	-	**447,761**	**22,705**	**470,466**
Net book value				
At 30 September 2015	**7,901,547**	**185,979**	**4,440**	**8,091,966**
At 30 September 2014	7,901,547	161,779	5,920	8,069,246

The director has reviewed the freehold property valuation and concluded there has been no material change in the value since the last independent valuation prepared by Jones Lang Lasalle as at 22 May 2014.

At the year end the company had no capital commitments not provided for (30 September 2014: £nil).

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2015 £	2014 £
Cost	**4,092,320**	4,092,320
Accumulated depreciation	-	-
Net book value	**4,092,320**	4,092,320

7. Debtors

	2015 £	2014 £
Trade debtors	**57,721**	206,059
Amounts owed by group undertakings	**2,979,220**	1,602,977
Prepayments and accrued income	**56,121**	54,041
	3,093,062	1,863,077

Notes to the Financial Statements

For the year ended 30 September 2015

8. Creditors:
Amounts falling due within one year

	2015 £	2014 £
Net obligations under finance leases and hire purchase contracts	-	866
Amounts owed to group undertakings	**17,809**	17,809
Other taxation and social security	**27,663**	31,963
Other creditors	**127,233**	138,576
Accruals and deferred income	**54,922**	87,937
	227,627	277,151

At the period end, the company had granted a first standard security over its properties together with a bond and floating charge, as security for the bank borrowings of its parent company, Balhousie Holdings Limited. The company is an additional guarantor under the terms of the Group's syndicated arrangement. The total borrowings outstanding at the balance sheet date in relation to this facility amounted to £38.2 million (2014 £37.6 million).

Santander provide the operational banking facility and they also have a floating charge over the assets of the company.

9. Deferred taxation

	2015 £	2014 £
At beginning of year	**155,392**	133,269
Charge for year (P&L)	**22,451**	22,123
At end of year	**177,843**	155,392

The provision for deferred taxation is made up as follows:

	2015 £	2014 £
Accelerated capital allowances	**177,843**	155,392

10. Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	**50,000**	50,000

Notes to the Financial Statements

For the year ended 30 September 2015

11. Reserves

	Revaluation reserve	Profit and loss account
	£	£
At 1 October 2014	3,809,228	5,657,793
Profit for the financial year		1,281,081
At 30 September 2015	3,809,228	6,938,874

12. Reconciliation of movement in shareholders' funds

	2015	2014
	£	£
Opening shareholders' funds	9,517,021	8,502,477
Profit for the financial year	1,281,081	1,014,544
Closing shareholders' funds	10,798,102	9,517,021

13. Related party transactions

The company is a wholly owned subsidiary of Balhousie Holdings Limited, the consolidated accounts of which are publicly available from the Register of Companies. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members of the Balhousie Care Group.

14. Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of Balhousie Holdings Limited, a company registered in Scotland. The results of Advanced Specialist Care Limited are included within the consolidated financial statements of Balhousie Holdings Limited for the year ended 30 September 2015. The company which consolidates the largest and smallest group of companies in which this company is included is Balhousic Holdings Limited.

The ultimate controlling party is Mr A R Banks, by virtue of his share ownership in Balhousie Holdings Limited.