Care UK Community Care Agency Limited

Directors' report and financial statements
For the year ended 30 September 2011
Registered number 03485601

Contents

Company Information

Directors
M R Parish
P J Humphreys
A M S Culhane
D Marriott-Boam
P J Watson (appointed 9 December 2010)

Secretary
Jonathan David Calow

Auditor
KPMG Audit Plc
6 Lower Brook Street
Ipswich
Suffolk
IP4 1AP

Bankers
National Westminster Bank Plc
10 Station Road
Clacton-on-Sea
Essex
CO15 1TA

HSBC Bank Plc
Midland House
26 North Station Road
Colchester
Essex
CO1 1SY

Registered Office
Connaught House
850 The Crescent
Colchester Business Park
Colchester
Essex
CO4 9QB

Registered number
03485601

Directors' Report

The directors present their annual report and financial statements for the year ended 30 September 2011

Principal activities
The company is principally engaged in the provision of nursing services

Business review
The profit for the year before taxation amounted to £94,000 *(2010 £33,000)* A taxation charge of £33,000 *(2010 £12,000)* has resulted in a profit for the year after taxation amounting to £61,000 *(2010 £21,000)* The directors consider the future prospects to be satisfactory

The Key Performance Indicators (KPIs) used by the company to measure its own performance are revenue, adjusted operating profit, adjusted operating margin and hours of care provided

During the year the company showed a small growth in revenue of 2% and a significant increase in operating profit of 22% Total hours of care delivered during the year were 91,100 compared with 88,400 in 2010, an increase on the previous year of 3% with the average weekly hours of care delivered at the year-end being 1,740 compared with 1,695 at the year end of 2010, an increase of 3%

No interim dividend was paid during the year *(2010 £nil)* The directors do not recommend a final ordinary dividend *(2010 £nil)*

Directors
The directors who served during the year or held office at date of authorisation of the accounts were as follows

M R Parish
P J Humphreys
A M S Culhane
D Marriott-Boam
P J Watson (appointed 9 December 2010)

Employees
It is group policy to give fair consideration to the employment needs of disabled people to comply with current legislation with regard to disabled persons and, wherever practicable, to continue to employ and promote the careers of existing employees, who become disabled and to consider disabled persons for employment, subsequent training, career development and promotion on the basis of their aptitude and abilities

Management regularly visit local offices and discuss matters of current interest and concern to the business with members of staff

Management have developed a series on internal communications tools, including e-mail notices, newsletters and 'cascade' briefings in order to keep employees informed regarding the progress, financial position and commercial issues of the Care UK group

Political and charitable donations
The company made no political or charitable donations during the year *(2010 £nil)*

Directors' Report *(continued)*

Statement on payment of suppliers
The company does not follow a specific code or statement on payment practice However, it is the company's policy to pay its suppliers in accordance with the payment terms agreed at the outset of the relationship providing the supplier adheres to its obligations The significant expenses incurred by the company relate to staff costs therefore disclosure of the number billing days outstanding to suppliers by the company is not relevant

Disclosure of information to auditor
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

Auditor
In accordance with section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the board

Paul Watson
Director

30 May 2012

Connaught House
850 The Crescent
Colchester Business Park
Colchester
Essex
CO4 9QB

Statement of Directors' Responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 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 judgments and 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, and
- 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 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 them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditor's report
to the members of Care UK Community Care Agency Limited

We have audited the financial statements of Care UK Community Care Agency Limited for the year ended 30 September 2011 which set out on pages 7 to 16 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 set out on page 5, 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 (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 APB's web-site at www frc org uk/apb/scope private cfm

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 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

S Beavis
S Beavis (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
6 Lower Brook Street
Ipswich
IP4 1AP

30 May 2012

Profit and Loss Account
for the year ended 30 September 2011

	Note	**2011**	2010
		£000	£000
Turnover	*2*	**1,305**	1,279
Cost of sales		**(1,052)**	(1,043)
Gross profit		**253**	236
Administrative expenses		**(220)**	(209)
Operating profit		**33**	27
Other interest receivable and similar income	*3*	**61**	6
Profit on ordinary activities before taxation	*4-6*	**94**	33
Tax on profit on ordinary activities	*7*	**(33)**	(12)
Profit for the financial year		**61**	21

All results derive from continuing activities

The company has no recognised gains or losses other than the profit for the above year

There were no material differences between the result as disclosed in the profit and loss account and that given by an unmodified historical cost basis during the current year

Notes on pages 9 – 16 form part of the financial statements

Balance Sheet
as at 30 September 2011

	Note	**2011**		2010	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*8*		**259**		284
Tangible assets	*9*		**13**		9
			272		293
Current assets					
Stocks	*10*	**3**		3	
Debtors (including £791,000 *(2010 £709,000)* due after more than one year)	*11*	**1,003**		891	
		1,006		894	
Creditors. amounts falling due within one year	*12*	**(126)**		(96)	
Net current assets			**880**		798
Net assets			**1,152**		1,091
Capital and reserves					
Called up share capital	*14*		**-**		-
Profit and loss account	*15*		**1,152**		1,091
Shareholders' funds	*16*		**1,152**		1,091

Notes on pages 9 – 16 form part of the financial statements

These financial statements were approved by the board of directors on 30 May 2012 and were signed on its behalf by

Paul Watson
Director

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation
The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report on pages 3 to 4 The company is expected to continue to generate positive cash flows on its own account for the foreseeable future In addition the company has access to funds provided by Care UK Limited, a parent company The directors, having assessed the responses of the directors of Care UK Limited to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Care UK group to continue as a going concern On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Care UK Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

The company is exempt from the requirement of Financial Reporting Standard No 1 (revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Care UK Limited and its cash flows are included within the consolidated cash flow statement of that company

As the company is a wholly owned subsidiary of Care UK Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard No 8 and has therefore not disclosed transactions or balances with entities which form part of the group The consolidated financial statements of Care UK Limited, within which this company is included, can be obtained from the address given in note 19

Goodwill
Purchased goodwill arises on acquisitions and is the difference between the fair value of the purchase consideration and associated costs and the fair values attributable to the net assets acquired In accordance with FRS 10, the goodwill arising on acquisitions completed on or after 1 October 1998 is capitalised as an intangible fixed asset and amortised over its estimated useful life, which will not exceed 20 years Goodwill arising on acquisitions prior to this date was taken directly to reserves in the year of acquisition On the disposal of businesses, any unamortised goodwill in the balance sheet or goodwill previously taken to reserves in respect of such business is charged against the disposal in the profit and loss account

Fixed assets
Depreciation is provided to write off the cost, less estimated residual values, of fixed assets by equal instalments over their estimated useful economic lives as follows

Furniture, fittings and office equipment	4 years

Stocks
Stocks are valued at the lower of cost and net realisable value

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Leasing

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter Future instalments under such leases, net of finance charges, are included within creditors Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element, which reduces the outstanding obligation for future instalments

All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease

2 Turnover

Turnover represents sales and services to third party customers in the health and social care sector, stated net of any applicable value added tax Turnover is recognised when services are provided

3 Interest receivable and similar income

	2011	2010
	£000	£000
Interest receivable on inter-group loans	**61**	6

4 Directors' emoluments

The directors received no emoluments during the financial year ended 30 September 2011 for their services to the company *(2010 £nil)* The emoluments of D Marriott-Boam and P Watson are disclosed in the financial statements for Care UK Homecare Limited and the emoluments of M R Parish, A Culhane and P J Humphreys and their share options are disclosed in the financial statements of Care UK Limited No directors exercised share options in the ultimate holding company, Care UK Limited, during the year *(2010 3)* Retirement benefits under money purchase pension schemes are accruing to 4 directors *(2010 7)*

Notes to the financial statements *(continued)*

5 Staff numbers and cost

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2011	2010
Care & Administration staff	**87**	100

The average number of persons employed by the company includes both full time and part time equivalents

The aggregate payroll costs of these persons were as follows

	2011	2010
	£000	£000
Wages and salaries	**1,100**	1,086
Social security costs	**77**	74
	1,177	1,160

6 Profit on ordinary activities before taxation

	2011	2010
	£000	£000
Profit on ordinary activities before taxation is stated after charging		
Depreciation of owned fixed assets	**6**	5
Amortisation of goodwill	**25**	25
Land and buildings rentals payable under operating leases	**10**	9

Auditor's remuneration was borne by the ultimate parent company in both financial years

Notes to the financial statements *(continued)*

7 Taxation

	2011 **£000**	2010 £000
UK corporation tax at 27% *(2010 28%)*	**32**	16
Adjustments in respect of prior periods	**1**	(1)
	33	15
Deferred tax		
Adjustments in respect of prior periods	**-**	(3)
Tax on profit on ordinary activities	**33**	12

Current tax reconciliation

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows

	2011 **£000**	2010 £000
Profit on ordinary activities before tax	**94**	33
Profit on ordinary activities multiplied by the standard rate of corporation tax 27% *(2010 28%)*	**25**	9
Effects of		
Goodwill amortisation	**7**	7
Adjustments in respect of prior periods	**1**	(1)
Current tax charge for year	**33**	15

Factors that may affect future tax changes
The 2012 budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012

This will reduce the company's future current tax charge accordingly and have no effect on the deferred tax asset at 30 September 2011 (which has been calculated based on the rate of 25% substantively enacted at the balance sheet date)

There would be no overall effect from the further reductions from 25% to 22%, if these applied to the deferred tax balance at 30 September 2011, on the deferred tax asset

Notes to the financial statements *(continued)*

8 Intangible assets

Intangible assets represents goodwill arising on acquisitions completed on or after 1 October 1998

	Total £000
Cost	
At 1 October 2010 and 30 September 2011	**505**
Amortisation	
At 1 October 2010	221
Charge for year	25
At 30 September 2011	**246**
Net book value	
At 30 September 2011	**259**
At 30 September 2010	284

9 Tangible fixed assets

	Fixtures fittings and equipment £000
Cost	
At 1 October 2010	36
Additions	10
Disposals	(9)
At 30 September 2011	37
Depreciation	
At 1 October 2010	27
Charge for year	6
Disposals	(9)
At 30 September 2011	**24**
Net book value	
At 30 September 2011	**13**
At 30 September 2010	9

Notes to the financial statements *(continued)*

10 Stock

	2011 £000	2010 £000
Raw materials and consumables	**3**	3

11 Debtors

	2011 £000	2010 £000
Trade debtors	**129**	121
Amounts owed by group undertakings	**754**	715
Deferred Tax (See Note 13)	**2**	2
Other debtors	**4**	4
Prepayments and accrued income	**114**	49
	1,003	891

Debtors include amounts owed by group undertakings of £789,000 *(2010 £707,000)* and deferred tax of £2,000 *(2010 £2,000)* due after more than one year

12 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	**5**	4
Corporation tax	**34**	15
Other creditors	**38**	-
Accruals and deferred income	**49**	77
	126	96

Notes to the financial statements *(continued)*

13 Deferred taxation

	2011 £000	2010 £000
Accelerated capital allowances	(1)	(2)
Other short-term timing differences	(1)	-
Undiscounted deferred tax asset (see note 11)	(2)	(2)
As at 1 October	(2)	1
Credited to profit and loss account – prior year	-	(3)
As at 30 September	(2)	(2)

14 Share capital

	2011 £	2010 £
Allotted, called up and fully paid		
100 *(2010 100)* ordinary shares of £1 each		
1 *(2010 1)* ordinary A share of £1 each	101	101

15 Profit and loss account

	2011 £000	2010 £000
As at 1 October	1,091	1,070
Profit for the financial year	61	21
As at 30 September	1,152	1,091

16 Reconciliation of movement in shareholders' funds

	2011 £000	2010 £000
Profit for the financial year	61	21
Net addition to shareholders' funds	61	21
Opening shareholders' funds	1,091	1,070
Closing shareholders' funds	1,152	1,091

Notes to the financial statements *(continued)*

17 Commitments under operating leases

	Land and buildings	
	2011	2010
	£000	£000
Operating leases which expire		
Within one year	**2**	-
Within two to five years	**-**	8
	2	8

18 Contingent liability

The company has an unsecured loan from its immediate parent undertaking, Care UK Limited The loan is repayable by the borrower in full by 31 January 2015 Interest is payable on the amount of the advance outstanding at a rate above LIBOR agreed between the parties

In addition the company is a guarantor to the funding arrangements disclosed in the financial statements of Care UK Health and Social Care Investments Limited – please refer to those financial statements for full details, a brief summary of which is given below

i) Senior Secured Notes

In July 2010 Care UK Health & Social Care Plc (the Issuer) issued £250 million 9¾% Senior Secured Notes Interest is payable semi-annually in arrears

The Senior Secured Notes will mature on 1 August 2017 The Senior Secured Notes are guaranteed on a senior secured basis by each of Care UK Health & Social Care Investments Limited (formally Care UK Health & Social Care Newco Limited), Care UK Limited, and certain of the Issuer's other operating subsidiaries

ii) Super Senior Revolving Credit Facility

The group has an £80 million Super Senior Revolving Credit Facility, a revolving facility loan The facility expires on 13 July 2016 The margin payable on the outstanding loan is in the range of 2 5% to 4 0% above LIBOR plus any mandatory costs depending on the total net leverage of the group The final repayment date is 13 July 2016 The facility remains undrawn with the exception of £17 million as at 30 September 2011 *(2010 £22 million)* in relation to performance bonds

19 Ultimate parent company and controlling party

The company is a wholly owned subsidiary of Care UK Limited, which is registered in England and Wales Care UK Limited prepares group financial statements

The company's ultimate parent company and controlling party is Care UK Health and Social Care Holdings Limited, which is registered in England and Wales

Copies of the financial statements of Care UK Health and Social Care Holdings Limited, which include the consolidated results of this company, are available from its registered office at Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9QB