

Financial Statements

Balhousie Holdings Limited

For the year ended 30 September 2015



Registered number: SC278485

Balhousie Holdings Limited
Registered number: SC278485

Company Information

| | |
|----------------------------|--|
| Directors | Mr A R Banks Mr D H Burke Ms M G Keogh Mr M H Reid Mr P R Kelly Ms L Barnett (appointed 10 March 2016) |
| Registered number | SC278485 |
| 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 |

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Group Strategic Report

For the year ended 30 September 2015

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

Principal Activities

The company's principal activity is that of the parent company of a group ("the Group") whose operations involve the provision of care facilities to the elderly and infirm throughout Scotland.

Results

The results for the period are shown on page 7. The Group recorded a loss before tax of £549,000 (year ended 30 September 2014: £1,329,000 loss) and the directors are satisfied with the results for the period given prevailing market conditions. A more detailed analysis of the performance of the Group is provided in the Business Review below.

Business Review

The results of the Group reflect challenging market conditions in the Care sector where there have been Local Government budgetary constraints, financial pressure on wages and a shortage of qualified care staff. The Group has recovered from a difficult first half of the year to demonstrate continued improvement in performance during the second half of the year following the implementation of an operational reorganisation and the strengthening of its Executive Team.

As reported in prior periods, the sale of a property between Faskally Care Home Limited and Balhousie Care Limited in 2013 resulted in two claims by HMRC in connection with VAT deemed to be over recovered on the sale of the Huntly Care Home property. 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 as described in Note 22 to the accounts.

Refinancing

The Group has agreed revised terms to its bank facilities in June 2016, including the repayment terms and the financial covenants attached to the facilities.

Group Strategic Report (continued)

For the year ended 30 September 2015

Principal risks and uncertainties

The main risks associated with the Group's financial assets and liabilities are set out below:-

The Group is primarily 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

Directors' Report

For the year ended 30 September 2015

The directors present their report and the audited financial statements for the year ended 30 September 2015.

Environmental matters

The Group recognises the importance of its environmental responsibilities and monitors its impact on the environment by implementing any policies necessary to reduce any damage that might be caused by the Group's activities.

The Group recognises the importance and implications of the Health & Safety at Work Act 1974, the Environmental Protection Legislation and all new Health & Safety legislation including that being introduced through EU directives.

Charitable contributions

During the year the Group made charitable contributions of £27,000 (2014: £21,600), principally to local charities serving the communities in which the Group operates.

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 involvement

The Group places strong emphasis in ensuring the wellbeing of our employees and looks to share and communicate information to our staff using all possible means. This involves regular in house magazine, staff meetings as well as monthly managers' meetings and is designed to ensure the all staff are kept reasonably informed on all company matters. Employee surveys are regularly carried out to monitor satisfaction in the workplace and receive feedback from staff.

Directors

The directors who served during the year were:

Mr A R Banks
Mr D H Burke
Ms M G Keogh
Mr M H Reid
Mr P R Kelly

Directors' Report

For the year ended 30 September 2015

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- that director 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 and the group's auditor is aware of that information.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' 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 the group and of the profit or loss of the group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

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

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



Mr A R Banks
Director

Date: 29 June 2016

Independent Auditor's Report to the Members of Balhousie Holdings Limited

We have audited the financial statements of Balhousie Holdings Limited for the year ended 30 September 2015, which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement and the reconciliation of net cash flow to movement in net debt 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 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

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 group's and of the parent company's affairs as at 30 September 2015 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 Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Independent Auditor's Report to the Members of Balhousie Holdings 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

A handwritten signature in black ink, appearing to read "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

Consolidated Profit and Loss Account

For the year ended 30 September 2015

| | Note | 2015 £000 | 2014 £000 |
|--|------|---------------------|-----------------|
| Turnover | 1,2 | 31,013 | 29,500 |
| Cost of sales | | <u>(20,775)</u> | <u>(19,392)</u> |
| Gross profit | | 10,238 | 10,108 |
| Administrative expenses | | <u>(7,376)</u> | <u>(8,692)</u> |
| Operating profit | 3 | 2,862 | 1,416 |
| Exceptional items | | | |
| Net loss on sale of tangible fixed assets | | <u>-</u> | <u>(34)</u> |
| Profit on ordinary activities before interest | | 2,862 | 1,382 |
| Interest receivable and similar income | | 1 | - |
| Interest payable and similar charges | 7 | <u>(3,412)</u> | <u>(2,711)</u> |
| Loss on ordinary activities before taxation | | (549) | (1,329) |
| Tax on loss on ordinary activities | 8 | <u>(438)</u> | <u>(70)</u> |
| Loss for the financial year | 17 | <u>(987)</u> | <u>(1,399)</u> |

All amounts relate to continuing operations.

The notes on pages 12 to 30 form part of these financial statements.

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 30 September 2015

| | 2015 £000 | 2014 £000 |
|---|--------------|----------------|
| Loss for the financial year | (987) | (1,399) |
| Unrealised deficit on revaluation of tangible fixed assets | - | (1,213) |
| Total recognised gains and losses relating to the year | (987) | (2,612) |

The notes on pages 12 to 30 form part of these financial statements.

Consolidated Balance Sheet

As at 30 September 2015

| | Note | £000 | 2015 £000 | £000 | 2014 £000 |
|--|------|----------------|-----------------|-----------------|-----------------|
| Fixed assets | | | | | |
| Tangible assets | 9 | | 55,982 | | 55,714 |
| Current assets | | | | | |
| Stocks | 11 | 39 | | 39 | |
| Debtors | 12 | 3,480 | | 5,330 | |
| Cash at bank | | 139 | | 1,059 | |
| | | <u>3,658</u> | | <u>6,428</u> | |
| Creditors: amounts falling due within one year | 13 | <u>(6,927)</u> | | <u>(45,044)</u> | |
| Net current liabilities | | | <u>(3,269)</u> | | <u>(38,616)</u> |
| Total assets less current liabilities | | | <u>52,713</u> | | <u>17,098</u> |
| Creditors: amounts falling due after more than one year | 14 | | <u>(36,164)</u> | | - |
| Provisions for liabilities | | | | | |
| Deferred tax | 15 | | <u>(1,299)</u> | | <u>(861)</u> |
| Net assets | | | <u>15,250</u> | | <u>16,237</u> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 1 | | 1 |
| Revaluation reserve | 17 | | 14,761 | | 14,761 |
| Profit and loss account | 17 | | 488 | | 1,475 |
| Shareholders' funds | 18 | | <u>15,250</u> | | <u>16,237</u> |

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

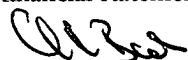
The notes on pages 12 to 30 form part of these financial statements.

Company Balance Sheet

As at 30 September 2015

| | Note | £000 | 2015 £000 | £000 | 2014 £000 |
|--|------|---------------|---------------|---------------|----------------|
| Fixed assets | | | | | |
| Tangible assets | 9 | | 2,880 | | 2,854 |
| Investments | 10 | | 5,058 | | 5,058 |
| | | | <u>7,938</u> | | <u>7,912</u> |
| Current assets | | | | | |
| Debtors | 12 | 31,707 | | 37,222 | |
| Cash at bank | | - | | 306 | |
| | | <u>31,707</u> | | <u>37,528</u> | |
| Creditors: amounts falling due within one year | 13 | (4,420) | | (42,515) | |
| Net current assets/(liabilities) | | | <u>27,287</u> | | <u>(4,987)</u> |
| Total assets less current liabilities | | | <u>35,225</u> | | <u>2,925</u> |
| Creditors: amounts falling due after more than one year | 14 | (36,164) | | | - |
| Provisions for liabilities | | | | | |
| Deferred tax | 15 | | (2) | | - |
| Net (liabilities)/assets | | | <u>(941)</u> | | <u>2,925</u> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 1 | | 1 |
| Revaluation reserve | 17 | | 418 | | 418 |
| Profit and loss account | 17 | | (1,360) | | 2,506 |
| Shareholders' (deficit)/funds | 18 | | <u>(941)</u> | | <u>2,925</u> |

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 12 to 30 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 30 September 2015

| | Note | 2015 £000 | 2014 £000 |
|---|------|--------------|--------------|
| Net cash flow from operating activities | 19 | 2,910 | 2,280 |
| Returns on investments and servicing of finance | 20 | (2,336) | (636) |
| Taxation | | 39 | (38) |
| Capital expenditure and financial investment | 20 | (1,011) | (327) |
| Cash (outflow)/inflow before financing | | (398) | 1,279 |
| Financing | 20 | (1) | (141) |
| (Decrease)/Increase in cash in the year | | (399) | 1,138 |

Reconciliation of Net Cash Flow to Movement in Net Debt

For the year ended 30 September 2015

| | 2015 £000 | 2014 £000 |
|--|-----------------|-----------------|
| (Decrease)/Increase in cash in the year | (399) | 1,138 |
| Cash outflow from decrease in debt and lease financing | 1 | 141 |
| Change in net debt resulting from cash flows | (398) | 1,279 |
| Other non-cash changes | (1,058) | - |
| Movement in net debt in the year | (1,456) | 1,279 |
| Net debt at 1 October 2014 | (36,588) | (37,867) |
| Net debt at 30 September 2015 | (38,044) | (36,588) |

The notes on pages 12 to 30 form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 September 2015

1. Accounting Policies

The particular accounting policies adopted are described below and have been applied consistently throughout the current and preceding financial year.

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 investment property in accordance with applicable accounting standards.

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

The directors have taken advantage of the exemption from presenting the Parent Company unconsolidated profit and loss account under section 408 of Companies Act 2006.

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 note 22 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.

1.2 Basis of consolidation

The financial statements consolidate the accounts of Balhousie Holdings Limited and all of its subsidiary undertakings ('subsidiaries').

Notes to the Financial Statements

For the year ended 30 September 2015

1. Accounting Policies (continued)

1.3 Turnover

Turnover represents fee income receivable from care services provided. Turnover is recognised in the year in which the Group obtains the right to consideration as the services provided 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 the 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:

| | | |
|------------------------------|---|--|
| Long-term leasehold property | - | straight line over the term of the lease |
| Motor vehicles | - | 25% straight line and 20%-25% reducing balance |
| Fixtures and fittings | - | 12.5%-33% straight line |

No depreciation is provided on freehold property in the current or prior year. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules is necessary to provide a true and fair view as permitted under FRS15 'Tangible fixed assets'.

The Group 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

Individual freehold properties are carried at current year 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 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.7 Investment properties

Investment properties are included in the Balance sheet at their open market value in accordance with Statement of Standard Accounting Practice No.19 and are not depreciated. This treatment is contrary to the Companies Act 2006 which states that fixed assets should be depreciated but is, in the opinion of the directors, necessary in order to give a true and fair view of the financial position of the company and the group.

Notes to the Financial Statements

For the year ended 30 September 2015

1. Accounting Policies (continued)

1.8 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.9 Operating leases

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

1.10 Stocks

Stocks comprise care home consumables and are stated at cost. Provision is made for obsolete and slow moving stocks.

1.11 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 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 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 not discounted.

Notes to the Financial Statements

For the year ended 30 September 2015

1. Accounting Policies (continued)

1.12 Pensions

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

1.13 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.

1.14 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.

1.15 Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

For an interest rate swap to be treated as a hedge the instruments must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps must be recognised by adjusting net interest payable over the periods of the contracts.

2. Turnover

All turnover arose within the United Kingdom.

The whole of the turnover and profit before taxation relates to continuing activities and is attributable to the provision of care facilities for the elderly and infirm.

Notes to the Financial Statements

For the year ended 30 September 2015

3. Operating profit

The operating profit is stated after charging:

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Depreciation of tangible fixed assets: | | |
| - owned by the group | 743 | 694 |
| Operating lease rentals: | | |
| - other operating leases | 114 | 210 |
| - property rent | 2,597 | 2,360 |
| | <u>2,597</u> | <u>2,360</u> |

4. Auditors' remuneration

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| Fees payable to the company's auditor and its associates for the audit of the company's annual accounts | 31 | 30 |
| Fees payable to the company's auditor and its associates in respect of: | | |
| The auditing of accounts of subsidiaries of the company | 5 | 5 |
| Taxation compliance services | 16 | 14 |
| All taxation advisory services not included above | 27 | 65 |
| Corporate finance services not included above | 29 | 277 |
| All other non-audit services not included above | 5 | 4 |
| | <u>5</u> | <u>4</u> |

5. Staff costs

Staff costs, including directors' remuneration, were as follows:

| | 2015 £000 | 2014 £000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 17,286 | 15,928 |
| Social security costs | 1,131 | 1,034 |
| Other pension costs | 159 | 121 |
| | <u>18,576</u> | <u>17,083</u> |

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

| | 2015 No. | 2014 No. |
|------------------------------|--------------|--------------|
| Care home employees | 1,196 | 1,129 |
| Directors and administration | 54 | 46 |
| | <u>1,250</u> | <u>1,175</u> |

Notes to the Financial Statements

For the year ended 30 September 2015

6. Directors' remuneration

| | 2015 £000 | 2014 £000 |
|--------------|--------------|--------------|
| Remuneration | 144 | 56 |

7. Interest payable

| | 2015 £000 | 2014 £000 |
|-------------------------------------|--------------|--------------|
| On bank loans and overdrafts | 3,370 | 2,667 |
| On other loans - loan from director | 26 | 44 |
| Other interest payable | 16 | - |
| | 3,412 | 2,711 |

8. Taxation

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| Analysis of tax charge/(credit) in the year | | |
| Current tax (see note below) | | |
| UK corporation tax charge/(credit) on loss for the year | - | (88) |
| Deferred tax | | |
| Origination and reversal of timing differences | 438 | 27 |
| Prior year adjustment | - | 131 |
| Total deferred tax (see note 15) | 438 | 158 |
| Tax on loss on ordinary activities | 438 | 70 |

Notes to the Financial Statements

For the year ended 30 September 2015

8. Taxation (continued)**Factors affecting tax charge for the year**

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

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Loss on ordinary activities before tax | (549) | (1,329) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.5% (2014 - 22%) | (112) | (292) |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 15 | 145 |
| Capital allowances for year in excess of depreciation | (214) | (239) |
| Adjustments to tax charge in respect of prior periods | - | (88) |
| Short term timing difference leading to an increase (decrease) in taxation | - | 6 |
| Gain on disposal of fixed assets | (106) | - |
| Unrelieved tax losses carried forward | - | 368 |
| Non-qualifying depreciation | - | 12 |
| Losses to carry forward | 44 | - |
| Other timing differences | 373 | - |
| Current tax charge/(credit) for the year (see note above) | - | (88) |

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

9. Tangible fixed assets

| Group | Investment property £000 | Assets under construc- tion £000 | Freehold property £000 | Leasehold property improve- ments £000 | Fixtures and fittings £000 | Motor vehicles £000 |
|--------------------------|--------------------------------|--|------------------------------|--|----------------------------------|---------------------------|
| Cost or valuation | | | | | | |
| At 1 October 2014 | 610 | 2,258 | 50,277 | 261 | 6,109 | 67 |
| Additions | - | 8 | 28 | - | 1,045 | - |
| Disposals | - | - | (70) | - | - | - |
| At 30 September 2015 | 610 | 2,266 | 50,235 | 261 | 7,154 | 67 |
| Depreciation | | | | | | |
| At 1 October 2014 | - | - | - | 19 | 3,796 | 53 |
| Charge for the year | - | - | - | 10 | 729 | 4 |
| At 30 September 2015 | - | - | - | 29 | 4,525 | 57 |
| Net book value | | | | | | |
| At 30 September 2015 | 610 | 2,266 | 50,235 | 232 | 2,629 | 10 |
| At 30 September 2014 | 610 | 2,258 | 50,277 | 242 | 2,313 | 14 |

| | |
|--------------------------|-----------------------|
| Group | Total £000 |
| Cost or valuation | |
| At 1 October 2014 | 59,582 |
| Additions | 1,081 |
| Disposals | (70) |
| At 30 September 2015 | 60,593 |
| Depreciation | |
| At 1 October 2014 | 3,868 |
| Charge for the year | 743 |
| At 30 September 2015 | 4,611 |
| Net book value | |
| At 30 September 2015 | 55,982 |
| At 30 September 2014 | 55,714 |

Notes to the Financial Statements

For the year ended 30 September 2015

9. Tangible fixed assets (continued)

The directors have reviewed the freehold property, leasehold property improvements and assets under construction valuations based on information provided by Jones Lang Lasalle (members of the Royal Institute of Chartered Surveyors) on 22 May 2014. The directors have concluded there has been no material change in value.

Investment properties are represented by flats and development sites held for investment purposes.

Cost or valuation at 30 September 2015 is as follows:

| Group | Land and buildings £000 | Investment property £000 | Assets under construction £000 |
|---------------|----------------------------|-----------------------------|-----------------------------------|
| At cost | 36,857 | 620 | 1,866 |
| At valuation: | | | |
| | 13,640 | (10) | 400 |
| | <u>50,497</u> | <u>610</u> | <u>2,266</u> |

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

| Group | 2015 £000 | 2014 £000 |
|--------------------------|---------------|---------------|
| Cost | 36,857 | 36,979 |
| Accumulated depreciation | (13) | (2) |
| Net book value | <u>36,844</u> | <u>36,977</u> |

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

| Group | 2015 £000 | 2014 £000 |
|--------------------------|--------------|--------------|
| Cost | 620 | 620 |
| Accumulated depreciation | - | - |
| Net book value | <u>620</u> | <u>620</u> |

Notes to the Financial Statements

For the year ended 30 September 2015

9. Tangible fixed assets (continued)

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

| Group | 2015 £000 | 2014 £000 |
|--------------------------|----------------------|----------------------|
| Cost | 1,866 | 1,858 |
| Accumulated depreciation | - | - |
| Net book value | <u>1,866</u> | <u>1,858</u> |

| Company | Investment property £000 | Assets under construc- tion £000 | Leasehold property improve- ments £000 | Fixtures and fittings £000 | Motor vehicles £000 | Total £000 |
|--------------------------|---|---|---|---|------------------------------------|-----------------------|
| Cost or valuation | | | | | | |
| At 1 October 2014 | 110 | 2,258 | 154 | 844 | 17 | 3,383 |
| Additions | - | 8 | - | 143 | - | 151 |
| At 30 September 2015 | <u>110</u> | <u>2,266</u> | <u>154</u> | <u>987</u> | <u>17</u> | <u>3,534</u> |
| Depreciation | | | | | | |
| At 1 October 2014 | - | - | 17 | 501 | 11 | 529 |
| Charge for the year | - | - | - | 123 | 2 | 125 |
| At 30 September 2015 | <u>-</u> | <u>-</u> | <u>17</u> | <u>624</u> | <u>13</u> | <u>654</u> |
| Net book value | | | | | | |
| At 30 September 2015 | <u>110</u> | <u>2,266</u> | <u>137</u> | <u>363</u> | <u>4</u> | <u>2,880</u> |
| At 30 September 2014 | <u>110</u> | <u>2,258</u> | <u>137</u> | <u>343</u> | <u>6</u> | <u>2,854</u> |

The directors have reviewed the freehold property, leasehold property improvements and assets under construction valuations based on information provided by Jones Lang Lasalle (members of the Royal Institute of Chartered Surveyors) on 22 May 2014. The directors have concluded there has been no material change in value.

Investment properties are represented by flats and development sites held for investment purposes.

Notes to the Financial Statements

For the year ended 30 September 2015

Cost or valuation at 30 September 2015 is as follows:

| | Investment property £000 | Assets under construction £000 |
|----------------------|--------------------------------|--------------------------------------|
| Company | | |
| At cost | 100 | 1,866 |
| At valuation: | | |
| | 10 | 400 |
| | 110 | 2,266 |

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

| | 2015 £000 | 2014 £000 |
|--------------------------|--------------|--------------|
| Company | | |
| Cost | 100 | 100 |
| Accumulated depreciation | - | - |
| Net book value | 100 | 100 |

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

| | 2015 £000 | 2014 £000 |
|--------------------------|--------------|--------------|
| Company | | |
| Cost | 1,866 | 1,858 |
| Accumulated depreciation | - | - |
| Net book value | 1,866 | 1,858 |

10. Fixed asset investments

| | Investments in subsidiary companies £000 |
|---|---|
| Company | |
| Cost or valuation | |
| At 1 October 2014 and 30 September 2015 | 5,058 |
| Net book value | |
| At 30 September 2015 | 5,058 |
| At 30 September 2014 | 5,058 |

Notes to the Financial Statements

For the year ended 30 September 2015

11. Stocks

| | Group | | Company | |
|-----------------------|--------------|------|----------------|------|
| | 2015 | 2014 | 2015 | 2014 |
| | £000 | £000 | £000 | £000 |
| Care home consumables | 39 | 39 | - | - |

12. Debtors

| | Group | | Company | |
|------------------------------------|--------------|--------------|----------------|---------------|
| | 2015 | 2014 | 2015 | 2014 |
| | £000 | £000 | £000 | £000 |
| Trade debtors | 1,890 | 2,128 | 205 | 3 |
| Amounts owed by group undertakings | - | - | 30,971 | 35,115 |
| Amounts owed by related parties | 301 | 697 | 233 | 633 |
| Other debtors | 2 | 1,344 | - | 1,340 |
| Prepayments and accrued income | 1,281 | 1,116 | 292 | 125 |
| Tax recoverable | 6 | 45 | 6 | 6 |
| | 3,480 | 5,330 | 31,707 | 37,222 |

**13. Creditors:
Amounts falling due within one year**

| | Group | | Company | |
|--|--------------|---------------|----------------|---------------|
| | 2015 | 2014 | 2015 | 2014 |
| | £000 | £000 | £000 | £000 |
| Bank loans and overdrafts | 2,019 | 37,646 | 2,019 | 37,646 |
| Net obligations under finance leases and hire purchase contracts | - | 1 | - | - |
| Trade creditors | 885 | 339 | 877 | 339 |
| Amounts owed to group undertakings | - | - | 841 | 1,015 |
| Amounts owed to related parties | 62 | 106 | 62 | 106 |
| Other taxation and social security | 479 | 480 | 245 | 222 |
| Director's loan account | 214 | 332 | - | - |
| Other creditors | 1,490 | 1,364 | 244 | 123 |
| Accruals and deferred income | 1,778 | 4,776 | 132 | 3,064 |
| | 6,927 | 45,044 | 4,420 | 42,515 |

The bank borrowings are secured by standard securities over the freehold properties of the Group, and by bond and floating charges over the whole property and undertakings of the Group. The directors loan (due to Anthony Banks) is unsecured.

In the prior year all bank loans and overdrafts had been classified as falling due in less than one year, as a result of breaches of loan covenants which occurred during the prior period and resulted in all banking facilities being classed as repayable on demand.

Notes to the Financial Statements

For the year ended 30 September 2015

13. Creditors:**Amounts falling due within one year (continued)**

Following a review of the bank facilities, the Group agreed bank covenant waivers from September 2015 until June 2016. Revised terms were agreed in June 2016 and projections show that the Group should be able to operate within the existing covenanted resources available for a period not less than 12 months from the date of approving the financial statements.

The Group has granted Santander and Co-operative Bank a first standard security over its property, together with a bond and floating charge, as security for the bank borrowings of the company. The Co-operative bank traded its debt to Bank of America Merrill Lynch and Cross Ocean Partners LLP on 1 October 2015.

The facilities include a £1m working capital facility, a £27m 5 year term loan with an interest rate of libor +3% and a £12m 5 year term loan with an interest rate of libor +4% on cash paid interest or libor +8.5% on rolled up interest.

The interest rate risk on the borrowings was hedged using interest rate swaps which as at 30 September 2015 had a fair value of £2.9m liability (30 September 2014 £3.1m).

14. Creditors:**Amounts falling due after more than one year**

| | <u>Group</u> | | <u>Company</u> | |
|------------|--------------|------|----------------|------|
| | 2015 | 2014 | 2015 | 2014 |
| | £000 | £000 | £000 | £000 |
| Bank loans | 36,164 | - | 36,164 | - |

15. Deferred taxation

| | <u>Group</u> | | <u>Company</u> | |
|---------------------------|--------------|------|----------------|------|
| | 2015 | 2014 | 2015 | 2014 |
| | £000 | £000 | £000 | £000 |
| At beginning of year | 861 | 861 | - | - |
| Charge for the year (P&L) | 438 | - | 2 | - |
| At end of year | 1,299 | 861 | 2 | - |

Notes to the Financial Statements

For the year ended 30 September 2015

15. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

| | Group | | Company | |
|--------------------------------|--------------|-------------|----------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| | £000 | £000 | £000 | £000 |
| Accelerated capital allowances | 1,349 | 1,115 | 2 | - |
| Tax losses brought forward | - | (181) | - | - |
| Advance corporation tax | - | (73) | - | - |
| Losses and other deductions | (50) | - | - | - |
| | 1,299 | 861 | 2 | - |

16. Share capital

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

17. Reserves

| | Revaluation reserve | Profit and loss account |
|-----------------------------|--------------------------------|------------------------------------|
| | £000 | £000 |
| Group | | |
| At 1 October 2014 | 14,761 | 1,475 |
| Loss for the financial year | | (987) |
| | 14,761 | 488 |
| Company | | |
| At 1 October 2014 | 418 | 2,506 |
| Loss for the financial year | | (3,866) |
| | 418 | (1,360) |

Notes to the Financial Statements

For the year ended 30 September 2015

18. Reconciliation of movement in shareholders' funds

| | 2015 | 2014 |
|---|---------------|---------------|
| | £000 | £000 |
| Group | | |
| Opening shareholders' funds | 16,237 | 18,849 |
| Loss for the financial year | (987) | (1,399) |
| Other recognised gains and losses during the year | - | (1,213) |
| | <u>15,250</u> | <u>16,237</u> |
| Company | 2015 | 2014 |
| | £000 | £000 |
| Opening shareholders' funds | 2,925 | 7,102 |
| Loss for the financial year | (3,866) | (4,177) |
| | <u>(941)</u> | <u>2,925</u> |
| Closing shareholders' (deficit)/funds | | |

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss account.

The loss for the year dealt with in the accounts of the company was £3,866 (2014 - £4,177).

19. Net cash flow from operating activities

| | 2015 | 2014 |
|--|--------------|--------------|
| | £000 | £000 |
| Operating profit | 2,862 | 1,416 |
| Depreciation of tangible fixed assets | 743 | 694 |
| Decrease in stocks | - | 1 |
| Decrease/(increase) in debtors | 1,811 | (57) |
| (Decrease)/increase in creditors | (2,506) | 226 |
| | <u>2,910</u> | <u>2,280</u> |
| Net cash inflow from operating activities | | |

20. Analysis of cash flows for headings netted in cash flow statement

| | 2015 | 2014 |
|--|----------------|--------------|
| | £000 | £000 |
| Returns on investments and servicing of finance | | |
| Interest received | 1 | - |
| Interest paid | (2,337) | (636) |
| | <u>(2,336)</u> | <u>(636)</u> |
| Net cash outflow from returns on investments and servicing of finance | | |

Notes to the Financial Statements

For the year ended 30 September 2015

20. Analysis of cash flows for headings netted in cash flow statement (continued)

| | 2015 £000 | 2014 £000 |
|---|----------------|--------------|
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | (1,081) | (518) |
| Sale of tangible fixed assets | 70 | 191 |
| Net cash outflow from capital expenditure | (1,011) | (327) |
| | | |
| | 2015 £000 | 2014 £000 |
| Financing | | |
| Repayment of other loans | - | (4) |
| Repayment of finance leases | (1) | - |
| Loans repaid to directors | - | (137) |
| Net cash outflow from financing | (1) | (141) |

21. Analysis of changes in net debt

| | 1 October 2014 £000 | Cash flow £000 | Other non-cash changes £000 | 30 September 2015 £000 |
|---|---------------------------|-------------------|--------------------------------------|------------------------------|
| Cash at bank and in hand | 1,059 | (920) | - | 139 |
| Bank overdraft | (992) | 521 | - | (471) |
| | <u>67</u> | <u>(399)</u> | <u>-</u> | <u>(332)</u> |
| Debt: | | | | |
| Debts due within one year | (36,655) | 1 | 35,106 | (1,548) |
| Debts falling due after more than one year | - | - | (36,164) | (36,164) |
| Net debt | (36,588) | (398) | (1,058) | (38,044) |

Notes to the Financial Statements

For the year ended 30 September 2015

22. Contingent liabilities

As reported in prior periods, a claim of £825,800 was lodged by Her Majesty's Revenue and Customs against Balhousie Care Limited in respect to VAT deemed to be over recovered in the period to 30 September 2013. Based on legal advice, the directors considered the claim was unlikely to succeed and as such no amounts were provided in relation to this. On 31 May 2016 the First Tier Tribunal found in favour of Company. The findings of the Tribunal allow Her Majesty's Revenue and Customs to appeal the ruling and as at the date of approval of the financial statements by the directors no such appeal has been received. Given the findings of the tribunal, no provision has been made within these financial statements regarding this claim.

A separate claim was lodged by Her Majesty's Revenue and Customs against Faskally Care Home Limited in respect to VAT deemed to be over recovered in the period to 30 September 2013. Based on legal advice, the directors considered the claim was unlikely to succeed and as such no amounts were provided in relation to this. On 27 May 2016 the First Tier Tribunal found in favour of Her Majesty's Revenue and Customs and the amount due to be settled as a result is £204,160 plus interest. The findings of the Tribunal allow the company to appeal this ruling and they are currently considering whether to do so. Given the initial findings, the directors have taken the decision to provide for the potential future loss in the current year.

23. Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £158,640 (2014 - £121,120). Contributions totaling £42,155 (2014 - £9,231) were payable to the fund at the balance sheet date and are included in creditors.

24. Operating lease commitments

At 30 September 2015 the group had annual commitments under non-cancellable operating leases as follows:

| | Land and buildings | | 2015 | Other |
|-------------------------|--------------------|--------------|----------|----------|
| | 2015 | 2014 | | |
| Group | £000 | £000 | £000 | £000 |
| Expiry date: | | | | |
| Within 1 year | - | - | 10 | 19 |
| Between 2 and 5 years | - | - | 94 | 8 |
| After more than 5 years | 2,535 | 2,470 | - | - |
| | <u>2,535</u> | <u>2,470</u> | <u>-</u> | <u>-</u> |

At 30 September 2015 the company had annual commitments under non-cancellable operating leases as follows:

| | Land and buildings | | 2015 | Other |
|-------------------------|--------------------|------------|----------|----------|
| | 2015 | 2014 | | |
| Company | £000 | £000 | £000 | £000 |
| Expiry date: | | | | |
| Within 1 year | - | - | 10 | 19 |
| Between 2 and 5 years | - | - | 74 | 8 |
| After more than 5 years | 125 | 100 | - | - |
| | <u>125</u> | <u>100</u> | <u>-</u> | <u>-</u> |

Notes to the Financial Statements

For the year ended 30 September 2015

25. Capital commitments

The Group and the company did not have any capital commitments at 30 September 2015 or 30 September 2014.

26. Related party transactions

The balance on the director's loan account at the period end amounted to £213,508 (2014: £331,999). During the year, the Group repaid £144,167 of the balance outstanding on the loan account and interest charges of £25,676, were charged on the balance.

During the period the Group was charged £37,906 (2014: £113,845) by Milnbank Limited for construction services provided. The Group also made payments of £58,582 to Milnbank Limited for the services provided. The balance owed to Milnbank Limited at the period end was £15,491 (2014: £36,167). Anthony Banks is a 50% shareholder in Milnbank Limited.

The Group paid fees of £200 on Behalf of TIC (Angus) Limited. TIC (Angus Limited is 50% owned by Anthony Banks. The balance due to TIC (Angus) Limited at the period end was £1,849 (2014: £2,049).

The Group paid fees amounting to £22,793 (2014: £282,093) on behalf of Clepington Road LLP and provided services amounting to £nil (2014: £24,605). Clepington Road LLP is a partnership between Anthony Banks and Clepington Road Retail Limited. Clepington Road LLP paid £470,000 to the Group, as a repayment of the related party balance. The balance due from Clepington Road LLP at the period end was £281,514 (2014: £728,721).

During the year the Group paid fees relating to Earn House, Perth of £10,633 (2014: £48,586) on behalf of ARB Properties LLP. ARB Properties LLP paid for purchases on behalf of the group totaling £202 (2014: £nil). The Group charged ARB Properties Scotland LLP a rental for Earn House in the year of £125,000 (2014: £125,000) which the Group paid in full in the year. ARB Properties LLP is a partnership of which Anthony Banks and Clepington Road Retail Limited are Designated Members. The balance due to ARB Properties Scotland LLP at the period end was £58,787 (2014: £69,219).

The Group paid fees of £20,618 (2014: £31,893) on behalf of Affertons Limited. Affertons Limited paid £40,000 (2014: £nil) to the Group as repayment of the related party balance. Affertons Limited is owned by Anthony Banks. The balance due for Affertons Limited at the year-end was £18,890 (2014: £38,272).

The Group has taken advantage of exemptions allowed under FRS 8 enabling it not to report related party transaction between wholly owned subsidiaries.

27. Controlling party

The company is controlled by director Anthony Banks.

Notes to the Financial Statements

For the year ended 30 September 2015

28. Wholly owned subsidiaries

| Company name | Country | Percentage Shareholding | Description |
|----------------------------------|----------------|------------------------------------|--------------------|
| Advanced Specialist Care Limited | Scotland | 100% | Care home |
| Balhousie Care Limited | Scotland | 100% | Care home |
| Dalnaglar Care Homes Limited | Scotland | 100% | Care home |
| Faskally Care Homes Limited | Scotland | 100% | Property developer |
| Glens Care Management Limited | Scotland | 100% | Real estate |