Financial Statements
Advanced Specialist Care Limited

For the year ended 30 September 2014

Registered number: SC096630

Advanced Specialist Care Limited

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 95 Bothwell Street Glasgow G2 7JZ

Advanced Specialist Care Limited

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Advanced Specialist Care Limited

Strategic Report

For the year ended 30 September 2014

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 prevailing market conditions. A more detailed analysis of the performance of the company is provided in the Business Review below.

Business review

The results of the company were achieved in difficult market conditions but reflect the continued development of the facility and improvement in occupancy at Orchard Court and Dalguise.

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.

Post balance sheet events

The Group finalised the renegotiation of the terms of its new bank facilities in November 2014, including the interest cost, repayment terms and the financial covenants attaching to the facilities.

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

Mr A R Banks
Director
Date: 29 April 2015

Director's Report

For the year ended 30 September 2014

The director presents the annual report and the audited financial statements for the year ended 30 September 2014.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 1 and form part of this report by cross-reference.

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 £1,015,000 (2013 - £1,763,000).

Director

The director who served during the period and to the date of this report was Anthony 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

Grant Thornton UK LLP, were appointed auditors in January 2015 and will be proposed for re-appointment in accordance with section 485 of the Companies Act 2006.

Director's Report
For the year ended 30 September 2014

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 April 2015

GrantThornton

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 2014, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. 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 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 (APB'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 2014 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.

GrantThornton

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

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.

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

Date: 30 April 2015

Profit and Loss Account
For the year ended 30 September 2014

	Note	Year ended 30 September 2014 £000	17 months ended 30 September 2013 £000
Turnover	1	**3,133**	3,844
Cost of sales		**(1,807)**	(1,779)
Gross profit		**1,326**	2,065
Administrative expenses		**(289)**	(361)
Profit on ordinary activities before taxation		**1,037**	1,704
Tax on profit on ordinary activities	4	**(22)**	59
Profit for the financial year	11	**1,015**	1,763

All amounts relate to continuing operations.

The notes on pages 9 to 17 form part of these financial statements.

Statement of Total Recognised Gains and Losses

For the year ended 30 September 2014

	Year ended 30 September 2014 £000	17 months ended 30 September 2013 £000
Profit for the financial year	**1,015**	1,763
Unrealised deficit on revaluation of tangible fixed assets	-	(1,240)
Total recognised gains and losses relating to the year	**1,015**	523

The notes on pages 9 to 17 form part of these financial statements.

Advanced Specialist Care Limited
Registered number: SC096630

Balance Sheet

As at 30 September 2014

	Note	£000	2014 £000	£000	2013 £000
Fixed assets					
Tangible assets	5		**8,070**		8,050
Current assets					
Stocks		**2**		2	
Debtors	6	**1,864**		865	
Cash at bank		**15**		12	
		1,881		879	
Creditors: amounts falling due within one year	7	**(278)**		(292)	
Net current assets			**1,603**		587
Total assets less current liabilities			**9,673**		8,637
Creditors: amounts falling due after more than one year	8		**-**		(1)
Provisions for liabilities					
Deferred tax	9		**(155)**		(133)
Net assets			**9,518**		8,503
Capital and reserves					
Called up share capital	10		**50**		50
Revaluation reserve	11		**3,809**		3,809
Profit and loss account	11		**5,659**		4,644
Shareholders' funds			**9,518**		8,503

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

A. R. Banks

Mr A R Banks
Director
Date: 29 April 2015

The notes on pages 9 to 17 form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 September 2014

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 financial support.

The Group is funded by cash flows from operations and bank term loan facilities which incorporate a working capital facility. The Group finalised the renegotiation of the terms of these banking facilities in November 2014, 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.

The directors have prepared consolidated forecasts and projections in conjunction with the agreement reached by the Group with its lenders in November 2014. The directors have updated these projections to April 2015 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.

In addition the Group is required to divest specified freehold interests that are non-core during the going concern period, the net proceeds from which will be applied to amortise the term loan component of the banking facilities. The assets concerned are being marketed by the group and the directors are confident of completing these divestments at the levels and within the timescale's assumed within the updated projections.

As detailed in note 22 the Group has disclosed the existence of a contingent liability in relation to its defence of a claim lodged by HMRC in respect of VAT arising on an historic sale & leaseback transaction. The directors have concluded that no cash outflow will arise in respect of this matter determining their going concern assertion.

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 twelve 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 2014

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 the Group whose consolidated financial statements which include a consolidated cash flow statement are publicly available, 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 the 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 directors consider that this accounting policy, which represents 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 2014

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 between the company'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 when, on the bass 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.

2. Profit

The profit is stated after charging:

	Year ended 30 September 2014 £000	17 months ended 30 September 2013 £000
Depreciation of tangible fixed assets:		
- owned by the company	**33**	39
- held under finance leases	**-**	6

During the year, no director received any emoluments (2013 - £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 this company amounted to £3,000 (2013: £3,000).

Notes to the Financial Statements

For the year ended 30 September 2014

3. Staff costs

Staff costs were as follows:

	Year ended 30 September 2014 £000	17 months ended 30 September 2013 £000
Wages and salaries	**1,552**	1,529

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

	Year ended 30 September 2014 No.	17 months ended 30 September 2013 No.
Home Staff	**83**	74

4. Taxation

	Year ended 30 September 2014 £000	17 months ended 30 September 2013 £000
Analysis of tax charge/(credit) in the year/period		
Current tax (see note below)		
UK corporation tax charge/(credit) on profit for the year/period	-	(13)
Deferred tax (see note 9)		
Origination and reversal of timing differences	22	(46)
Tax on profit on ordinary activities	22	(59)

Notes to the Financial Statements

For the year ended 30 September 2014

4. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year/period is lower than (2013 - lower than) the standard rate of corporation tax in the UK of 22% (2013 - 23.65%). The differences are explained below:

	Year ended 30 September 2014 £000	17 months ended 30 September 2013 £000
Profit on ordinary activities before tax	**1,037**	1,704
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22% (2013 - 23.65%)	**228**	403
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**6**	-
Capital allowances for year/period in excess of depreciation	**(24)**	(40)
Non-qualifying depreciation	**1**	-
Adjustment in respect of prior year	**-**	(12)
Group relief	**(130)**	(46)
Transfer pricing adjustments	**(81)**	(318)
Current tax charge/(credit) for the year/period (see note above)	**-**	(13)

Factors that may affect future tax charges

The reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the group's future current tax charge accordingly and as such the group's deferred tax liability as at 30 September 2014 is calculated at 20%.

Notes to the Financial Statements
For the year ended 30 September 2014

5. Tangible fixed assets

	Freehold property £000	Furniture, fittings & equipment £000	Motor vehicles £000	Total £000
Cost or valuation				
At 1 October 2013	7,901	517	27	8,445
Additions	-	53	-	53
At 30 September 2014	7,901	570	27	8,498
Depreciation				
At 1 October 2013	-	376	19	395
Charge for the year	-	31	2	33
At 30 September 2014	-	407	21	428
Net book value				
At 30 September 2014	7,901	163	6	8,070
At 30 September 2013	7,901	141	8	8,050

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, which was incorporated in the financial statements for the period.

At the period end the company had capital commitments not provided for of £nil (30 September 2013: £nil).

Cost or valuation at 30 September 2014 is as follows:

	Freehold property £000
At cost	4,092
At valuation:	
May 2014	3,809
	7,901

Notes to the Financial Statements
For the year ended 30 September 2014

5. Tangible fixed assets (continued)

If the freehold properties had not been included at valuation they would have been included under the historical cost convention as follows:

	2014 £000	2013 £000
Cost	4,092	4,092
Accumulated depreciation	-	-
Net book value	4,092	4,092

6. Debtors

	2014 £000	2013 £000
Trade debtors	206	72
Amounts owed by group undertakings	1,603	683
Prepayments and accrued income	55	110
	1,864	865

7. Creditors: Amounts falling due within one year

	2014 £000	2013 £000
Amounts owed to group undertakings	18	18
Other taxation and social security	32	20
Other creditors	139	188
Net obligations under finance leases and hire purchase contracts	1	5
Accruals and deferred income	88	61
	278	292

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 between Santander and Co-operative Bank. The total borrowings outstanding at the balance sheet date in relation to this facility amounted to £37.6 million (2013 - £38.3 million).

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

Notes to the Financial Statements
For the year ended 30 September 2014

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

	2014 £000	2013 £000
Net obligations under finance leases and hire purchase contracts	-	1

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	2014 £000	2013 £000
Between one and five years	-	1

9. Deferred taxation

	2014 £000	2013 £000
At beginning of year/period	133	179
Charge for year/period (P&L)	22	14
Effect of change in tax rate	-	(60)
At end of year/period	155	133

The provision for deferred taxation is made up as follows:

	2014 £000	2013 £000
Accelerated capital allowances	155	133

10. Share capital

	2014 £000	2013 £000
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	50	50

11. Reserves

	Revaluation reserve £000	Profit and loss account £000
At 1 October 2013	3,809	4,644
Profit for the financial year	-	1,015
At 30 September 2014	3,809	5,659

Notes to the Financial Statements

For the year ended 30 September 2014

12. 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 Group.

13. 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 Balhousie Care Limited are included within the consolidated financial statements of Balhousie Holdings Limited for the year ended 30 September 2014. The company which consolidates the largest and smallest group of companies in which this company is included is Balhousie Holdings Limited.

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