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GrantThornton

# Abbreviated Accounts
# Spa Nursing Homes Ltd

**For the Year Ended** 30 November 2007

DEPARTMENT OF ENTERPRISE
TRADE & INVESTMENT
COMPANIES REGISTRY
02 SEP 2008
COUNTER RECEIVED

**Company No.** NI 26058

# Company information

| | |
|---|---|
| **Registered office** | 77 Grove Road<br>Spa<br>Ballynahinch<br>BT24 8PN |
| **Directors** | Mr D W A Murdock<br>Mr E S Johnston<br>Mr G W Beattie |
| **Secretary** | Mr D Ross |
| **Bankers** | Bank of Ireland<br>Belfast City Branch<br>4-8 High Street<br>BELFAST<br>BT1 2BA |
| **Solicitors** | John McKee & Son<br>53 Royal Avenue<br>Belfast<br>BT1 1TH |
| **Auditor** | Grant Thornton UK LLP<br>Chartered Accountants<br>Registered Auditors<br>Water's Edge<br>Clarendon Dock<br>BELFAST<br>BT1 3BH |

# Index to the abbreviated accounts

# Report of the directors

The directors present their report and the financial statements of the company for the year ended 30 November 2007.

## Principal activities and business review

The company's principal activity is the provision of residential and community nursing care for the elderly.

The results for the year were satisfactory. The balance sheet reflects a strong financial position and the directors do not anticipate any significant change in 2008.

## Results and dividends

The profit for the year, after taxation, amounted to £88,814. The directors have not recommended a dividend.

## Financial risk management objectives and policies

The company uses various financial instruments including bank loans or overdrafts, cash and various items such as trade debtors and trade creditors that arise directly from its operations. Ther main purpose of these financial instruments is to raise finance for the company's operations.

The existence of those financial instruments exposes the company to a number of financial risks. The company does not make use of derivative transactions to minimise exposure to interest rates or foreign exchange.

The main risks arising from the company's financial instruments are interest rate risk, credit risk and liquidity risk.

The directors review and agree policies for managing each of these risks.

## Directors

The directors who served the company during the year were as follows:

Mr D W A Murdock
Mr E S Johnston
Mr G W Beattie

## Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

## Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with Article 392 of the Companies (Northern Ireland) Order 1986

BY ORDER OF THE BOARD

Mr D Ross
Secretary
6 June 2008

Grant Thornton

# Independent auditor's report to spa nursing homes ltd under Article 255B of the Companies (Northern Ireland) Order 1986

We have examined the abbreviated accounts which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement, statement of total recognised gains and losses and the related notes, together with the financial statements of Spa Nursing Homes Ltd for the year ended 30 November 2007 prepared under Article 234 of the Companies (Northern Ireland) Order 1986.

This report is made solely to the company, in accordance with Article 255B of the Companies (Northern Ireland) Order 1986. Our work has been undertaken so that we might state to the company those matters we are required to state to them in a special 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, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

The directors are responsible for preparing the abbreviated accounts in accordance with Article 254A of the Companies (Northern Ireland) Order 1986. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Article 254A(3) of the Order to the Registrar of companies and whether the abbreviated accounts have been properly prepared in accordance with that provision and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

**Opinion**

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Article 254A(3) of the Companies (Northern Ireland) Order 1986, and the abbreviated accounts have been properly prepared in accordance with that provision.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

**Belfast**
**6 June 2008**

# Principal accounting policies

### Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

### Turnover

The turnover shown in the profit and loss account represents fee income derived from the provision of residential and nursing care for the elderly.

### Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | | |
|---|---|---|
| Goodwill | - | over 5 years |

### Fixed assets

All fixed assets are initially recorded at cost.

### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | | |
|---|---|---|
| Freehold Property | - | 2% straight line |
| Plant & Machinery | - | 15% reducing balance |
| Fixtures & Fittings | - | 15% reducing balance |

### Investment properties

Investment properties are shown at their open market value. The surplus or deficit arising from the annual revaluation is transferred to the investment revaluation reserve unless a deficit, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

This is in accordance with SSAP 19 which, unlike Schedule 4 to the Companies Act 1985, does not require depreciation of investment properties. Investment properties are held for their investment potential and not for use by the company and so their current value is of prime importance. The departure from the provisions of the Act is required in order to give a true and fair view.

### Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

### Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

### Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

# Abbreviated profit and loss account

| | Note | 2007 £ | 2006 £ |
|---|---|---|---|
| Gross profit | | **760,324** | 561,438 |
| Other operating charges | 1 | **(406,705)** | (305,689) |
| **Operating profit** | 2 | **353,619** | 255,749 |
| Interest receivable and similar income | | **21** | – |
| Interest payable and similar charges | 5 | **(232,418)** | (108,406) |
| **Profit on ordinary activities before taxation** | | **121,222** | 147,343 |
| Tax on profit on ordinary activities | 6 | **(32,408)** | (34,700) |
| **Profit for the financial year** | 18 | **88,814** | 112,643 |

All of the activities of the company are classed as continuing.

# Abbreviated balance sheet

| | Note | 2007 £ | 2006 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 7 | **378,000** | – |
| Tangible assets | 8 | **6,326,795** | 3,080,196 |
| | | **6,704,795** | 3,080,196 |
| **Current assets** | | | |
| Stocks | 9 | **780** | 780 |
| Debtors | 10 | **434,425** | 343,749 |
| Cash at bank | | **141,133** | – |
| | | **576,338** | 344,529 |
| **Creditors: amounts falling due within one year** | 11 | **873,393** | 290,804 |
| **Net current (liabilities)/assets** | | **(297,055)** | 53,725 |
| **Total assets less current liabilities** | | **6,407,740** | 3,133,921 |
| **Creditors: amounts falling due after more than one year** | 12 | **5,068,013** | 1,900,008 |
| | | **1,339,727** | 1,233,913 |
| **Provisions for liabilities** | | | |
| Deferred taxation | 13 | **25,000** | 8,000 |
| | | **1,314,727** | 1,225,913 |
| **Capital and reserves** | | | |
| Called-up equity share capital | 16 | **1,200** | 1,200 |
| Revaluation reserve | | **306,132** | 306,132 |
| Other reserves | 17 | **240,000** | 240,000 |
| Profit and loss account | 18 | **767,395** | 678,581 |
| **Shareholders' funds** | 19 | **1,314,727** | 1,225,913 |

These accounts have been prepared in accordance with the special provisions for medium-sized companies under Part VIII of the Companies (Northern Ireland) Order 1986.

These abbreviated accounts were approved by the directors and authorised for issue on 6 June 2008, and are signed on their behalf by:

Mr E S Johnston
Director

# Cash flow statement

| | 2007 £ | 2006 £ |
|---|---|---|
| **Net cash inflow from operating activities** | **847,361** | 83,343 |
| **Returns on investments and servicing of finance** | | |
| Interest received | **21** | – |
| Interest paid | **(213,159)** | (91,064) |
| Dividends on shares classed as financial liabilities | **(19,259)** | (17,342) |
| **Net cash outflow from returns on investments and servicing of finance** | **(232,397)** | (108,406) |
| **Taxation** | **(29,770)** | (19,128) |
| **Capital expenditure** | | |
| Payments to acquire intangible fixed assets | **(420,000)** | – |
| Payments to acquire tangible fixed assets | **(3,282,382)** | (250,074) |
| **Net cash outflow from capital expenditure** | **(3,702,382)** | (250,074) |
| **Cash outflow before financing** | **(3,117,188)** | (294,265) |
| **Financing** | | |
| Increase in bank loans | **3,304,070** | 223,607 |
| **Net cash inflow from financing** | **3,304,070** | 223,607 |
| **Increase/(decrease) in cash** | **186,882** | (70,658) |

## Reconciliation of operating profit to net cash inflow from operating activities

| | 2007 £ | 2006 £ |
|---|---|---|
| Operating profit | **353,619** | 255,749 |
| Amortisation | **42,000** | – |
| Depreciation | **35,783** | 29,726 |
| Increase in debtors | **(90,676)** | (225,645) |
| Increase in creditors | **506,635** | 23,513 |
| Net cash inflow from operating activities | **847,361** | 83,343 |

## Reconciliation of net cash flow to movement in net debt

| | 2007 £ | 2006 £ |
|---|---|---|
| Increase/(decrease) in cash in the period | **186,882** | (70,658) |
| Net cash (inflow) from bank loans | **(3,304,070)** | (223,607) |
| | **(3,117,188)** | (294,265) |
| Change in net debt | **(3,117,188)** | (294,265) |
| Net debt at 1 December 2006 | **(1,955,692)** | (1,661,427) |
| Net debt at 30 November 2007 | **(5,072,880)** | (1,955,692) |

## Analysis of changes in net debt

| | At 1 Dec 2006 £ | Cash flows £ | At 30 Nov 2007 £ |
|---|---|---|---|
| Net cash: | | | |
| Cash in hand and at bank | – | 141,133 | 141,133 |
| Overdrafts | (45,749) | 45,749 | – |
| | (45,749) | 186,882 | 141,133 |
| Debt: | | | |
| Debt due within 1 year | (9,935) | (136,065) | (146,000) |
| Debt due after 1 year | (1,900,008) | (3,168,005) | (5,068,013) |
| | (1,909,943) | (3,304,070) | (5,214,013) |
| Net debt | (1,955,692) | (3,117,188) | (5,072,880) |

# Other primary statements

### Statement of total recognised gains and losses

| | **2007** | 2006 |
|---|---|---|
| | **£** | £ |
| **Profit for the financial year** | **88,814** | 112,643 |
| Unrealised profit on revaluation Of tangible fixed assets: Investment property - cost brought forward | – | 306,132 |
| **Total gains and losses recognised for the year** | **88,814** | 418,775 |

# Notes to the abbreviated accounts

## 1 Other operating charges

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Administrative expenses | **406,705** | 305,689 |

## 2 Operating profit

Operating profit is stated after charging:

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Amortisation | **42,000** | – |
| Depreciation of owned fixed assets | **35,783** | 29,726 |
| Auditor's remuneration: | | |
| Audit fees | **4,777** | 3,349 |
| Operating lease costs: | | |
| Other | **3,537** | 6,063 |

## 3 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

| | 2007 | 2006 |
|---|---|---|
| | No | No |
| Number of nursing staff | **226** | 110 |

The aggregate payroll costs of the above were:

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Wages and salaries | **1,296,411** | 967,423 |
| Social security costs | **80,165** | 59,786 |
| | **1,376,576** | 1,027,209 |

## 4 Directors

Remuneration in respect of directors was as follows:

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Emoluments receivable | **30,000** | 30,000 |

## 5 Interest payable and similar charges

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Bank loan interest | **209,008** | 88,031 |
| Bank overdraft interest | **4,151** | 3,033 |
| Finance charges on shares classed as liabilities | **19,259** | 17,342 |
| | **232,418** | 108,406 |

## 6 Taxation on ordinary activities

(a) Analysis of charge in the year

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Current tax: | | |
| In respect of the year: | | |
| UK Corporation tax based on the results for the year at 20% (2006 - 19%) | **16,186** | 32,981 |
| Over/under provision in prior year | **(778)** | 1,619 |
| Total current tax | **15,408** | 34,600 |
| Deferred tax: | | |
| Origination and reversal of timing differences | **17,000** | 100 |
| Tax on profit on ordinary activities | **32,408** | 34,700 |

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20% (2006 - 19%).

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Profit on ordinary activities before taxation | **121,222** | 147,343 |
| Profit on ordinary activities by rate of tax | **25,316** | 27,995 |
| Expenses not deductible for tax purposes | **4,008** | 3,295 |
| Capital allowances for period in excess of depreciation | **(12,866)** | 1,691 |
| Adjustments to tax charge in respect of previous periods | **(778)** | 1,619 |
| Rounding on tax charge | **1** | - |
| Taxation rate differences | **(273)** | - |
| Total current tax (note 6(a)) | **15,408** | 34,600 |

## 7 Intangible fixed assets

| | Goodwill £ |
|---|---|
| Cost | |
| At 1 December 2006 | 180,000 |
| Additions | 420,000 |
| At 30 November 2007 | 600,000 |
| Amortisation | |
| At 1 December 2006 | 180,000 |
| Charge for the year | 42,000 |
| At 30 November 2007 | 222,000 |
| Net book value | |
| At 30 November 2007 | **378,000** |
| At 30 November 2006 | – |

## 8 Tangible fixed assets

| | Freehold Property £ | Plant & Machinery £ | Fixtures & Fittings £ | Investment property £ | Total £ |
|---|---|---|---|---|---|
| Cost or valuation | | | | | |
| At 1 December 2006 | 2,318,316 | 127,570 | 112,997 | 950,000 | 3,508,883 |
| Additions | 3,066,999 | 200,000 | 15,383 | – | 3,282,382 |
| At 30 November 2007 | 5,385,315 | 327,570 | 128,380 | 950,000 | 6,791,265 |
| Depreciation | | | | | |
| At 1 December 2006 | 267,103 | 104,107 | 57,477 | – | 428,687 |
| Charge for the year | 23,195 | 3,518 | 9,070 | – | 35,783 |
| At 30 November 2007 | 290,298 | 107,625 | 66,547 | – | 464,470 |
| Net book value | | | | | |
| At 30 November 2007 | **5,095,017** | **219,945** | **61,833** | **950,000** | **6,326,795** |
| At 30 November 2006 | 2,051,213 | 23,463 | 55,520 | 950,000 | 3,080,196 |

In accordance with SSAP 19 "Accounting for Investment Properties", the investment property is held at open market value based on a directors estimate at the balance sheet date.

## 9 Stocks

| | 2007 £ | 2006 £ |
|---|---|---|
| Finished goods | **780** | 780 |

## 10 Debtors

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Trade debtors | **153,184** | 75,295 |
| Amounts owed by related undertakings | **237,811** | 233,401 |
| Other debtors | **37,317** | 32,099 |
| Directors current accounts | **3,144** | 400 |
| Prepayments and accrued income | **2,969** | 2,554 |
| | **434,425** | 343,749 |

## 11 Creditors: amounts falling due within one year

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Bank loans and overdrafts | **146,000** | 55,684 |
| Trade creditors | **49,502** | 48,026 |
| Amounts owed to related undertakings | **550,743** | – |
| Advance corporation tax | **10,856** | 7,006 |
| Corporation tax | **14,769** | 32,981 |
| Other taxation and social security | **29,755** | 24,570 |
| Proposed dividends | **6,718** | 6,718 |
| Other creditors | **6,812** | 20,574 |
| Accruals and deferred income | **58,238** | 95,245 |
| | **873,393** | 290,804 |

Bank loans are secured against the assets to which they relate.

The following liabilities disclosed under creditors falling due within one year are secured by the company:

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Bank loans and overdrafts | **146,000** | 55,684 |

## 12 Creditors: amounts falling due after more than one year

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Bank loans and overdrafts | **4,838,013** | 1,670,008 |
| Shares classed as financial liabilities | **230,000** | 230,000 |
| | **5,068,013** | 1,900,008 |

| | | |
|---|---|---|
| Shares classed as financial liabilities: | | |
| Share capital | **230,000** | 230,000 |

Bank loans are secured against the assets to which they relate.

## 12 Creditors: amounts falling due after more than one year (continued)

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Bank loans and overdrafts | **4,838,013** | 1,670,008 |

## 13 Deferred taxation

The movement in the deferred taxation provision during the year was:

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Provision brought forward | **8,000** | 7,900 |
| Profit and loss account movement arising during the year | **17,000** | 100 |
| Provision carried forward | **25,000** | 8,000 |

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Excess of taxation allowances over depreciation on fixed assets | **25,000** | 8,000 |

## 14 Derivatives

The company does not make use of derivative transactions.

## 15 Leasing commitments

At 30 November 2007 the company had annual commitments under non-cancellable operating leases as set out below.

| | Assets other than land & buildings | |
|---|---|---|
| | 2007 | 2006 |
| | £ | £ |
| Operating leases which expire: | | |
| Within 1 year | **1,011** | 6,063 |
| Within 2 to 5 years | - | 1,011 |
| | **1,011** | 7,074 |

## 16 Share capital

Authorised share capital:

| | 2007 £ | 2006 £ |
|---|---|---|
| 430,000 Ordinary shares of £1 each | **430,000** | 430,000 |
| 470,000 Redeemable preference shares shares of £1 each | **470,000** | 470,000 |
| | **900,000** | 900,000 |

Allotted, called up and fully paid:

| | 2007 No | 2007 £ | 2006 No | 2006 £ |
|---|---|---|---|---|
| Ordinary shares of £1 each | **1,200** | **1,200** | 1,200 | 1,200 |
| Redeemable preference shares shares of £1 each | **230,000** | **230,000** | 230,000 | 230,000 |
| | **231,200** | **231,200** | 231,200 | 231,200 |

## 17 Other reserves

| | 2007 £ | 2006 £ |
|---|---|---|
| Capital redemption reserve | **240,000** | 240,000 |

## 18 Profit and loss account

| | 2007 £ | 2006 £ |
|---|---|---|
| Balance brought forward | **678,581** | 565,938 |
| Profit for the financial year | **88,814** | 112,643 |
| Balance carried forward | **767,395** | 678,581 |

## 19 Reconciliation of movements in shareholders' funds

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Profit for the financial year | **88,814** | 112,643 |
| Other net recognised gains and losses | **-** | 306,132 |
| Net addition to shareholders' funds | **88,814** | 418,775 |
| Opening shareholders' funds | **1,225,913** | 807,138 |
| Closing shareholders' funds | **1,314,727** | 1,225,913 |

## 21 Capital commitments

At 30 November 2007 the company has a capital commitment of an estimated £.4m in relation to a new nursing home on the Cregagh Road.

## 22 Post balance sheet events

After the balance sheet date the company redeemed and cancelled 153,333 of the existing cumulative redeemable preference shares for £1.00 each, at par, in December 2007.