

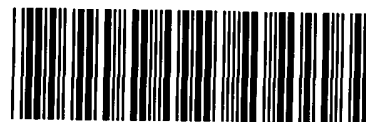
# **Howglen Care Services Ltd.**

Annual report and financial statements

Registered number 04719127

31 December 2015

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## Strategic report

### Principal activities

The principal activity of Howglen Care Services Ltd. is to provide care and support services to the social care market.

### Business review

On 31 December 2015, the trade and assets of Howglen Care Services Ltd. were hived up into its parent entity, Carewatch Care Services Limited. The company ceased trading on this date.

The profit and loss account on page 5 sets out the results for the year.

Key performance indicators based upon care worker hours, sales, gross profit, operating profit, and cash flows are used by business to monitor its performance.

### Going concern

The Director's of the company have made the decision to transfer the trade and to cease trading and as a result have not prepared the financial statements on a going concern basis. The effects of this are explained in note 1.

### Principal risks and uncertainties

The key risks facing the company are:

- Market risk - the company regularly reviews the markets in which the company operates and is mindful of the risk, especially in relation to changes in Government policy that may change the way in which care is funded.
- Credit risk - this is mitigated by ensuring accurate and timely invoicing and robust credit control procedures.

By order of the Board



Craig Hendry  
Director

~~30~~ January 2017

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Libra House  
Sunrise Parkway  
Linford Wood  
Milton Keynes  
MK14 6PH

## Directors' report

The Directors present their report and financial statements for the year ended 31 December 2015.

### Proposed dividend

The Directors do not recommend the payment of a dividend (2014: £nil).

### Directors

The Directors who held office during the period were as follows:

Scott Christie  
Craig Hendry

### Political and charitable contributions

The company made no political nor charitable donations during the year (2014: £nil).

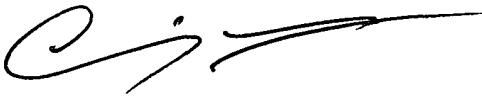
### Disclosure of information to auditors

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Craig Hendry  
Director  
~~30~~ January 2017

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Libra House  
Sunrise Parkway  
Linford Wood  
Milton Keynes  
MK14 6PH

## **Statement of Directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements**

The directors are responsible for preparing the Strategic report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable to the UK and Republic of Ireland. 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 judgements 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. As explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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.

## **Independent auditor's report to the members of Howglen Care Services Ltd.**

We have audited the financial statements of Howglen Care Services Ltd. for the year ended 31 December 2015 set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://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 December 2015 and of the 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.

### **Emphasis of matter**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note.

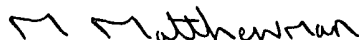
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic report and 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.



**Mark Matthewman (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP,  
Statutory Auditor  
Chartered Accountants  
31 January 2017

Altius House  
1 North Fourth Street  
Milton Keynes  
Buckinghamshire  
MK9 1NE

**Statement of comprehensive income**  
*for the year ended 31 December 2015*

	<i>Note</i>	<b>2015</b> <b>£000</b>	2014 £000
<b>Turnover</b>		<b>1,161</b>	1,288
Cost of sales		(767)	(802)
<b>Gross profit</b>		<b>394</b>	486
Administrative expenses		(286)	(314)
<b>Profit on ordinary activities before taxation</b>	2	<b>108</b>	172
Tax on profit on ordinary activities	3	-	-
<b>Profit for the financial year</b>		<b>108</b>	172

There is no other comprehensive income for the year.

The profit for the year is wholly attributable to the owners of the parent entity.

The notes on pages 8 to 14 form an integral part of these financial statements.

**Statement of financial position**  
*at 31 December 2015*

	<i>Note</i>	<b>2015</b> <b>£000</b>	<b>£000</b>	<b>2014</b> <b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible assets	4		-		1
			-		1
<b>Current assets</b>					
Debtors	5	1,160		1,116	
Cash at bank and in hand		-		-	
		1,160		1,116	
<b>Creditors: amounts falling due within one year</b>	6	-		(65)	
<b>Net current assets</b>			1,160		1,051
<b>Total assets less current liabilities</b>			1,160		1,052
<b>Net assets</b>			1,160		1,052
<b>Capital and reserves</b>					
Called up share capital	8		-		-
Profit and loss account	9		1,160		1,052
<b>Equity shareholders' funds</b>			1,160		1,052

The notes on pages 8 to 14 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 20 January 2017 and were signed on its behalf by:

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**Craig Hendry**  
*Director*



**Statement of changes in equity**  
*at 31 December 2015*

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
Balance at 1 January 2014	-	880	880
Profit for the period	-	172	172
<b>Balance at 31 December 2014</b>	<b>-</b>	<b>1,052</b>	<b>1,052</b>
Profit for the period	-	108	108
<b>Balance at 31 December 2015</b>	<b>-</b>	<b>1,160</b>	<b>1,160</b>

The notes on pages 8 to 14 form an integral part of these financial statements.

## Notes (forming part of the financial statements)

### 1 Accounting policies

Howglen Care Services Ltd. (the "Company") is a company limited by shares, incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 13.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102 in the transition period. The following exemptions have been taken in these financial statements:

- Lease arrangements - in order to determine whether an arrangement contains a lease, the Company has analysed facts and circumstances existing at 1 January 2014 rather than commencement date of the arrangement;
- Lease incentives - for leases commenced before 1 January 2014 the company continued to account for lease incentives under previous UK GAAP.

The Company's ultimate parent undertaking, Carewatch Holdings Limited includes the company in its consolidated financial statements. The consolidated financial statements of Carewatch Holdings Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Carewatch Holdings Limited's registered office. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Group and Company has not retrospectively changed its accounting under old UK GAAP for derecognition of financial assets and liabilities before the date of transition, hedge accounting for any hedging relationships that no longer existed at the date of transition, accounting estimates or discontinued operations.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 11.

#### 1.1 Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

As the company is a wholly owned subsidiary of Carewatch Holdings Limited the company has taken advantage of the exemption contained in FRS 102 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Carewatch Holdings Limited, within which this company is included, can be obtained from the address given in note 10.

## **Notes (forming part of the financial statements)**

### **1.2 Going concern**

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review within the Chief Executive's statement on page 1 of the Carewatch Holdings Limited financial statements. The financial position of the group, its cash flows, and borrowing facilities are described in the business review in the strategic report on page 2 of the Carewatch Holdings Limited financial statements. The company's business review is set out in the strategic report on page 1 of these financial statements.

In previous years, the financial statements have been prepared on a going concern basis. However, the directors took the decision to transfer trade as at 31 December 2015 and therefore this statutory entity has ceased to trade. The directors have therefore not prepared the financial statements on a going concern basis. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

### **1.3 Basic financial instruments**

#### ***Trade and other debtors / creditors***

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

### **1.4 Tangible fixed assets and depreciation**

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

Office equipment	25% reducing balance
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### **1.5 Impairment excluding stocks, investment properties and deferred tax assets**

#### ***Financial assets (including trade and other debtors)***

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

## **Notes (forming part of the financial statements)**

### **1.5 Impairment excluding stocks, investment properties and deferred tax assets (continued)**

#### **Non-financial assets**

The carrying amounts of the company's non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **1.6 Post retirement benefits**

#### **Defined contribution plans and other long term employee benefits**

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

### **1.7 Turnover**

Turnover is measured at the fair value of the consideration received and receivable and represents amounts received for services provided in the normal course of business, net of VAT. Revenue is recognised when services are supplied to external customers against orders received. The point of supply is generally defined as the point at which a service user has received care services from the company, which are usually provided on a daily basis.

### **1.8 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Notes (forming part of the financial statements)

### 2 Notes to the profit and loss account

	2015 £000	2014 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation of property, plant and equipment	1	3
<i>Auditor's remuneration:</i>		
Audit of these financial statements	4	4

The audit fees have been settled by Carewatch Care Services Limited.

### 3 Taxation

*The tax charge is based on the profit for the year and represents:*

	2015 £000	2014 £000
<i>UK corporation tax</i>		
Tax on results on ordinary activities	-	-

*Factors affecting the tax charge for the current year*

The tax charge for the period is lower (2014: lower) than the standard rate of corporation tax in the UK at 20.25% (2014: 21.50%). The differences are explained below:

	2015 £000	2014 £000
Profit on ordinary activities before tax	108	172
Profit on ordinary activities multiplied by standard rate of corporation tax of 20.25% (2014: 21.50%)	22	37
Group relief received	(22)	(37)
Tax charge on results on ordinary activities (see above)	-	-

From 1 April 2014, the main rate of corporation tax reduced to 21% and from 1 April 2015 the main rate reduced to 20%. Accordingly, current tax has been measured at the hybrid rate of 20.25%. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 19% from 1 April 2017 and 18% from 1 April 2020. This will reduce any future current tax charge accordingly. Any deferred tax at 31 December 2015 has been calculated based on the rate of 18% being the rate substantively enacted at the balance sheet date.

A further reduction to the corporation tax rate by 1% to 17% by 1 April 2020 was announced in the Chancellor's 2016 budget statement. This further change had not been substantively enacted at the balance sheet date and, therefore, is not included in these financial statements as the proposed reduction cannot be reliably quantified at this stage.

**Notes (forming part of the financial statements)**

**4 Tangible fixed assets**

	<b>Office Equipment £000</b>
<i>Cost</i>	
At beginning of year	11
Additions	4
Transferred on hive up	(15)
	<hr/>
At end of year	-
	<hr/>
<i>Depreciation</i>	
At beginning of year	10
Charge for year	1
Transferred on hive up	(11)
	<hr/>
At end of year	-
	<hr/>
<i>Net book value</i>	
At 31 December 2015	-
	<hr/>
At 31 December 2014	1
	<hr/>

**5 Debtors**

	<b>2015 £000</b>	<b>2014 £000</b>
Trade debtors	-	2
Amounts owed by group companies	1,160	1,026
Prepayments and accrued income	-	88
	<hr/>	<hr/>
	<b>1,160</b>	<b>1,116</b>
	<hr/>	<hr/>

**6 Creditors: amounts falling due within one year**

	<b>2015 £000</b>	<b>2014 £000</b>
Overdraft	-	12
Trade creditors	-	6
Other creditors	-	14
Accruals and deferred income	-	33
	<hr/>	<hr/>
	-	65
	<hr/>	<hr/>

## Notes (forming part of the financial statements)

### 7 Provisions

	Holiday pay provision £000
Provision brought forward	4
Additions	57
Utilised	(61)
<b>At 31 December 2015</b>	<b>-</b>

The holiday pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is an estimate of the salary cost payable for the period of absence, and is included in other creditors.

### 8 Called up share capital

	2015 £	2014 £	2015 Number	2014 Number
<i>Allotted, called up and fully paid</i>				
Ordinary share capital of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

### 9 Reserves

Called up share capital represents the nominal value of shares that have been issued.

Profit and loss account includes all current and prior retained profits and losses, less dividends paid.

### 10 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The company's immediate parent company is Carewatch Care Services Limited which is incorporated in the United Kingdom.

The company's ultimate parent company is Carewatch Holdings Limited, a company registered in the United Kingdom. The ultimate controlling party of Carewatch Holdings Limited is Lyceum Capital due to their majority shareholding.

The largest group in which the results of the company are consolidated is that headed by Carewatch Holdings Limited, incorporated in the United Kingdom.

The smallest group in which the results of the company are consolidated is that headed by Carewatch Care Services Limited, incorporated in the United Kingdom.

The consolidated financial statements of these companies are available to the public and may be obtained from Libra House, Sunrise Parkway Linford Wood, Milton Keynes, MK14 6PH.

## **Notes (forming part of the financial statements)**

### **11 Accounting estimates and judgements**

Preparation of the financial statements requires management to make significant judgements and estimates. The estimates and judgements are based on historical experiences and other factors including expectations of future events that are believed to be reasonable at the time such estimates and judgements are made. Actual experience may vary from these estimates.

The estimates and assumptions which have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities are discussed below:

#### *Provisions*

The company accounts for provisions in accordance with FRS 102. There are currently two types of provision:

1. A bad debt provision is considered for all non-franchise debts, the level of provision is based on age and type of debtor; and
2. In line with FRS 102, a provision is recognised for any annual leave entitlement which remains outstanding at the end of each month.

### **12 Financial risk management**

The company has exposure to three main risk areas - liquidity risk, customer credit exposure and market risk.

#### *Liquidity risk*

The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The company expects to meet its financial obligations through operating cashflows. In the event that operating cash flows would not cover all the financial obligations, the company has access to credit facilities.

#### *Customer credit exposure*

The company offer credit terms to its customers which allow payment of debt after delivery of the service. The company is at risk to the extent that a customer may be unable to pay the debt on the specified due date or dispute the charges incurred. The risk is mitigated by accurate and timely invoicing and the on-going customer relationships.

#### *Market risk*

The company regularly reviews the markets in which the company operate and is mindful of the risk, especially changes to government policy that may at times change the way in which care is funded.

### **13 Transition to FRS 102**

As stated in note 1, these are the company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

In preparing its FRS 102 balance sheet, the company has adjusted amounts reported previously in the financial statements prepared in accordance with its old basis of accounting (UK GAAP). The transition has had no impact on the result for the period ended 31 December 2014, the equity as at 31 December 2014 and the equity as at 1 January 2014.