

Financial Statements

Aviemore Homes Limited

For the year ended 31 July 2014



Registered number: SC281177

Aviemore Homes Limited

Company Information

Director	S Lakhani
Company secretary	I Lakhani
Registered number	SC281177
Registered office	C/O DLA Piper Rudnick Gray Cary Scotland LLP Collins House Rutland Square Edinburgh EH1 2AA
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 80 Compair Crescent Ipswich Suffolk IP2 0EH

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Strategic Report

For the year ended 31 July 2014

The director presents his Strategic Report and the financial statements for the year ended 31st July 2014.

Principal activities

The principle activities of the company remain the ownership and operations of a nursing home in Aberdeen, Scotland.

Business review

The director is disappointed to report a fall in previous year's profits and performance levels. The occupancy figures have declined on the previous year and as a consequence reduced turnover. The home faced some significant issues around its provision of quality care, staffing, the living environment and leadership, which all came under scrutiny from the Care Inspectorate in Scotland.

Unfortunately, the inspections lead to an embargo from the Local Authority in November 2013 resulting in a rapid decline in occupancy over a 14 month period. An embargo comes with additional financial pressures, not only a reduction in occupants, but also a penalty on the fee rates paid for each resident, adding further drain on the company's financial position.

The company have taken this very seriously, investing in the environment with capital improvements and purchases of new equipment and furniture, however the ability to recruit staff in the area continues to be a challenge with competition from the local gas and oil industry, pay rates have been increased to try to combat the issue, which is helping, but the challenge will continue.

The group have also invested more into its corporate services, providing more robust support to the homes in terms of HR, Marketing and the Finance back office team as well as ensuring strong leadership is in place. Following successful meetings with the Local Authority in Aberdeen and continued investment in the building, the staff and their training, the embargo was lifted in December 2014 and the home is now recovering financially. The company still have high hopes for this home; there is a strong possibility of achieving higher private fee rates at this home, due to the affluence of the area.

Principal risks and uncertainties

Current economic and social care services climate:

The current economic environment particularly in Aberdeen and the pressure on public sector bodies to cut costs have an impact on the company's ability to achieve annual inflationary increases in residential and nursing fees.

Care needs:

The increasing care needs of the frail and elderly people under existing local authority and NHS/CCG contracts present significant risk of increasing cost and therefore impacting the profitability.

Aviemore Homes Limited

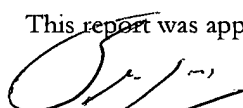
Strategic Report (continued)

For the year ended 31 July 2014

Financial key performance indicators

Occupancy as at the end of this financial period was 65.82% and had been 78.60% as an average across the year. Staffing costs for the company were 70% of turnover, much higher than the industry average, due to reliance on agency staffing.

This report was approved by the board on 6 August 2015 and signed on its behalf.



S Lakhani
Director

Director's Report

For the year ended 31 July 2014

The director presents his report and the financial statements for the year ended 31 July 2014.

Director's responsibilities statement

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

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable her to ensure that the financial statements comply with the Companies Act 2006. She 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.

Results

The loss for the year, after taxation, amounted to £120,256 (2013 - profit £404,090).

Director

The director who served during the year was:

S Lakhani

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.

Aviemore Homes Limited

Director's Report

For the year ended 31 July 2014

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 6 August 2015 and signed on its behalf.

A handwritten signature in black ink, appearing to be 'S Lakshmi', written over a horizontal line.

S Lakshmi
Director

Independent Auditor's Report to the Members of Aviemore Homes Limited

We have audited the financial statements of Aviemore Homes Limited for the year ended 31 July 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 31 July 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 Strategic report and 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 Aviemore 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".

James Brown (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Ipswich

14 August 2015

Profit and Loss Account

For the year ended 31 July 2014

	Note	2014 £	2013 £
Turnover	1,2	2,141,511	2,491,463
Cost of sales		<u>(1,668,672)</u>	<u>(1,531,044)</u>
Gross profit		472,839	960,419
Administrative expenses		<u>(322,519)</u>	<u>(391,245)</u>
Operating profit	3	150,320	569,174
Interest payable and similar charges	5	<u>(173,249)</u>	<u>(181,428)</u>
(Loss)/profit on ordinary activities before taxation		(22,929)	387,746
Tax on (loss)/profit on ordinary activities	6	<u>(97,327)</u>	<u>16,344</u>
(Loss)/profit for the financial year	13	<u>(120,256)</u>	<u>404,090</u>

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 10 to 16 form part of these financial statements.

Note of Historical Cost Profits and Losses

For the year ended 31 July 2014

	2014 £	2013 £
Reported (loss)/profit on ordinary activities before taxation	(22,929)	387,746
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	19,680	19,680
Historical cost (loss)/profit on ordinary activities before taxation	(3,249)	407,426
Historical (loss)/profit for the year after taxation	(100,576)	423,770

The notes on pages 10 to 16 form part of these financial statements.

Balance Sheet

As at 31 July 2014

	Note	£	2014 £	2013 £
Fixed assets				
Tangible assets	7		6,946,684	7,068,541
Current assets				
Debtors	8	2,517,913	2,391,777	
Cash at bank and in hand		76,331	71,986	
		<u>2,594,244</u>	<u>2,463,763</u>	
Creditors: amounts falling due within one year	9	<u>(7,572,979)</u>	<u>(3,108,466)</u>	
Net current liabilities			<u>(4,978,735)</u>	<u>(644,703)</u>
Total assets less current liabilities			<u>1,967,949</u>	<u>6,423,838</u>
Creditors: amounts falling due after more than one year	10		-	(4,397,633)
Provisions for liabilities				
Deferred tax	11		<u>(62,000)</u>	<u>-</u>
Net assets			<u><u>1,905,949</u></u>	<u><u>2,026,205</u></u>
Capital and reserves				
Called up share capital	12		100	100
Revaluation reserve	13		1,436,884	1,436,884
Profit and loss account	13		<u>468,965</u>	<u>589,221</u>
Shareholders' funds	14		<u><u>1,905,949</u></u>	<u><u>2,026,205</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 August 2015.



S Lakhani
Director

The notes on pages 10 to 16 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 July 2014

1. Accounting Policies

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 land and buildings and in accordance with applicable accounting standards.

1.2 Going concern

These financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on finance from the ultimate parent company who have confirmed that they will continue to provide financial support. As a result, the director considers it appropriate for the financial statements to be prepared on the going concern basis.

1.3 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of the operation of a nursing home during the year, exclusive of Value Added Tax and trade discounts. Revenue is recognised based on the period for which the service (care) has been provided.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost or valuation of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2% Straight Line
Plant and machinery	-	20% - 40% Straight Line
Furniture, fittings and equipment	-	20% - 40% Straight Line

1.6 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 31 July 2014

1. Accounting Policies (continued)

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.8 Pensions

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

2. Turnover

The whole of the turnover is attributable to the company's principal business activity.

All turnover arose within the United Kingdom.

3. Operating profit

The operating profit is stated after charging:

	2014	2013
	£	£
Depreciation of tangible fixed assets:		
- owned by the company	127,708	122,257
Auditor's remuneration	5,000	5,000

During the year, no director received any emoluments (2013 - £NIL).

Notes to the Financial Statements

For the year ended 31 July 2014

4. Staff costs

Staff costs were as follows:

	2014	2013
	£	£
Wages and salaries	919,103	1,146,064
Social security costs	66,561	83,441
Other pension costs	662	-
	<u>986,326</u>	<u>1,229,505</u>

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

2014	2013
No.	No.
<u>67</u>	<u>84</u>

5. Interest payable

	2014	2013
	£	£
On bank loans and overdrafts	<u>173,249</u>	<u>181,428</u>

6. Taxation

	2014	2013
	£	£
Analysis of tax (credit)/charge in the year		
Current tax (see note below)		
UK corporation tax charge on (loss)/profit for the year	-	4,615
Adjustments in respect of prior periods	(4,691)	(304)
Total current tax	<u>(4,691)</u>	<u>4,311</u>
Deferred tax		
Origination and reversal of timing differences	23,202	(1,637)
Effect of increased tax rate on opening liability	-	254
Adjustments in respect of previous year	78,816	(19,272)
Total deferred tax (see note 11)	<u>102,018</u>	<u>(20,655)</u>
Tax on (loss)/profit on ordinary activities	<u>97,327</u>	<u>(16,344)</u>

Notes to the Financial Statements

For the year ended 31 July 2014

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

The tax assessed for the year is lower than (2013 - lower than) the standard rate of corporation tax in the UK of 20% (2013 - 20%). The differences are explained below:

	2014 £	2013 £
(Loss)/profit on ordinary activities before tax	<u>(22,929)</u>	<u>387,746</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2013 - 20%)	(4,586)	77,549
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	19	20,880
Difference between capital allowances and depreciation	(6,977)	1,384
Adjustments to tax charge in respect of prior periods	(4,691)	(304)
Group relief	11,544	(95,198)
Current tax (credit)/charge for the year (see note above)	<u>(4,691)</u>	<u>4,311</u>

7. Tangible fixed assets

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 August 2013	7,100,000	22,688	176,204	7,298,892
Additions	-	263	5,588	5,851
At 31 July 2014	<u>7,100,000</u>	<u>22,951</u>	<u>181,792</u>	<u>7,304,743</u>
Depreciation				
At 1 August 2013	104,400	14,347	111,604	230,351
Charge for the year	104,400	1,549	21,759	127,708
At 31 July 2014	<u>208,800</u>	<u>15,896</u>	<u>133,363</u>	<u>358,059</u>
Net book value				
At 31 July 2014	<u>6,891,200</u>	<u>7,055</u>	<u>48,429</u>	<u>6,946,684</u>
At 31 July 2013	<u>6,995,600</u>	<u>8,341</u>	<u>64,600</u>	<u>7,068,541</u>

Included in land and buildings is freehold land of £1,880,000 (2013 - £1,880,000) which is not depreciated.

The freehold land and buildings were revalued in November 2012 by Christie & Co. Chartered Surveyors, on an open market value basis, in accordance with the RICS Appraisal and Valuation Manual.

Notes to the Financial Statements

For the year ended 31 July 2014

7. Tangible fixed assets (continued)

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

	2014	2013
	£	£
Cost	6,116,000	6,116,000
Accumulated depreciation	(508,320)	(423,600)
Net book value	5,607,680	5,692,400

8. Debtors

	2014	2013
	£	£
Trade debtors	396,340	350,866
Amounts owed by group undertakings	2,086,001	1,966,976
Prepayments and accrued income	30,956	33,917
Tax recoverable	4,616	-
Deferred tax asset (see note 11)	-	40,018
	2,517,913	2,391,777

9. Creditors:

Amounts falling due within one year

	2014	2013
	£	£
Bank loans and overdrafts	4,397,633	-
Trade creditors	106,841	87,592
Amounts owed to group undertakings	2,954,978	2,811,952
Corporation tax	-	8,901
Other taxation and social security	12,679	13,789
Other creditors	3,512	4,766
Accruals and deferred income	97,336	181,466
	7,572,979	3,108,466

The bank loan is secured on the company's freehold land and buildings by way of a fixed and floating charge together with security over other group assets. Interest is payable at 3.45% above the Royal Bank of Scotland's base rate per annum.

Notes to the Financial Statements

For the year ended 31 July 2014

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

	2014	2013
	£	£
Bank loans	-	4,397,633

The bank loan is secured on the company's freehold land and buildings by way of a fixed and floating charge together with security over other group assets. Interest is payable at 3.45% above the Royal Bank of Scotland's base rate per annum.

11. Deferred taxation

	2014	2013
	£	£
At beginning of year	40,018	19,362
(Charge for)/released during year (P&L)	(23,202)	1,384
Adjustment in respect of prior years	(78,816)	19,272
At end of year	(62,000)	40,018

The deferred taxation balance is made up as follows:

	2014	2013
	£	£
Accelerated capital allowances	(62,000)	40,018

12. Share capital

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

13. Reserves

	Revaluation reserve	Profit and loss account
	£	£
At 1 August 2013	1,436,884	589,221
Loss for the year		(120,256)
At 31 July 2014	1,436,884	468,965

Notes to the Financial Statements

For the year ended 31 July 2014

14. Reconciliation of movement in shareholders' funds

	2014	2013
	£	£
Opening shareholders' funds	2,026,205	1,622,115
(Loss)/profit for the financial year	(120,256)	404,090
Closing shareholders' funds	<u>1,905,949</u>	<u>2,026,205</u>

15. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to be £662 (2013 - £NIL).

16. Related party transactions

As a wholly owned subsidiary undertaking of The Holmes Care (Group) Limited, the company has taken advantage of the exemption in FRS 8 "Related Party Disclosure" not to disclose transactions with other members of the group headed by The Holmes Care (Group) Limited, since that company produces consolidated financial statements which are available to the public and which include Aviemore Homes Limited.

17. Ultimate parent undertaking and controlling party

The company's immediate and ultimate parent company is The Holmes Care (Group) Limited, incorporated in England and Wales. Consolidated financial statements for this company are available from Companies House.

The Holmes Care (Group) Limited is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements.

The company is controlled by S Lakhani, the company's Director.