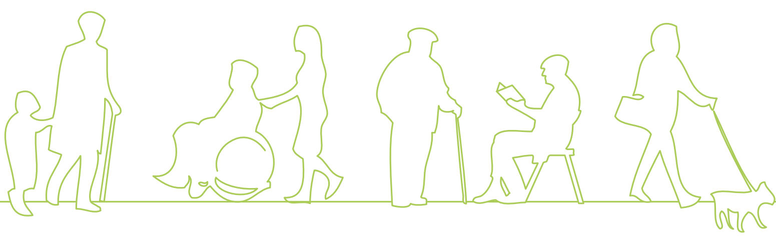
Shaw healthcare (Group) Limited Annual Report & Financial Statements

For the year ended **31 March 2015**

Shaw healthcare
wellness • happiness • kindness

Contents



Officers and Professional Advisers

Directors

A Thomas, BA, FCA *(Chairman)*
P J Nixey, MA (Oxon) *(Chief Executive)*
R S Brown, BSc, ACMA, ATII
S D Hughes
K Miller
A C Savery, AIQS

Registered office

1 Links Court
Links Business Park
St Mellons
Cardiff
CF3 0LT

Principal bankers

Allied Irish Bank
2 Callaghan Square
Cardiff
CF10 5AZ

Solicitors

Eversheds Solicitors
1 Callaghan Square
Cardiff
CF10 5BT

Blake Morgan Solicitors
Bradley Court
Park Place
Cardiff
CF10 3DP

Auditor

Deloitte LLP
5 Callaghan Square
Cardiff
CF10 5BT

Actuary

Quantum Actuarial LLP
Summers House
Pascal Close
Cardiff
CF3 0LW

Strategic report

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

Principal Activities

The principal activity of the company and the group is that of the provision of care services. These include a range of specialist nursing, residential, domiciliary and supported living services for the elderly and for people with dementia, learning disabilities and mental health problems.

Financial Performance

Review of 2014/15

2014/15 was a disappointing year. Whilst the gross profit generated from operational activities was slightly ahead of the previous year, the company saw a 7% reduction in operating profit before exceptional items from £8,348,000 to £7,745,000 caused by an increase in administrative expenses (excluding exceptional items) of £665,000. The increase in administrative expenses related mainly to new business development and an increased investment in operational management, staff training and recruitment which has helped to increase the number of services that are fully compliant with the regulator from 75% to 90%.

Profit on ordinary activities before taxation increased by 186% to £2,437,000 (2014: £851,000) due to the impairment charge recognised in the prior year relating to The Granary Care Centre in Wraxall which was not required in the current year as progress continued to be made in addressing the operational issues in the facility, including an improvement in occupancy levels.

The directors are pleased that net debt has fallen by a further £5,496,000 and now stands at £49,544,000, representing 4.8 times EBITDA (2014: 5.0 times EBITDA).

Future outlook

The short-term priorities for the group remain the control of labour costs through improved staff retention and recruitment together with increasing market bed occupancy. Actual performance for 2015/16 to date and forecasts for the full year indicate a similar level of profitability compared to 2014/15.

In the Budget on 8 July 2015, the Chancellor announced that a National Living Wage would be introduced from April 2016. This will be £7.20 per hour, rising to £9.00 per hour by 2020, which will represent a significant increase in the company's staff costs. Whilst the directors support this initiative, they are concerned as to how the increased cost will be funded.

Developing Our People

Shaw recognises the importance of minimising staff turnover, and our Learning and Development department aims to address this by giving new staff a comprehensive induction to the company while providing a range of development opportunities for established staff. This year, we prepared for the implementation of the Care Certificate, the new, transferable award which was developed as a result of the Cavendish Review, by developing our own workbook, which has received praise from CQC inspectors.

Shaw provides most of its introductory and advanced care training to its staff through its own training centre; this year saw the continued delivery of our programmes by trainers as well as dedicated time being given to introduce a formal, qualitative review of existing programmes. This year we introduced a Management Competency Framework – developed in consultation with representatives across the whole line management population of the business – to define 'what good looks like' within Shaw healthcare. Following this, the development and delivery of a new suite of management training courses was offered to the business.

In addition, trainers with significant specialisms have spent time out of training delivery rewriting and developing support materials for the implementation of a number of operational processes. Moving away from solely providing training in the classroom is another efficiency which provides continuing professional development in a way which meets the needs and challenges of the business.

The vocational qualification element of the Learning and Development department is accredited by national awarding bodies: City and Guilds and Pearson Edexcel. During the year we enrolled 267 (2014: 167) students to level 2, 3 and 5 QCF courses (the latter for the first time), and issued 211 (2014: 132) accredited qualifications.

The Shaw Stars awards celebrate the contribution and achievements of our people. The awards are mainly presented to colleagues from across our care and support services, but also include residents and their families who play a pivotal role in the group's ethos of wellness, happiness and kindness.

As in previous years, our staff also received independent recognition in a number of external national award ceremonies, many of which include entrants from every sector of the care industry around the UK.

Strategic report

Key Performance Indicators

Financial	2015	2014	Change
Operating profit before exceptional items	£7.7m	£8.3m	(7.2%)
EBITDA [1]	£10.3m	£11.0m	(6.4%)
Net debt	£49.5m	£55.0m	(10.0%)
Operational			
Services fully compliant with regulator [2]	89%	75%	14%
Services with registered manager [3]	94%	97%	(3%)
People			
Training days provided [4]	1,953	1,844	5.9%

Care and Housing Services Provided

	2015			2014		
	Shaw group	Deferred assets [5]	Total	Shaw group	Deferred assets [5]	Total
Registered care home beds	1,905	187	2,092	1,960	187	2,147
Day care places	1,397	-	1,397	1,469	-	1,469
Domiciliary care service units [6]	609	-	609	616	-	616
Residential houses/ flats	406	56	462	406	56	462
Supported living service beds	53	-	53	43	-	43

[1] EBITDA comprises underlying operating profit before exceptional items, depreciation and amortisation.

[2] Services in England are deemed to be fully compliant if, at their most recent inspection by the Care Quality Commission (CQC), the independent regulator of health and social care in England, they were assessed as meeting selected outcomes (as defined by CQC) from the essential standards of quality and safety that were reviewed during their inspection within their terms of the Health and Social Care Act. Services in Wales and Scotland are inspected in a similar way by the respective regulators but compliance is measured against different criteria under the Care Standards Act for Wales or the Regulation of Care (Scotland) Act.

[3] Includes services where a manager has been appointed and a registration application made but not yet processed by the regulator.

[4] The unit of measure used for this indicator has been changed from training courses provided to training days provided; the directors consider this to be a more accurate measure of the company's training activity.

[5] Deferred assets are care homes acquired by the company from The Shaw Foundation Limited (formerly Shaw healthcare (Homes) Limited) on 1 October 2006. These assets and contracts did not transfer to the company on that date, but in most cases are expected to do so in the future subject to specific conditions being met. Further information is included in note 11 to the financial statements.

[6] 1 unit = 10 care hours per week

Strategic report

Care and Housing Services Provided (continued)

Registered Care Homes Analysed by Region

	2015				2014			
	Shaw group		Deferred assets		Shaw group		Deferred assets	
	Number of homes	Number of beds	Number of homes	Number of beds	Number of homes	Number of beds	Number of homes	Number of beds
South East	14	848	2	48	15	898	2	48
Wales & South West	6	171	2	48	7	180	2	48
Midlands	23	865	3	91	23	865	3	91
Scotland	1	21	-	-	1	17	-	-
Total	44	1,905	7	187	46	1,960	7	187

Strategic report

Care and Housing Services Provided (continued)

Geographical Analysis of Employee Numbers

Employees of Shaw healthcare (Group) Limited and its subsidiary undertakings:

	2015				2014			
Region	Care	RO	HO	Total	Care	RO	HO	Total
South East	1,192	8	-	1,200	1,285	6	-	1,291
Wales & South West	541	6	-	547	556	9	-	565
Midlands	1,518	16	-	1,534	1,561	15	-	1,576
Scotland	126	3	-	129	104	4	-	108
Head office								
Management of homes	-	-	138	138	-	-	124	124
Development of homes	-	-	24	24	-	-	25	25
Total	3,377	33	162	3,572	3,506	34	149	3,689

Employees of The Shaw Foundation Limited:

	2015				2014			
Region	Care	RO	HO	Total	Care	RO	HO	Total
South East	84	-	-	84	85	-	-	85
Wales & South West	33	-	-	33	40	-	-	40
Midlands	182	-	-	182	198	-	-	198
Total	299	-	-	299	323	-	-	323

Employees of The Shaw Foundation Limited in respect of deferred assets (all working within care homes) are shown above. As described in note 11, some of the deferred assets are expected to transfer to Shaw healthcare (Group) Limited in the future, at which time the relevant employees will transfer to the company.

The above figures represent total employees as at 31 March including both full-time and part-time employees.

Key

Care	Employees providing care services
RO	Employees at regional offices
HO	Employees at head office in Cardiff

Care and Housing Services Provided (continued)

Aggregate value of contracted income

The group has various long-term contracts for the provision of residential care services which expire between 2027 and 2041. The total value of contracted income due up to the contract expiry dates is:

	2015 £ million	2014 £ million
Total value	1,263	1,337

Subsequent Events

On 21 July 2015 the company formed Shaw healthcare Management Consulting (Shanghai) Co. Limited, a Wholly Foreign-Owned Enterprise, to allow the company to provide management, care advisory and training services to the care industry in China.

Principal Risks and Uncertainties

1. The increasing dependency of residents

The increasing frailty of the older people referred to the group's homes under its existing local authority and NHS contracts presents a significant risk of costs outgrowing revenues. As elderly people in our care homes become more frail, best practice obliges the group to provide more hours of care. However, the local authorities and NHS trusts who have contracted with the group to provide these elderly person care services are understandably reluctant to pay more than the standard price agreed for the block contract when the price was first determined by a competitive bid. This risk is mitigated as far as possible through regular assessments of our residents' care needs, initiatives to continuously improve quality and efficiency of care delivery, and the development of strong relationships with our contract partners.

2. The risk that bed places for sale on the open market are not filled

Approximately 55% of the group's income derives from long-term contracts with local authorities and the NHS, and is therefore secure (2014: 55%).

Most of the remainder derives from the sale of bed places on the open market, with the associated risk that sales of empty bed places fall below expectation, causing a drop in revenue and resultant pressure on cash flow. The directors have mitigated this risk by developing a sales and marketing strategy across the group and ensuring that adequate management time and resources are devoted to its implementation.

3. The risk of poor performance leading to regulatory and contractual penalties

If the group is judged by a contract partner or by the regulator to be providing poor care at any of its sites, and this can be proved, then it can be liable to financial penalties under the payment mechanism. If substantial and serious, the group's reputation is damaged and this can impair growth of the business.

Any significant quality failing can also lead to a freeze in admissions into existing homes and a delay in the registration of new homes due to be commissioned. Delays in commissioning a new home adds to the cost of the development.

The group has quality and training departments which exist to monitor and improve the quality of care services, while protecting against the reputational and commercial risks resulting from poor quality care. The quality department has a responsibility to report areas of concern to the Board of Directors on a monthly basis.

Principal Risks and Uncertainties (continued)

4. Risks relating to the current economic climate

The current economic environment and the pressure on public sector bodies to cut costs have an impact on the group's ability to achieve annual inflationary increases in non-contracted residential and nursing fees. This year, as in previous years, it was necessary in many cases to maintain the same fee levels, although in a small number of services modest increases were achieved.

Financial risks are described in note 1a to the financial statements.

5. Regulatory and market risk

From time to time care industry regulators (CQC, CSSIW, Healthcare Inspectorate Wales and SCSWIS) change the regulations under which registered care operators can provide services. Altered regulations, which may be introduced within less than 12 months of initial notification of intent to change, can affect the profitability and even the commercial viability of specific care services.

A significant proportion of the market for care services in the community is funded by local authorities or the NHS. Any reduction in the volume of services which these public sector bodies are themselves funded by the Treasury to purchase is therefore a very significant risk to operators.

As well as operators being exposed to significant volume risk because of a reduction in funds allocated by the Treasury, changes are also being made to the way care services are purchased by the state on behalf of individuals. The Government's so called personalisation agenda aims to allocate the money to procure care directly to the recipients of this care. This principle, already well-established in the learning disabilities sector, is set to become fully embedded in the funding of care services for elderly people and mental health services as changes in recent legislation (notably the Care Act in England and the Social Services and Wellbeing Act in Wales) take effect over the next five years. The changed method of allocation represents a risk to the income presently earned from existing one- to five-year block contracts for care home places or domiciliary care services. It does, however, also create the opportunity for well-regarded services to win a greater share of their local market.

The group counters the above risks by remaining as flexible as possible in the structuring and delivery of its services and by remaining alert to potential change.

6. The risk of cost increases as a result of legislative changes

The company is exposed to the risk of costs increasing in excess of inflation as a result of legislative changes introduced by the Government. In recent years this has included increases to the National Minimum Wage, compulsory pension scheme auto-enrolment and, as described above, the forthcoming introduction in April 2016 of a National Living Wage. While the directors attempt to mitigate the impact of these changes as far as possible by increasing revenue and operational efficiency, they remain concerned as to how these cost increases will be funded in the longer term.

Approval

This report was approved by the Board of Directors on 24 September 2015 and signed on its behalf by:

P. J. Nixey

P J Nixey
Chief Executive

Directors' report

The directors present their annual report on the affairs of the company, together with the audited financial statements, for the year ended 31 March 2015.

Going Concern

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

A description of the key judgements supporting the adoption of the going concern basis can be found in note 1 to the financial statements.

Dividends

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

Directors

The directors of the company, who served throughout the financial year and subsequently, are as shown on page 3.

Disabled Employees

People with disabilities, whether registered or not, have equal opportunities when applying for vacancies, with due regard to their aptitudes and abilities. In addition to complying with legislative requirements, procedures are in place to ensure that disabled employees are fairly treated and that their training and career development needs are carefully managed. For those employees becoming disabled during the course of their employment, the group is supportive, whether through re-training or re-deployment, so as to provide an opportunity for them to remain with the group.

Auditor

In the case of each of the persons who are directors of the company at the date when this report is approved:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to continue in office as the company's auditor.

Approved by the Board of Directors
and signed on behalf of the Board

P. J. Nixey

P J Nixey
Chief Executive

24 September 2015

Directors' responsibilities statement

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and the company and of the profit or loss of the group 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 the financial statements comply with the Companies Act 2006. 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.

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

Independent auditor's report to the members of Shaw healthcare (Group) Limited

We have audited the financial statements of Shaw healthcare (Group) Limited for the year ended 31 March 2015 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes 1 to 32. 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 directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report to the members of Shaw healthcare (Group) Limited

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2015 and of the group's profit 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 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

David Hedditch

David Hedditch (senior statutory auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
Cardiff, United Kingdom

24 September 2015

Consolidated profit and loss account

Year ended 31 March 2015

	Note	2015			2014		
		Before exceptional items £'000	Exceptional items (note 3) £'000	Total £'000	Before exceptional items £'000	Exceptional items (note 3) £'000	Total £'000
Turnover	2	87,814	-	87,814	87,416	100	87,516
Operating costs		(69,305)	(57)	(69,362)	(68,969)	(260)	(69,229)
Gross profit		18,509	(57)	18,452	18,447	(160)	18,287
Administrative expenses		(10,764)	(173)	(10,937)	(10,099)	(2,069)	(12,168)
Operating profit	4	7,745	(230)	7,515	8,348	(2,229)	6,119
Interest receivable and similar income	5			557			754
Interest payable and similar charges	5			(5,635)			(6,022)
Profit on ordinary activities before taxation				2,437			851
Tax on profit on ordinary activities	7			(824)			(476)
Profit for the financial year	22			1,613			375

All amounts derive from continuing operations.

Consolidated statement of total recognised gains and losses

Year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Profit for the financial year		1,613	375
Actuarial loss relating to pension schemes	29	(1,295)	(864)
UK deferred tax attributable to actuarial loss	29	240	150
Total recognised gains/(losses) relating to the year		558	(339)

Consolidated and company balance sheets

Year ended 31 March 2015

	Note	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Fixed assets					
Intangible assets – goodwill	10	1,967	-	2,131	-
Deferred assets	11	737	737	737	737
Tangible assets	12	71,565	2,777	72,773	2,872
Investments	13	-	4,099	-	4,099
		74,269	7,613	75,641	7,708
Current assets					
Debtors:					
- due within one year	14	4,053	3,215	4,514	2,720
- due after one year	14	252	14,360	258	14,135
Short-term investments	15	-	-	100	100
Cash at bank and in hand		30,545	2,330	27,734	2,480
		34,850	19,905	32,606	19,435
Creditors: amounts falling due within one year	16	(15,647)	(4,246)	(13,018)	(3,709)
Net current assets		19,203	15,659	19,588	15,726
Total assets less current liabilities		93,472	23,272	95,229	23,434
Creditors: amounts falling due after more than one year	17	(81,527)	(6,496)	(84,860)	(7,619)
Provisions for liabilities	19	(3,328)	(113)	(3,066)	(113)
Net assets excluding pension liability		8,617	16,663	7,303	15,702
Pension liability	29	(2,188)	-	(1,490)	-
Net assets		6,429	16,663	5,813	15,702
Capital and reserves					
Share capital	20	50	50	50	50
Other reserves	21	635	435	593	435
Profit and loss account	22	5,744	16,178	5,170	15,217
Shareholders' funds	23	6,429	16,663	5,813	15,702

The financial statements of Shaw healthcare (Group) Limited, registered number 5391089, were approved by the Board of Directors and authorised for issue on 24 September 2015.

Signed on behalf of the Board of Directors

P J Nixey Chief Executive

R S Brown Group Finance Director

Consolidated cash flow statement

Year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Net cash inflow from operating activities	24	12,937	9,828
Returns on investments and servicing of finance	25	(5,542)	(5,909)
Taxation	25	(540)	(926)
Capital expenditure and financial investment	25	(1,359)	(300)
Cash inflow before financing		5,496	2,693
Financing	25	(2,785)	(3,603)
Increase/(decrease) in cash in the year	26	2,711	(910)

Notes to the financial statements

Year ended 31 March 2015

1. Accounting Policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year, are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

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 Strategic Report. In addition, note 1a to the financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Approximately 55% of the group's operating income derives from long-term contracts with local authorities and NHS trusts, and is therefore secure. Most of the remainder derives from the sale of bed places on the open market, with the associated risk that sales of empty bed places fall below expectation, causing a drop in revenue and resultant pressure on cash flow. The directors have mitigated this risk by developing a sales and marketing strategy across the group and ensuring that adequate management time and resources are devoted to its implementation.

The group bears the risk of cost inflation although this is partly offset by annual indexation clauses in its long-term contracts. The group also bears the risk of poor cost control, especially in relation to staff costs and other direct costs such as food, energy, medical and cleaning supplies. This risk is mitigated through a comprehensive framework of controls and performance indicators and by entering into fixed price agreements where possible and appropriate.

The company and several of its subsidiaries are subject to bank covenant tests which are monitored regularly by management. With two exceptions, all tests have been, and are projected to be, achieved with adequate headroom. The exceptions relate to those businesses operating properties in Pembroke, and are described below.

In May 2011 the directors took the decision to close the care facility operated by Shaw (Pembroke) Specialist Services Limited while considering its future. The facility has remained closed during the year ended 31 March 2015 and is expected to remain closed for the foreseeable future. This resulted in breaches of the combined banking covenants, incorporating the results of Surehaven (Pembroke) Limited, during the year when tested on a quarterly basis. The company's bankers have issued covenant deferral letters in respect of these tests and the directors consider it likely that further covenant deferral letters will be issued by the bank while the facility remains closed. Whilst these circumstances create material uncertainties over the availability of finance, the company can rely on short-term support from the group to meet operating cash flow requirements, and a written letter of support, up to a maximum of £90,000 for the period 12 months after the date of signing, to this effect has been received from Shaw healthcare Limited, a subsidiary of Shaw healthcare (Group) Limited. The group's formal commitment is to guarantee loan interest but not capital repayments.

1. Accounting Policies (continued)

Going concern (continued)

Surehaven (Pembroke) Limited reported operating losses for the year due to the facility not achieving the level of occupancy that was expected, although losses were less than in the prior year due to occupancy improving during the year. This resulted in breaches of the combined banking covenants, incorporating the results of Shaw (Pembroke) Specialist Services Limited, when tested on a quarterly basis. The company's bankers have issued covenant deferral letters in respect of these tests and the directors consider it likely that further covenant deferral letters will be issued by the bank in the future. Whilst these circumstances create material uncertainties over the availability of finance, the company can rely on short-term support from the group to meet operating cash flow requirements, and a written letter of support, up to a maximum of £270,000 for the period 12 months after the date of signing, to this effect has been received from Shaw healthcare Limited, a subsidiary of Shaw healthcare (Group) Limited. The group's formal commitment is to guarantee loan interest but not capital repayments.

The directors have considered the current and forecast performance of the remainder of the Shaw business and, in particular, the ability of the business to fund the operations of the entities described above. The directors have concluded that, while the circumstances described above represent material uncertainty in the accounts of the respective subsidiary companies, they do not affect the ability of the group as a whole to continue as a going concern.

Where compliance with loan covenants is achieved with minimal headroom, as is the case with those businesses running properties in Hereford and Wraxall, the group has the ability to improve cash flow through deferring the payment of inter-company fees and lending cash to the affected subsidiary. The majority of the property-owning subsidiaries have their own banking facilities and the security on these loans is ring-fenced from the rest of the group. These arrangements provide a degree of protection to the rest of the group as a last resort in the unlikely scenario that any of these individual businesses were to fail.

At 31 March 2015 the group held £6,735,000 of cash outside ring-fenced companies, and in total held £30,545,000 of cash. The strong cash position has been achieved as a result of continued tight control of working capital which gives the group the flexibility to address its business risks, reduce its indebtedness and invest in suitable new opportunities.

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings up to 31 March. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

1. Accounting Policies (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

Deferred assets

Deferred assets represent net assets acquired by the company from The Shaw Foundation Limited (formerly Shaw healthcare (Homes) Limited) on 1 October 2006. These assets and contracts did not transfer to the company on that date, but were expected to do so in the future subject to specific conditions being met. An agreement exists between the company and The Shaw Foundation whereby the company enjoys the benefits and bears the burdens of these deferred assets until the date of transfer.

On 3 January 2012 the directors signed a deed of amendment (the Deed) varying the original terms of the business transfer agreement between the company and The Shaw Foundation in respect of the clauses relating to the deferred assets. The effect of the Deed was to classify the deferred assets as either “ten-year assets” – being those facilities which are expected to transfer to the company in the future as originally intended – or “trust assets” – being those assets which, for legal and commercial reasons, are not expected to transfer but which, while operational, will continue to be run by The Shaw Foundation under existing arrangements with benefits and burdens passing to the company as described above.

1. Accounting Policies (continued)

Liability for maintenance costs

The liability for the cost of maintenance is recognised in the accounting period in which the work is carried out.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of tangible fixed assets other than freehold land, less any estimated residual values, over the expected useful economic lives of the assets concerned.

The principal annual rates used for this purpose are:

Freehold land
Nil

Freehold buildings
1.67%-10% straight-line

Long leasehold land and buildings
Over the shorter of the lease term or 50 years

Furniture and equipment
20%-33.3% straight-line

Capitalised development costs
Annuity basis over 30 years

For buildings, depreciation is charged from the date the buildings were first put into use or, in the case of care homes, the date of registration.

For capitalised development costs, depreciation is charged from the date of completion of the construction project to which the development costs relate.

Fixed asset investments

Fixed asset investments are shown at cost less provision for impairment.

Pension costs

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. Interest costs, net of the expected return on assets, are included within finance charges in the profit and loss account. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the year.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

1. Accounting Policies (continued)

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Derivative financial instruments

Interest rate swaps are disclosed at the balance sheet date at the fair value of the swap as valued by the loan finance provider.

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate of the carrying amount.

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Revenue recognition

The group recognises revenue as care is provided for non-contracted market beds and as it is made available for contracted block beds.

Development fees charged in respect of new contracts are recognised in the year that staff costs and overheads are charged to the profit and loss account. The development fees are allocated under "Housing and management services fees" in note 2.

Sales of residential properties which were constructed solely for resale are recorded as property sales in turnover. Revenue is recognised at the point of unconditional exchange of contracts.

Other reserves

Amounts are transferred from the profit and loss reserve to other reserves to reflect the intention of the group to carry out certain major repairs or replacement of equipment in the future where it is not appropriate to recognise a liability for the expense at the balance sheet date.

Development contracts and stocks

All costs incurred on the development of new schemes are charged to the profit and loss account in the year in which they are incurred until the scheme is considered certain to proceed, at which point the costs are capitalised. Development work in progress is valued at the lower of cost and net realisable value.

Costs incurred on the development of extra-care flats are capitalised as tangible fixed assets in the course of construction until complete, at which point they are transferred to current asset stocks before being sold as part of operating activities.

1. Accounting Policies (continued)

Share-based payment - company share option plan

The company operates an equity-settled company share option plan for certain directors and employees. Equity-settled share-based payments arising from this plan are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest.

Fair value is measured using the Black-Scholes pricing model. Expected volatility used in the model is determined by considering the potential change in value of the company's shares in the future based on management's best estimate of future performance. The expected life used in the model takes into consideration expected future performance and behavioural considerations.

At each balance sheet date, the company revises its estimate of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and makes a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The last options were granted in November 2014.

Share-based payment - share incentive plan

The company operates an equity-settled share incentive plan whereby all qualifying employees receive an entitlement to free shares subject to certain conditions being met. Where material, the company recognises the fair value of free shares issued in the profit and loss account, and makes a corresponding adjustment to equity.

1a. Financial Risk Management

Quality risk

Most of the group's income derives from long-term contracts with local authorities and NHS trusts, with the balance deriving from the sale of care home places, extra-care flats and services on the open market. Any shortcoming in the quality of care services places this income at risk: either because contracted income reduces if key performance indicator targets are not met or because a home with a failing reputation is unlikely to attract new business.

The main threat to quality is not being able to recruit and retain employees of a sufficient calibre. This risk is managed by intensive training of employees at every level.

Credit risk

The credit risk on liquid funds and derivative financial instruments is reduced because the group uses a number of banks with high credit-ratings assigned by international credit-rating agencies.

Most of the group's income derives from long-term contracts with public sector organisations; as such, the recoverability of amounts due is judged to be subject to low risk. The group has no significant concentration of credit risk with the balance of its income derived from the open market, with exposure spread over a number of counterparties and customers. Debtor amounts presented in the balance sheet are net of allowances for bad debts.

Certain bank loan agreements entered into by the group include covenant tests which must be met under the terms of the agreement. Covenants are monitored on an ongoing basis using actual and forecast financial information in order to ensure compliance.

1a. Financial Risk Management (continued)

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the group uses a mixture of long-term and short-term debt finance.

Price risk

As a significant proportion of the group's income derives from long-term contracts with public sector organisations, most of its income will not be subject to fluctuations in market price. Annual indexation increases are applied as per the terms of the contract. This also guarantees a certain percentage of the group's income regardless of actual occupancy levels. However, the proportion of the group's income that does not derive from long-term contracts is subject to economic and political factors such as the current pressure on public sector bodies to cut costs. This has an impact on the group's ability to achieve annual inflationary increases.

Income derived from the selling of care home places and services on the open market will generally be at rates in excess of those contracted with public sector organisations.

Volume risk

Where care home places on the external market are vacant the group bears the related fixed costs, resulting in an adverse financial impact if sales of beds fall below expectations. The group has put in place a management structure which mitigates this risk by ensuring that sufficient commercial emphasis is placed on the selling of care home places on the external market.

In respect of sales of extra-care flats, the group bears the risk that completed flats are not sold in anticipated volumes. This risk is mitigated as much as is possible with marketing strategies and advance planning.

Interest rate risk

The group's interest rate risk arises from borrowings issued at variable rates that expose the group to interest rate cash flow risk. Where significant, this risk is managed through the use of interest rate swaps.

Defined benefit schemes

As described in note 29, the group participated in five defined benefit schemes during the year which had a net pension liability of £2,188,000 at 31 March 2015 (2014: £1,490,000). For existing schemes, the group employs actuaries and investment managers to manage the risks as far possible. When assessing prospective new business opportunities, the board of directors takes into account the level of risk associated with participation in a defined benefit pension scheme.

2. Turnover

The turnover shown in the profit and loss account arises wholly in the United Kingdom and represents amounts recognised during the year in line with the group's revenue recognition policies, exclusive of Value Added Tax.

	2015 £'000	2014 £'000
Care home residential fees	75,601	75,659
Domiciliary care fees	4,564	4,865
Housing and management services fees	3,960	3,622
Service contract income	2,343	2,281
Other income	1,088	772
Grants received	195	151
Property sales	63	66
Total excluding exceptional items	87,814	87,416
Exceptional items (note 3)	-	100
	87,814	87,516

3. Exceptional Items

Exceptional items reported within operating profit

	2015 £'000	2014 £'000
Reported within turnover		
Cash received on winding up of Shaw healthcare (Co-operative) Limited	-	100
Reported within operating costs		
Restructuring costs (i)	(57)	(260)
Reported within administrative expenses		
Impairment of tangible fixed assets (ii)	(173)	(2,069)

(i) Restructuring costs of £57,000 (2014: £260,000) were recognised during the year relating to internal restructuring changes.

(ii) An impairment charge of £173,000 was recognised during the year in respect of one of the freehold facilities at Pembroke Dock (2014: £2,069,000 relating to facilities at Wraxall and Pembroke Dock). The impairment charge recognised takes into account revised cash flow forecasts in light of anticipated future occupancy levels at the facility.

4. Operating Profit

	2015 £'000	2014 £'000
Operating profit is stated after charging		
Depreciation of tangible fixed assets – owned assets	2,394	2,464
Amortisation of goodwill	164	164
Operating leases - other	795	786
– plant and machinery	811	880

The analysis of auditor's remuneration is as follows:	£'000	£'000
Fees payable to the company's auditor for the audit of the company's annual accounts	20	20
Fees payable to the company's auditor and associates for other services to the group - The audit of the company's subsidiaries pursuant to legislation	67	66
Total audit fees	87	86
Other services	-	4
Total non-audit fees	-	4
Fees payable to the company's auditor and associates in respect of associated pension schemes	5	5

The disclosures above are for the group. The company is not required, in its individual financial statements, to disclose separately information about fees for non-audit services provided to the company because the consolidated financial statements are required to disclose such fees on a consolidated basis.

Notes to the financial statements

Year ended 31 March 2015

5. Finance Charges

	2015 £'000	2014 £'000
Interest receivable and similar income		
Investment income	93	113
Net finance income relating to defined benefit pension scheme	464	641
	557	754
Interest payable and similar charges		
On bank loans, overdraft and other loans	(5,635)	(6,022)

6. Information Regarding Directors and Employees

	2015 £'000	2014 £'000
Wages and salaries	48,393	50,867
Social security costs	3,114	3,446
Other pension costs	779	649
Share-based payments (note 9)	58	72
	52,344	55,034

The average number of persons employed by the group (including executive directors and part-time employees) was:

	No.	No.
Administration	301	307
Provision of care and related services	3,245	3,368
	3,546	3,675

	£'000	£'000
Directors' remuneration		
Emoluments	830	844
Company contributions to money purchase schemes	83	54
	913	898

	£'000	£'000
Remuneration of the highest paid director		
Emoluments	206	208
Company contribution to money purchase scheme	21	21
	227	229

	No.	No.
Number of directors who		
Are members of a money purchase pension scheme	5	4

7. Tax on Profit on Ordinary Activities

	2015 £'000	2014 £'000
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the year at 21% (2014: 23%)	492	490
Adjustments relating to prior years	(18)	4
Total current tax charge	474	494
Deferred tax		
Origination and reversal of timing differences	352	(20)
Adjustments relating to prior years	(2)	2
Total deferred tax charge/(credit)	350	(18)
Total tax charge for the year	824	476

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	£'000	£'000
Profit on ordinary activities before tax	2,437	851
Tax on profit on ordinary activities before tax at 21% (2014: 23%)	512	196
Factors affecting the current tax charge for the year		
Depreciation in excess of capital allowances	210	167
Expenses not allowed for tax purposes	77	51
Utilisation of losses brought forward	(242)	(264)
Impairment of fixed assets	36	476
Adjustments in respect of prior years	(18)	4
Other timing differences	(101)	(136)
Current tax charge for the year	474	494

Taxable losses of £2,245,000 (2014: £3,398,000) have been carried forward to set off against future profits.

A deferred tax asset of £55,000 (2014: £55,000) has not been recognised in respect of tax losses carried forward and short-term timing differences. This asset has not been recognised as there is insufficient evidence that the asset can be utilised in the foreseeable future.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

8. Profit Attributable to the Company

The profit for the financial year dealt with in the financial statements of the parent company was £930,000 (2014: £485,000). As permitted by s408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company.

9. Share-Based Payments

The company recognised share-based payments/charges in the year amounting to £58,000 (2014: £72,000), comprising £15,000 (2014: £29,000) in respect of its equity-settled company share option plan and £43,000 (2014: £43,000) in respect of its equity-settled share incentive plan.

Equity-settled company share option plan

The company set up a company share option plan in April 2009 for certain directors and employees. Options are exercisable at a price equal to the estimated fair value of the company's shares on the date of the grant.

The options vest in four annual tranches. The grant of each tranche of options is conditional on participating directors and employees being employed on the relevant vesting anniversary. There are no other performance conditions attached to the options. The options expire if they remain unexercised after a period of ten years from the date of the grant.

Details of the share options outstanding during the year are as follows:

	2015		2014	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at 1 April	5,660,000	0.004	18,670,000	0.008
Exercised during the year	(220,000)	0.004	(1,410,000)	0.004
Forfeited during the year	-	-	(1,600,000)	0.004
Outstanding at 31 March	15,440,000	0.004	15,660,000	0.008
Exercisable at 31 March	11,840,000	0.004	7,610,000	0.004

No share options were granted during the year.

Equity-settled share incentive plan

In January 2010 the company set up an equity-settled share incentive plan whereby all qualifying employees received an entitlement to free shares which vest over a three-year period or sooner in certain circumstances. In the year ended 31 March 2010, 1,500,000 shares were issued valued at £0.004. Based on this valuation, the fair value of grant of shares was negligible, and accordingly no cost was recognised in the profit and loss account in that year.

On 26 April 2013, 1,500,000 shares were issued valued at £0.085 which vest over a three-year period. Accordingly, the company recognised a related expense of £43,000 to equity-settled share-based payments in 2015 (2014: £43,000).

10. Intangible Fixed Assets – Goodwill

Group	£'000
Cost	
At 1 April 2014 and 31 March 2015	3,534
Amortisation	
At 1 April 2014	1,403
Charge for the year	164
At 31 March 2015	1,567
Net book value	
At 31 March 2015	1,967
At 31 March 2014	2,131

11. Deferred Assets

On 1 October 2006 the company completed the acquisition of virtually the entire business of The Shaw Foundation Limited (then called Shaw healthcare (Homes) Limited) which included its care homes and the benefits and burdens of the contracts it had with local authorities and the NHS to develop and operate these facilities and services, and associated employees at home and head office level.

Although the entire sale was completed on 1 October 2006, some assets and contracts did not transfer to the company on that date as they were subject to specific conditions being met. The consideration for such assets and contracts is referred to as deferred assets. An agreement exists between the company and The Shaw Foundation whereby the company enjoys the benefits and bears the burdens of these deferred assets until the date of transfer.

On 3 January 2012 the directors signed a deed of amendment (the Deed) varying the original terms of the business transfer agreement between the company and The Shaw Foundation in respect of the clauses relating to the deferred assets. The effect of the Deed was to classify the deferred assets as either "ten-year assets" – being those facilities which are expected to transfer to the company in the future as originally intended – or "trust assets" – being those assets which, for legal and commercial reasons, are not expected to transfer but which, while operational, will continue to be run by The Shaw Foundation under existing arrangements with benefits and burdens passing to the company as described above.

Deferred assets amounting to £737,000 (2014: £737,000) are included under fixed assets.

12. Tangible Fixed Assets

Group	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Capitalised development costs £'000	Furniture and equipment £'000	Total £'000
Cost					
At 1 April 2014	60,541	28,875	823	6,416	96,655
Additions in the year	1,133	-	-	226	1,359
At 31 March 2015	61,674	28,875	823	6,642	98,014
Depreciation					
At 1 April 2014	12,383	6,244	157	5,098	23,882
Charge for the year	913	877	32	572	2,394
Impairment loss (note 3)	173	-	-	-	173
At 31 March 2015	13,469	7,121	189	5,670	26,449
Net book value					
At 31 March 2015	48,205	21,754	634	972	71,565
At 31 March 2014	48,158	22,631	666	1,318	72,773

Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £8,028,000 (2014: £8,028,000). Capitalised finance costs written off in the profit and loss account during the year amounted to £242,000 (2014: £209,000).

An impairment charge of £173,000 was recognised during the year (2014: £2,069,000) in respect of one of the freehold facilities at Pembroke Dock. The impairment charge recognised takes into account revised cash flow forecasts in light of anticipated future occupancy levels at the facility.

The impairment charge for the facility at Pembroke Dock is based on a discounted cash flow projection over 15 years using a discount rate of 6.57% and an assumed rate of inflation and income growth of 2.5%.

Freehold land and buildings include £6,748,694 (2014: £6,748,694) of land which is not depreciated.

12. Tangible Fixed Assets (continued)

Company	Freehold land and buildings £'000	Furniture and equipment £'000	Total £'000
Cost			
At 1 April 2014	3,127	1,456	4,583
Additions in the year	154	109	263
At 31 March 2015	3,281	1,565	4,846
Depreciation			
At 1 April 2014	703	1,008	1,711
Charge for the year	100	258	358
At 31 March 2015	803	1,266	2,069
Net book value			
At 31 March 2015	2,478	299	2,777
At 31 March 2014	2,424	448	2,872

Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £406,000 (2014: £406,000). Capitalised finance costs of £20,000 were written off in the profit and loss account during the year (2014: £20,000).

Freehold land and buildings include £361,696 (2014: £361,696) of land which is not depreciated.

13. Fixed Asset Investments

Company	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2014 and 31 March 2015	4,218
Provision for impairment	
At 1 April 2014 and 31 March 2015	119
Net book value	
At 31 March 2015 and 31 March 2014	4,099

13. Fixed Asset Investments (continued)

Group investments

The parent company and the group have investments in the following 21 subsidiary undertakings:

Subsidiary undertakings	Country of incorporation	Principal activity	Holding	%
Shaw healthcare Limited	England and Wales	Provision of care services to other Shaw companies and external clients	£1 ordinary shares	100
Shaw healthcare (FM Services) Limited	England and Wales	Provision of facilities management services to other Shaw companies and external clients	£1 ordinary shares	100
Shaw healthcare (Specialist Services) Limited	England and Wales	Development and operation of care homes for people with very challenging care needs	£1 ordinary shares	100
Shaw healthcare (Herefordshire) Limited	England and Wales	Taking over management then redeveloping six Herefordshire County Council (HCC) care homes, providing care and day care services under a 30 year contract with HCC; also the development of extra-care flats for sale and rental	£1 ordinary shares	100
Shaw healthcare (Developments) Limited	England and Wales	Purchase and development of land and facilities	£1 ordinary shares	100
Shaw healthcare (Ledbury) Limited	England and Wales	Development and operation of a community healthcare facility (GP surgery plus 24/7 minor injury service, NHS outpatients' facility and inpatients beds) under a 25-year contract with Herefordshire Primary Care Trust together with nursing home and acquired brain injury unit	£1 ordinary shares	100
Shaw healthcare (Managed Services) Limited	England and Wales	Provision of management services to other Shaw companies and external clients	£1 ordinary shares	100
Shaw Community Services Limited	England and Wales	Provision of domiciliary care and supported living services under contract to local authorities and as requested by individuals	£1 ordinary shares	100
Shaw healthcare (Barton) Limited	England and Wales	Development and operation of a community healthcare facility (GP surgery and NHS outpatients' facility plus inpatient beds) under a 30-year contract with East Staffordshire Primary Care Trust plus development and sale of extra-care flats	£1 ordinary shares	100
Shaw healthcare (de Montfort) Limited	England and Wales	Taking over management then redeveloping seven Northamptonshire County Council (NCC) care homes, providing care services under a 30-year contract with NCC	£1 ordinary shares	100

13. Fixed Assets Investments (continued)

Group investments (continued)

Subsidiary undertakings	Country of incorporation	Principal activity	Holding	%
Shaw healthcare (Northamptonshire) Limited	England and Wales	Development and management of four specialist reablement day and care centres under a 25-year PFI contract with Northamptonshire County Council	£1 ordinary shares	100
Shaw healthcare (North Somerset) Limited	England and Wales	Taking over management then redeveloping two North Somerset County Council (NSCC) care homes, providing care and day care services under a contract with NSCC	£1 ordinary shares	100
Surehaven Limited	England and Wales	The development of specialist care in medium and low secure private hospitals	£1 ordinary shares	100
Shaw healthcare (West Sussex) Limited	England and Wales	Taking over management of 16 West Sussex County Council (WSCC) care homes and building 12 new care homes providing care and day care services under a 30-year contract with WSCC	£1 ordinary shares	100
Shaw healthcare (Wraxall) Limited	England and Wales	Development and operation of a residential, nursing and specialist care complex under a contract with North Somerset County Council	£1 ordinary shares	100
Shaw (Pembroke) Specialist Services Limited	England and Wales	Development and operation of care homes for people with very challenging care needs	£1 ordinary shares	100(i)
Surehaven (Pembroke) Limited	England and Wales	The development of specialist care in medium and low secure private hospitals	£1 ordinary shares	100(i)
Surehaven Glasgow Limited	England and Wales	The development of specialist care in medium and low secure private hospitals	£1 ordinary shares	100(i)
Shaw Support Services Limited	England and Wales	Provision of supported living services under contract to local authorities	£1 ordinary shares	100
My Care My Home Limited	England and Wales	Provision of care advice and other care-related services	£1 ordinary shares	100
Surehaven (Leicester) Limited	England and Wales	Non-trading	£1 ordinary shares	100(i)

(i) Wholly-owned by a subsidiary of the parent company.

14. Debtors

	2015		2014	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts falling due within one year				
Trade debtors	2,071	201	2,853	454
Amounts owed by related parties	-	-	106	80
Amounts owed by group undertakings	-	1,672	-	1,347
Corporation tax	-	-	-	14
Other taxation and social security	-	289	151	167
Other debtors	835	457	482	9
Prepayments and accrued income	1,147	596	922	649
	4,053	3,215	4,514	2,720
Amounts falling due after more than one year				
Prepaid consideration	252	-	258	-
Deferred tax	-	58	-	30
Amounts owed by group undertakings	-	14,302	-	14,105
	252	14,360	258	14,135

Amounts owed to the parent company by group undertakings comprise 9 (2014: 9) loans repayable in instalments over periods from 7 to 23 years, and 7 (2014: 7) short-term loans with no defined repayment profile, but for which the parent company has guaranteed that repayment will not be demanded within one year. Interest charged on the loans during the year ranged from 2.0% to 23.7%.

15. Short-term Investments

Short-term investments of £nil (2014: £100,000) represent monies placed on a one-year fixed term deposit with Santander.

16. Creditors: Amounts Falling Due Within One Year

	2015		2014	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans	3,137	372	2,649	349
Other loans	889	752	862	752
Trade creditors	3,118	1,538	1,536	542
Amounts owed to related parties	4	4	-	-
Amounts owed to group undertakings	-	-	-	390
Corporation tax	338	-	357	-
Other taxation and social security	1,529	288	1,682	308
Other creditors	985	39	1,262	240
Accruals and deferred income	5,647	1,253	4,670	1,128
	15,647	4,246	13,018	3,709

17. Creditors: Amounts Falling Due After More Than One Year

	2015		2014	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans	68,568	5,745	71,654	6,116
Other loans	7,495	751	7,709	1,503
Other creditors	2,301	-	2,271	-
Accruals and deferred income	3,163	-	3,226	-
	81,527	6,496	84,860	7,619

18. Borrowings

	2015		2014	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans	71,705	6,117	74,303	6,465
Other loans	8,384	1,503	8,571	2,255
	80,089	7,620	82,874	8,720
Due within one year	4,026	1,124	3,511	1,101
Due after more than one year	76,063	6,496	79,363	7,619
	80,089	7,620	82,874	8,720

	Group £'000	Company £'000	Group £'000	Company £'000
a) Bank loans				
In less than one year	3,137	372	2,649	349
Between one and two years	3,123	396	2,835	371
Between two and five years	12,104	1,353	11,154	1,269
Over five years	53,341	3,996	57,665	4,476
	71,705	6,117	74,303	6,465

A total of 10 (2014: 10) bank loans are secured over 25 (2014: 25) separate properties, the group's remaining portfolio of residential houses in South Wales and its property sale proceeds bank account. The loans are repayable in instalments over periods from one to 21 years. Interest charged during the year ranged from 2.54% to 6.28%. The loans are due to be repaid between 2015 and 2036.

	Group £'000	Company £'000	Group £'000	Company £'000
b) Other loans				
In less than one year	889	752	862	752
Between one and two years	906	751	875	752
Between two and five years	583	-	1,221	751
Over five years	6,006	-	5,613	-
	8,384	1,503	8,571	2,255

A total of 6 (2014: 5) other loans are secured over 14 (2014: 13) separate properties and are repayable in instalments over periods from two to 24 years. Interest charged during the year ranged from 2.75% to 15%. The loans are due to be repaid between 2016 and 2038.

19. Provisions For Liabilities

	Group			Company			
	Included in provisions £'000	Included in pension liability (note 29) £'000	Total £'000	Included in provisions £'000	Included in debtors (note 14) £'000	Included in pension liability (note 29) £'000	Total £'000
Deferred taxation							
At 1 April 2014	2,953	(395)	2,558	-	(30)	-	(30)
Charged/(credited) to the profit and loss account	262	88	350	-	(28)	7	(21)
Credited to the statement of total recognised gains and losses	-	(240)	(240)	-	-	(7)	(7)
At 31 March 2015	3,215	(547)	2,668	-	(58)	-	(58)
Dilapidation provision							
At 1 April 2014 and 31 March 2015	113	-	113	113	-	-	113
Total provisions for liabilities	3,328	(547)	2,781	113	(58)	-	55

Deferred taxation

The amounts of deferred taxation provided/(recognised) at 20% (2014: 20%) in the financial statements are as follows:

	2015		2014	
	Group £'000	Company £'000	Group £'000	Company £'000
Capital allowances in excess of depreciation	4,124	-	4,070	-
Depreciation in excess of capital allowances	(101)	(58)	(75)	(29)
Other timing differences	(414)	-	(418)	(1)
Tax losses carried forward	(394)	-	(624)	-
	3,215	(58)	2,953	(30)

Dilapidation provision

The dilapidation provision relates to Red Hill Care Centre, a leasehold property. Under the terms of the lease, repair work will have to be undertaken, in addition to that charged to the profit and loss account, in order to maintain the property to the required standard, as requested by the lessor.

20. Share Capital

	2015		2014	
	Group £'000	Company £'000	Group £'000	Company £'000
Allotted, called up and fully paid				
100 million ordinary shares of £0.0005 each	50	50	50	50

21. Other Reserves

	2015		2014	
	Group £'000	Company £'000	Group £'000	Company £'000
At 1 April	593	435	495	407
Transferred from profit and loss account	42	-	98	28
At 31 March	635	435	593	435

22. Profit and Loss Account

	2015		2014	
	Group £'000	Company £'000	Group £'000	Company £'000
At 1 April	5,170	15,217	5,535	14,711
Profit for the financial year	1,613	930	375	485
Credit to equity for equity-settled share-based payments	58	58	72	72
Actuarial losses net of deferred tax	(1,055)	(27)	(714)	(23)
Transferred to other reserves	(42)	-	(98)	(28)
At 31 March	5,744	16,178	5,170	15,217

23. Reconciliation of Movement in Shareholders' Funds

	2015		2014	
	Group £'000	Company £'000	Group £'000	Company £'000
At 1 April	5,813	15,702	6,080	15,168
Profit for the financial year	1,613	930	375	485
Credit to equity for equity-settled share-based payments	58	58	72	72
Actuarial losses net of deferred tax	(1,055)	(27)	(714)	(23)
At 31 March	6,429	16,663	5,813	15,702

24. Reconciliation of Operating Profit to Operating Cash Flows

	2015	2014
	£'000	£'000
Operating profit	7,515	6,119
Depreciation	2,394	2,464
Impairment loss	173	2,069
Amortisation of goodwill	164	164
Decrease in stocks	-	195
Decrease/(increase) in debtors	467	(391)
Increase/(decrease) in creditors	2,135	(988)
Decrease in provisions	-	(1)
Surplus of pension charge over contributions paid	31	125
Share-based payments	58	72
Net cash inflow from operating activities	12,937	9,828

25. Analysis of Cash Flows

	2015 £'000	2014 £'000
Returns on investments and servicing of finance		
Interest received	93	113
Interest paid	(5,635)	(6,022)
	(5,542)	(5,909)
Taxation		
UK corporation tax paid	(540)	(926)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,359)	(300)
Financing		
Loans repaid in the year	(2,785)	(3,603)

26. Analysis and Reconciliation of Net Debt

	At 1 April 2014 £'000	Cash flows £'000	At 31 March 2015 £'000
Cash at bank and in hand	27,734	2,811	30,545
Short-term investments	100	(100)	-
	27,834	2,711	30,545
Debt due within one year	(3,511)	(515)	(4,026)
Debt due after more than one year	(79,363)	3,300	(76,063)
	(82,874)	2,785	(80,089)
Net debt	(55,040)	5,496	(49,544)

Cash at bank and in hand as at 31 March 2015 includes £23,810,000 (2014: £21,253,000) held in ring-fenced companies.

27. Financial Commitments

Operating leases

At 31 March, the group and company had annual commitments under non-cancellable operating leases as follows:

	2015		2014	
	Group £'000	Company £'000	Group £'000	Company £'000
Leases which expire				
Buildings				
Within one year	15	-	12	-
Within two to five years	11	-	33	-
After more than five years	709	709	709	709
	735	709	754	709
Other				
Within one year	81	33	72	37
Within two to five years	603	376	596	312
	684	409	668	349

Purchase of Homefield House

On 27 March 2007 the company entered into an agreement with The Shaw Foundation which conferred on the company the option to purchase Homefield House, a registered care home owned and operated by The Shaw Foundation. The consideration for the purchase was fixed at £1,560,000, of which £312,000 was paid at the time of entering into the agreement. The option is effective until 30 September 2016.

Under the same agreement, if the above option expires without being exercised then The Shaw Foundation may require the company to purchase Homefield House for the same consideration within 30 days of the end of the option period described above.

The payment of £312,000 already made is included in debtors falling due within one year on the basis that, in the event that neither option is exercised, The Shaw Foundation will repay this amount to the company.

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Year ended 31 March 2015

28. Interest Rate Swap Agreement

	2015		2014	
	Group £'000	Company £'000	Group £'000	Company £'000
Interest paid	1,957	287	2,271	307

Interest rate swap agreements based on floating LIBOR have been entered into by the following group companies:

- Shaw healthcare (Group) Limited;
- Shaw healthcare (Ledbury) Limited;
- Shaw healthcare (Northamptonshire) Limited;
- Shaw healthcare (Barton) Limited;
- Shaw healthcare (Wraxall) Limited;
- Shaw healthcare (Herefordshire) Limited; and
- Surehaven Glasgow Limited.

Interest rates are fixed at rates ranging from 4.58% to 6.72% (excluding margin). The agreements expire between 30 September 2015 and 31 March 2035. The aggregate of the fair values of the agreements at 31 March 2015 was a liability of £11,463,000 (2014: £8,301,000). The fair value of the agreement held by the parent company at 31 March 2015 was a liability of £1,378,000 (2014: £1,097,000).

29. Retirement Benefit Schemes

Defined benefit schemes

During the year the group participated in the following defined benefit schemes:

- Northamptonshire County Council Pension Fund;
- Worcestershire County Council Pension Fund;
- West Sussex County Council Pension Fund;
- Avon Pension Fund; and
- Shaw healthcare (Group) Pension Fund.

An approximate roll forward of the liabilities of the schemes as at 31 March 2015 has been made by an actuary, taking into account known member movements and other cash flows over the period. The results of this are summarised below.

	2015	2014
Principal actuarial assumptions at the balance sheet date		
Discount rate	3.2%	4.4%
Price inflation - RPI	3.2%	3.6%
Price inflation - CPI	2.2%	2.8%
Rate of increase in salaries	2.4%	3.0%
Rate of increase for pensions in payment - current pensioners	2.2%	2.8%
Rate of increase for pensions in payment - current active and deferred members	2.2%	2.8%
Post retirement mortality (life expectancy)		
Current pensioners age 65 – males	23.4	23.4
Current pensioners age 65 – females	25.3	25.3
Future pensioners age 65 (currently age 45) – males	25.6	25.6
Future pensioners age 65 (currently age 45) – females	27.8	27.8
Expected return on assets		
Equities	3.2%	7.5%
Bonds	3.2%	5.5%
Other bonds	3.2%	5.5%
Property	3.2%	5.5%
Cash	3.2%	1.0%
Other	3.2%	4.0%

29. Retirement Benefit Schemes (continued)

Defined benefit schemes (continued)

	2015 £'000	2014 £'000
Amounts recognised in the balance sheet		
Fair value of scheme assets	31,024	27,437
Present value of scheme liabilities	(33,494)	(28,989)
Deficit in schemes	(2,470)	(1,552)
Pension assets not recognised in respect of schemes in surplus	(265)	(333)
Gross pension liability recognised	(2,735)	(1,885)
Related deferred tax asset	547	395
Net pension liability recognised	(2,188)	(1,490)
Amounts recognised in the profit and loss account		
Current service cost	(539)	(605)
Pension cost recognised within operating costs	(539)	(605)
Interest cost	(1,270)	(1,222)
Expected return on scheme assets	1,747	1,863
Effect of any curtailments or settlements	(13)	-
Pension credit recognised within interest receivable	464	641
Total pension (cost)/credit recognised	(75)	36
Actual return on assets over the period		
Actual return	3,757	2,004

29. Retirement Benefit Schemes (continued)

Defined benefit schemes (continued)

	2015 £'000	2014 £'000
Analysis of amount recognised in the statement of total recognised gains and losses		
Actuarial gain on assets	2,009	140
Actuarial loss on liabilities	(3,373)	(1,887)
Pension assets not recognised in respect of schemes in surplus	69	883
Gross actuarial loss recognised	(1,295)	(864)
Deferred tax asset	240	150
Net actuarial loss recognised	(1,055)	(714)
Changes in the fair value of scheme assets		
At 1 April	27,437	27,006
Expected return on scheme assets	1,747	1,863
Actuarial gain	2,009	140
Member contributions	123	151
Employer contributions	521	489
Effect of any curtailments or settlements	-	(1,321)
Benefits paid	(813)	(891)
At 31 March	31,024	27,437
Changes in the present value of scheme liabilities		
At 1 April	28,989	27,327
Interest cost	1,270	1,222
Current service cost	539	605
Member contributions	123	151
Actuarial loss	3,373	1,887
Effect of any curtailments or settlements	13	(1,312)
Benefits paid	(813)	(891)
At 31 March	33,494	28,989

29. Retirement Benefit Schemes (continued)

Defined benefit schemes (continued)

	2015	2014
Major categories of assets as a percentage of total assets	76%	77%
Equities	15%	14%
Bonds	5%	6%
Property	3%	2%
Cash	1%	1%
Other	100%	100%

Pension information for the parent company is not disclosed separately because the Shaw healthcare (Group) Pension Fund is a multi-employer scheme and therefore the assets and liabilities of the fund cannot be accurately allocated to the employees of Shaw healthcare (Group) Limited.

The estimated amount of employer contributions expected to be paid to the schemes during 2015/16 is £439,000.

Defined contribution pension scheme

The group participates in two defined contribution pension schemes: the Shaw Group Pension Scheme and NEST, the workplace pension scheme set up by the Government for auto-enrolment. The pension cost charge for the year for these schemes amounted to £239,000 (2014: £107,000). The group also participates in the Kent County Council Pension Fund which is treated as a defined contribution scheme on the grounds of materiality. Contributions to the scheme in the year were £2,000 (2014: £2,000).

Notes to the financial statements

Year ended 31 March 2015

30. Related Party Transactions

During the year the group recognised income of £1,151,000 (2014: £836,000) and costs of £907,000 (2014: £1,046,000) in respect of transactions with The Shaw Foundation Limited, a company related by way of common directors. Amounts owed to The Shaw Foundation Limited of £4,000 are disclosed under amounts owed to related parties in note 16 to the financial statements (2014: debtor of £106,000).

The group also made loan repayments during the year of £859,000 (2014: £947,000) in respect of loans owed to The Shaw Foundation Limited. An additional loan of £685,000 (2014: £nil) was granted by The Shaw Foundation to Shaw healthcare (FM Services) Limited on 30 June 2014 in order to finance the purchase of The Laurels, a property in Edinburgh, which is being operated by Shaw healthcare (FM Services) Limited as a supported living care service. Loans owed by the group to The Shaw Foundation of £7,486,000 (2014: £7,660,000) are included within other loans in note 18 to the financial statements.

The group has taken advantage of the exemption in FRS8 not to disclose transactions between companies 100% controlled within the Shaw healthcare (Group) Limited group.

31. Controlling Party

There is no ultimate controlling party as no corporate body or individual has more than a 30% holding in the share capital of the company.

32. Subsequent Events

On 21 July 2015 the company formed Shaw healthcare Management Consulting (Shanghai) Co. Limited, a Wholly Foreign-Owned Enterprise, to allow the company to provide management, care advisory and training services to the care industry in China.

Shaw healthcare
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1 Links Court | Links Business Park | St Mellons | Cardiff | CF3 0LT
T: 029 2036 4411 | **E:** info@shaw.co.uk
Company Registration Number 5391089