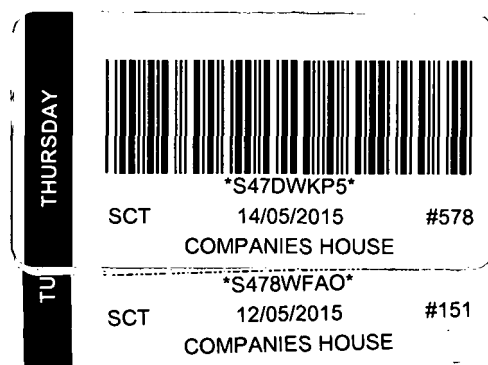


Financial Statements

Dalnaglar Care Homes Limited

For the year ended 30 September 2014



Registered number: SC308339

Dalnaglar Care Homes Limited

Company Information

Director	Mr A R Banks
Registered number	SC308339
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

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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. This director's report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' regime.

Principal activities

The principal activity of the company is the provision of residential and nursing care facilities for the elderly and infirm.

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.

Dalnaglar Care Homes Limited

Director's Report

For the year ended 30 September 2014

Director's responsibilities statement

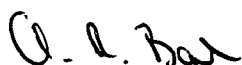
The director is responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations.

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

Independent Auditor's Report to the Members of Dalnaglar Care Homes Limited

We have audited the financial statements of Dalnaglar Care Homes Limited for the year ended 30 September 2014, 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 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 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 Director's 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 Dalnaglar Care Homes 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.

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

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	125	335
Cost of sales		(59)	(252)
Gross profit		66	83
Administrative expenses		(91)	(128)
Operating loss	2	(25)	(45)
Exceptional items			
Deficit on revaluation of freehold property below historical cost		-	(263)
Loss on ordinary activities before taxation		(25)	(308)
Tax on loss on ordinary activities		(32)	60
Loss for the financial year	9	(57)	(248)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and loss account.

The notes on pages 7 to 13 form part of these financial statements.

Balance Sheet

As at 30 September 2014

	Note	£000	2014 £000	2013 £000
Fixed assets				
Tangible assets	4		429	450
Current assets				
Debtors	5	-		12
Cash at bank		1		21
		<u>1</u>		<u>33</u>
Creditors: amounts falling due within one year	6	(1,107)	(1,135)	
Net current liabilities			<u>(1,106)</u>	<u>(1,102)</u>
Total assets less current liabilities			<u>(677)</u>	<u>(652)</u>
Provisions for liabilities				
Deferred tax	7		(64)	(32)
Net liabilities			<u>(741)</u>	<u>(684)</u>
Capital and reserves				
Called up share capital	8		-	-
Profit and loss account	9		(741)	(684)
Shareholders' deficit	10		<u>(741)</u>	<u>(684)</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 April 2015

The notes on pages 7 to 13 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 applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been applied consistently throughout the current period and preceding financial period.

1.1 Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold property.

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 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 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 creditors due within one year.

1.3 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

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.

1.4 Revaluation of tangible fixed assets

Individual freehold and leasehold 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.

Notes to the Financial Statements

For the year ended 30 September 2014

1. Accounting Policies (continued)

1.5 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 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.

2. Operating loss

The operating loss 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	21	33

During the year, no director received any emoluments (2013 - £NIL). The director was also director of, and remunerated by, the parent company, Balhousie Holdings Limited in both the current year and prior period.

Audit remuneration was borne by another group company. The director estimates the cost borne that relates to the audit of the company to be £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	52	222

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	4	15

4. Tangible fixed assets

	Freehold property £000	Furniture, fittings & equipment £000	Total £000
Cost or valuation			
At 1 October 2013 and 30 September 2014	353	214	567
Depreciation			
At 1 October 2013	-	117	117
Charge for the year	-	21	21
At 30 September 2014	-	138	138
Net book value			
At 30 September 2014	353	76	429
At 30 September 2013	353	97	450

Notes to the Financial Statements

For the year ended 30 September 2014

4. Tangible fixed assets (continued)

The director has reviewed the freehold property valuation and concluded that 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 prior period.

Cost or valuation at 30 September 2014 is as follows:

	Land and buildings £000
At cost	616
At valuation:	
May 2014	(263)
	<u>353</u>

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

	2014 £000	2013 £000
Cost	616	616
Accumulated depreciation	-	-
Net book value	<u>616</u>	<u>616</u>

5. Debtors

	2014 £000	2013 £000
Trade debtors	-	6
Prepayments and accrued income	-	6
	<u>-</u>	<u>12</u>

Notes to the Financial Statements

For the year ended 30 September 2014

6. Creditors:

Amounts falling due within one year

	2014 £000	2013 £000
Bank loans and overdrafts	7	-
Amounts owed to group undertakings	1,096	1,070
Other creditors	-	49
Accruals and deferred income	4	16
	<u>1,107</u>	<u>1,135</u>

At the year 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 £37.6m (2013 - £38.3m).

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

7. Deferred taxation

	2014 £000	2013 £000
At beginning of year/period	32	65
Charge for/(released during) year/period (P&L)	32	(30)
Other movement (P&L)	-	(3)
	<u>64</u>	<u>32</u>

The provision for deferred taxation is made up as follows:

	2014 £000	2013 £000
Accelerated capital allowances	<u>64</u>	<u>32</u>

8. Share capital

	2014 £	2013 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Notes to the Financial Statements

For the year ended 30 September 2014

9. Reserves

	Profit and loss account £000
At 1 October 2013	(684)
Loss for the financial year	(57)
	<hr/>
At 30 September 2014	(741)
	<hr/>

10. Reconciliation of movement in shareholders' deficit

	2014 £000	2013 £000
Opening shareholders' deficit	(684)	(436)
Loss for the financial year/period	(57)	(248)
	<hr/>	<hr/>
Closing shareholders' deficit	(741)	(684)
	<hr/>	<hr/>

11. 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.

12. 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.