Report & Financial Statements

Shaw healthcare (Group) Limited
31 March 2014

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
M Heywood-Briggs, MSc, FRSPH, MCMI
S D Hughes
K Miller
A C Savery, AIQS

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St Mellons
Cardiff
CF3 0LT

SOLICITORS

Eversheds Solicitors
1 Callaghan Square
Cardiff
CF10 5BT

Blake Morgan Solicitors
Bradley Court
Park Place
Cardiff
CF10 3DP

PRINCIPAL BANKERS

Allied Irish Bank
2 Callaghan Square
Cardiff
CF10 5AZ

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 2013/14

2014 was a difficult year, with a significant reduction in operating profit before exceptional items. This was largely due to operational difficulties experienced at The Granary Care Centre in Wraxall. Occupancy in the service was adversely affected by a placement suspension which was in effect for much of the year. However, during the year good progress was made in addressing the operational issues, culminating in the suspension being lifted in February 2014.

Profit on ordinary activities before taxation reduced by 54% to £851,000 (2013: £1,869,000), again largely due to the problem referred to above. An impairment charge was recognised in the year of £2,069,000 (2013: £2,962,000), reflecting concerns about short-term occupancy levels at two of our care facilities; further information on this can be found in note 3 to the financial statements.

The group remains committed to reducing its net debt, which fell by £2,693,000 to £55,040,000 at 31 March 2014.

Outlook for 2014/15

The short-term priorities for the group are market bed occupancy and control of labour costs through improved staff retention and recruitment. Actual performance for the year to date and forecasts for the full year indicate an improvement compared to 2013/14.

DEVELOPING OUR PEOPLE

Shaw provides most of its introductory and advanced care training to its staff through its own training centre, the assessment element of which is accredited by Qualifications Credit Framework (QCF) awarding organisations City and Guilds and Edexcel. 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. During the year we enrolled 167 students to level 2 and 3 QCF courses, and issued 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. Awards won in the year included Care Team of the year at the National Caring Times care awards, Newcomer of the year at the Learning Disability awards, and In-house Collections Team of the year at the Institute of Credit Management national awards.

Strategic report

KEY PERFORMANCE INDICATORS

FINANCIAL	2014	2013	CHANGE
Operating profit before exceptional items	£8.3m	£9.9m	-16.2%
EBITDA[1]	£11.0m	£12.6m	-12.7%
Net debt	£55.0m	£57.7m	-4.7%
OPERATIONAL			
Services fully compliant with regulator[2]	75%	66%	9%
Services with registered manager[3]	97%	95%	2%
PEOPLE			
Training courses provided	1,534	1,264	21.4%

CARE AND HOUSING SERVICES PROVIDED

	2014			2013		
	Shaw group	Deferred assets[4]	Total	Shaw group	Deferred assets[4]	Total
Registered care home beds	1,960	187	2,147	1,853	274	2,127
Day care places	1,469	-	1,469	1,469	-	1,469
Domiciliary care service units[5]	616	-	616	615	-	615
Residential houses/flats	406	56	462	371	56	427
Supported living service beds	43	-	43	48	-	48

[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]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.

[5]1 unit = 10 care hours per week

CARE AND HOUSING SERVICES PROVIDED (continued)

Registered care homes analysed by region

	2014				2013			
	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	15	898	2	48	14	838	2	48
Wales & South West	7	180	2	48	7	180	3	72
Midlands	23	865	3	91	22	818	4	154
Scotland	1	17	-	-	1	17	-	-
Total	46	1,960	7	187	44	1,853	9	274

Strategic report

CARE AND HOUSING SERVICES PROVIDED (continued)

Geographical analysis of employee numbers

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

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

	2014				2013			
Region	Care	RO	HO	Total	Care	RO	HO	Total
South East	1,285	6	-	1,291	1,246	5	-	1,251
Wales & South West	556	9	-	565	507	8	-	515
Midlands	1,561	15	-	1,576	1,515	19	-	1,534
Scotland	104	4	-	108	88	4	-	92
Head office								
Management of homes	-	-	124	124	-	-	115	115
Development of homes	-	-	25	25	-	-	23	23
Total	3,506	34	149	3,689	3,356	36	138	3,530

Employees of The Shaw Foundation Limited:

	2014				2013			
Region	Care	RO	HO	Total	Care	RO	HO	Total
South East	85	-	-	85	91	-	-	91
Wales & South West	40	-	-	40	135	-	-	135
Midlands	198	-	-	198	197	-	-	197
Total	323	-	-	323	423	-	-	423

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.

Strategic report

Strategic report

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. The total value of contracted income due up to the contract expiry dates is:

	2014 £ million	2013 £ million
Total value	1,337	1,382

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.

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 (2013: 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.

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 "Personalisation Agenda" aims to allocate the money to procure care directly to the recipients of this care. The principal of personal budgets is already well-established in the learning disabilities sector, but less so in care services for elderly people and mental health services. This is being addressed through the introduction of individual budgets and individual health budgets in line with the Care Act 2014 and The Better Care Fund. 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.

APPROVAL

This report was approved by the Board of Directors on 24 September 2014 and signed on its behalf by:

P J Nixey
Director

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 2014.

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 (2013: £nil).

DIRECTORS

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

TAXATION STATUS

The company is a close company under the provisions of the Taxes Act 1988.

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
Chief Executive

24 September 2014

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.

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 2014 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 2014 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 2014

Consolidated profit and loss account

Year ended 31 March 2014

		2014			2013		
	Note	Before exceptional items £'000	Exceptional items (note 3) £'000	Total £'000	Before exceptional items £'000	Exceptional items (note 3) £'000	Total £'000
Turnover	2	87,416	100	87,516	84,644	-	84,644
Operating costs		(68,969)	(260)	(69,229)	(65,007)	-	(65,007)
GROSS PROFIT		18,447	(160)	18,287	19,637	-	19,637
Administrative expenses		(10,099)	(2,069)	(12,168)	(9,751)	(2,962)	(12,713)
OPERATING PROFIT	4	8,348	(2,229)	6,119	9,886	(2,962)	6,924
Profit on sale of tangible fixed assets				-			617
Interest receivable and similar income	5			754			587
Interest payable and similar charges	5			(6,022)			(6,259)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION				851			1,869
Tax on profit on ordinary activities	7			(476)			(1,282)
PROFIT FOR THE FINANCIAL YEAR	23			375			587

All amounts derive from continuing operations.

Consolidated statement of total recognised gains and losses

Year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Profit for the financial year		375	587
Actuarial loss relating to pension schemes	30	(864)	(1,034)
UK deferred tax attributable to actuarial loss	30	150	209
Total recognised losses relating to the year		(339)	(238)

Consolidated and company balance sheets

As at 31 March 2014

		2014		2013	
	Note	Group £'000	Company £'000	Group £'000	Company £'000
FIXED ASSETS					
Intangible assets - goodwill	10	2,131	-	2,295	-
Intangible assets - negative goodwill	10	-	-	-	(4)
Deferred assets	11	737	737	1,008	1,008
Tangible assets	12	72,773	2,872	76,735	2,761
Investments	13	-	4,099	-	4,099
		75,641	7,708	80,038	7,864
CURRENT ASSETS					
Stocks	14	-	-	195	195
Debtors due within one year	15	4,514	2,720	4,118	3,315
Debtors due after one year	15	258	14,135	263	13,318
Short-term investments	16	100	100	1,500	1,500
Cash at bank and in hand		27,734	2,480	27,244	2,303
		32,606	19,435	33,320	20,631
CREDITORS: amounts falling due within one year	17	(13,018)	(3,709)	(14,544)	(4,494)
NET CURRENT ASSETS		19,588	15,726	18,776	16,137
TOTAL ASSETS LESS CURRENT LIABILITIES		95,229	23,434	98,814	24,001
CREDITORS: amounts falling due after more than one year	18	(84,860)	(7,619)	(88,356)	(8,720)
PROVISIONS FOR LIABILITIES	20	(3,066)	(113)	(3,194)	(113)
PENSION LIABILITY	30	(1,490)	-	(1,184)	-
NET ASSETS		5,813	15,702	6,080	15,168
CAPITAL AND RESERVES					
Share capital	21	50	50	50	50
Other reserves	22	593	435	495	407
Profit and loss account	23	5,170	15,217	5,535	14,711
SHAREHOLDERS' FUNDS	24	5,813	15,702	6,080	15,168

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 2014. Signed on behalf of the Board of Directors

P J Nixey

P J Nixey Chief Executive

R S Brown Group Finance Director

Consolidated cash flow statement

Year ended 31 March 2014

	Note	2014 £'000	2013 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	9,828	11,746
Returns on investments and servicing of finance	26	(5,909)	(6,146)
Taxation	26	(926)	(688)
Capital expenditure and financial investment	26	(300)	178
CASH INFLOW BEFORE FINANCING		2,693	5,090
Financing	26	(3,603)	(2,944)
(DECREASE)/INCREASE IN CASH IN THE YEAR	27	(910)	2,146

Notes to the financial statements

Year ended 31 March 2014

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 business review 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 2014 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 £300,000 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 significantly 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 £385,000 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 2014 the group held £6,481,000 of cash and £100,000 of fixed term deposits outside ring-fenced companies. In total the group held £27,734,000 of cash and £100,000 of fixed term deposits. The strong cash position has been achieved as a result of continued tight control of working capital and the ongoing strategy to dispose of non-core assets 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.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

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.

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.

No depreciation is charged on assets in the course of construction. Assets are transferred from this category into the appropriate asset class on completion of the construction stage.

Notes to the financial statements
Year ended 31 March 2014

1. ACCOUNTING POLICIES (continued)

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.

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.

1. ACCOUNTING POLICIES (continued)

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.

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 2013.

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.

Some of the 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.

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 30, the group participated in six defined benefit schemes during the year which had a net pension liability of £1,490,000 at 31 March 2014 (2013: £1,184,000). 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.

Notes to the financial statements
Year ended 31 March 2014

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 policy, exclusive of Value Added Tax.

	2014 £'000	2013 £'000
Care home residential fees	75,659	71,927
Domiciliary care fees	4,865	4,670
Housing and management services fees	3,622	3,301
Service contract income	2,281	2,229
Other income	772	2,448
Grants received	151	-
Property sales	66	69
Total excluding exceptional item	87,416	84,644
Exceptional item (note 3)	100	-
	87,516	84,644

3. EXCEPTIONAL ITEMS

Exceptional items reported within operating profit

	2014 £'000	2013 £'000
Reported within turnover		
Cash received on winding up of Shaw healthcare (Co-operative) Limited	100	-
Reported within operating costs		
Restructuring costs (i)	(260)	-
Reported within administrative expenses		
Impairment of tangible fixed assets (ii)	(2,069)	(2,962)

(i) Restructuring costs of £260,000 (2013: £nil) were recognised during the year relating to the closure of two of the company's care services, along with other internal restructuring changes.

(ii) An impairment charge of £2,069,000 was recognised during the year (2013: £2,962,000) comprising £2,031,000 in respect of the freehold facility at Wraxall, and £38,000 in respect of one of the freehold facilities at Pembroke Dock. The impairment charges recognised take into account revised cash flow forecasts in light of anticipated future occupancy levels at both facilities.

Notes to the financial statements
Year ended 31 March 2014

4. OPERATING PROFIT
Operating profit is stated after charging:

	2014 £'000	2013 £'000
Depreciation of tangible fixed assets - owned assets	2,464	2,535
Amortisation of goodwill	164	164
Operating leases - other	786	522
Operating leases - plant and machinery	880	802

The analysis of auditor's remuneration is as follows:

	2014 £'000	2013 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	20	19
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	66	64
- Other audit services: review of IT controls	-	2
Total audit fees	86	85
Other services	4	4
Total non-audit fees	4	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.

5. FINANCE CHARGES

	2014 £'000	2013 £'000
Interest receivable and similar income		
Investment income	113	113
Net finance charges relating to defined benefit pension scheme	641	474
	754	587
Interest payable and similar charges		
On bank loans, overdraft and other loans	(6,022)	(6,259)

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2014 £'000	2013 £'000
Wages and salaries	50,867	49,482
Social security costs	3,446	3,239
Other pension costs	649	707
Share-based payments (note 9)	72	56
	55,034	53,484

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

	No.	No.
Administration	307	319
Provision of care and related services	3,368	3,224
	3,675	3,543

	£'000	£'000
Directors' remuneration		
Emoluments	844	957
Company contributions to money purchase schemes	54	58
	898	1,015

	£'000	£'000
Remuneration of the highest paid director		
Emoluments	208	219
Company contributions to money purchase scheme	21	21
	229	240

	No.	No.
Number of directors who		
Are members of a money purchase pension scheme	4	5
Had awards receivable in the form of shares under a long-term incentive scheme	-	1

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2014 £'000	2013 £'000
Current taxation - United Kingdom corporation tax:		
Current tax on income for the year at 23% (2013: 24%)	490	893
Adjustments relating to prior years	4	5
Total current tax charge	494	898
Deferred tax		
Origination and reversal of timing differences	(20)	389
Adjustments relating to prior years	2	(5)
Total deferred tax (credit)/charge	(18)	384
Total tax charge for the year	476	1,282

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	851	1,869
Tax on profit on ordinary activities before tax at 23% (2013: 24%)	196	449
Factors affecting the current tax charge for the year		
Depreciation in excess of capital allowances	167	163
Difference between accounting profit and chargeable gain on asset disposal	-	(15)
Expenses not allowed for tax purposes	51	55
Utilisation of losses brought forward	(264)	(340)
Impairment of fixed assets	476	711
Adjustments in respect of prior years	4	5
Other timing differences	(136)	(130)
Current tax charge for the year	494	898

Taxable losses of £3,398,000 (2013: £4,576,000) have been carried forward to set off against future profits.

A deferred tax asset of £55,000 (2013: £80,000) 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.

The forthcoming changes in the corporation tax rate from 23% to 20% are not expected to materially affect the future tax charge.

8. PROFIT ATTRIBUTABLE TO THE COMPANY

The profit for the financial year dealt with in the financial statements of the parent company was £485,000 (2013: £744,000). 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 in the year amounting to £72,000 (2013: £56,000), comprising £29,000 (2013: £56,000) in respect of its equity-settled company share option plan and £43,000 (2013: £nil) 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:

	2014		2013	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at 1 April	18,670,000	0.008	20,532,500	0.004
Granted during the year	-	-	1,000,000	0.085
Exercised during the year	(1,410,000)	0.004	(1,087,500)	0.004
Forfeited during the year	(1,600,000)	0.004	(1,000,000)	0.004
Expired during the year	-	-	(775,000)	0.004
Outstanding at 31 March	15,660,000	0.008	18,670,000	0.008
Exercisable at 31 March	7,610,000	0.004	7,067,500	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, a further 1,500,000 shares were issued valued at £0.085, and the company recognised a related expense of £43,000 to equity-settled share-based payments in 2014 (2013: £nil).

10. INTANGIBLE FIXED ASSETS – GOODWILL

	Group			Company		
	Goodwill £'000	Negative goodwill £'000	Total £'000	Goodwill £'000	Negative goodwill £'000	Total £'000
Cost						
At 1 April 2013 and 31 March 2014	3,534	-	3,534	-	(316)	(316)
Amortisation						
At 1 April 2013	(1,239)	-	(1,239)	-	312	312
Charge for the year	(164)	-	(164)	-	4	4
At 31 March 2014	(1,403)	-	(1,403)	-	316	316
Net book value						
At 31 March 2014	2,131	-	2,131	-	-	-
At 31 March 2013	2,295	-	2,295	-	(4)	(4)

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.

On 1 April 2013 the trade and assets of The Hawthorns Nursing Home, a ten-year deferred asset, were transferred to the company from The Shaw Foundation Limited. The value of the net assets transferred amounted to £21,000; accordingly a reclassification for this amount from deferred assets to current assets has been recognised during the year.

On 6 January 2014 Sunnybank Nursing Home, a ten-year deferred asset, ceased operating. On 31 March 2014 the property was transferred from The Shaw Foundation Limited to the company pursuant to the agreement described above. The directors are of the opinion that the market value of the property is approximately £250,000; accordingly, a reclassification for this amount from deferred assets to tangible fixed assets has been recognised during the year, as shown in note 12.

Following the reclassifications described above, deferred assets amounting to £737,000 (2013: £1,008,000) remain and 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 2013	60,253	28,851	823	6,157	96,084
Additions in the year	38	24	-	259	321
Reclassification from deferred assests (note 11)	250	-	-	-	250
At 31 March 2014	60,541	28,875	823	6,416	96,655
Depreciation					
At 1 April 2013	9,401	5,381	125	4,442	19,349
Charge for the year	913	863	32	656	2,464
Impairment loss (note 3)	2,069	-	-	-	2,069
At 31 March 2014	12,383	6,244	157	5,098	23,882
Net book value					
At 31 March 2014	48,158	22,631	666	1,318	72,773
At 31 March 2013	50,852	23,470	698	1,715	76,735

Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £8,028,000 (2013: £8,028,000). Capitalised finance costs written off in the profit and loss account during the year amounted to £209,000 (2013: £216,000).

An impairment charge of £2,069,000 was recognised during the year (2013: £2,962,000) comprising £2,031,000 in respect of the freehold facility at Wraxall and £38,000 (2013: £321,000) in respect of one of the freehold facilities at Pembroke Dock. The impairment charges recognised take into account revised cash flow forecasts in light of anticipated future occupancy levels at both facilities.

The impairment charge for the facility at Wraxall is based on a discounted cash flow projection over 25 years using a discount rate of 10.25% and an assumed rate of inflation and income growth of 2.5%.

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 7.27% and an assumed rate of inflation and income growth of 2.5%.

Freehold land and buildings include £6,748,694 (2013: £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 2013	2,855	1,274	4,129
Additions in the year	22	182	204
Reclassification from deferred assests (note 11)	250	-	250
At 31 March 2014	3,127	1,456	4,583
Depreciation			
At 1 April 2013	603	765	1,368
Charge for the year	100	243	343
At 31 March 2014	703	1,008	1,711
Net book value			
At 31 March 2014	2,424	448	2,872
At 31 March 2013	2,252	509	2,761

Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £406,000 (2013: £406,000). Capitalised finance costs of £20,000 were written off in the profit and loss account during the year (2013: £20,000).

Freehold land and buildings include £361,696 (2013: £361,696) of land which is not depreciated.

13. FIXED ASSET INVESTMENTS

Company	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2013 and 31 March 2014	4,218
Provision for impairment	
At 1 April 2013 and 31 March 2014	119
Net book value	
At 31 March 2014 and 31 March 2013	4,099

13. FIXED ASSET INVESTMENTS (continued)

Principal 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

13. FIXED ASSET INVESTMENTS (continued)

Subsidiary undertakings	Country of incorporation	Principal activity	Holding	%
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
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

13. FIXED ASSET INVESTMENTS (continued)

Subsidiary undertakings	Country of incorporation	Principal activity	Holding	%
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 domiciliary care and 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. STOCKS

	2014		2013	
	Group £'000	Company £'000	Group £'000	Company £'000
Work in progress	-	-	195	195

15. DEBTORS

	2014		2013	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts falling due within one year				
Trade debtors	2,853	454	2,714	1,155
Amounts owed by related parties	106	80	40	40
Amounts owed by group undertakings	-	1,347	-	1,300
Corporation tax	-	14	-	-
Other taxation and social security	151	167	-	220
Other debtors	482	9	462	9
Prepayments and accrued income	922	649	902	591
	4,514	2,720	4,118	3,315
Amounts falling due after more than one year				
Prepaid consideration	258	-	263	-
Deferred tax	-	30	-	34
Amounts owed by group undertakings	-	14,105	-	13,284
	258	14,135	263	13,318

16. SHORT-TERM INVESTMENTS

Short-term investments of £100,000 (2013: £1,500,000) represent monies placed on a one-year fixed term deposit with Santander.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014		2013	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans	2,649	349	2,510	409
Other loans	862	752	1,019	752
Trade creditors	1,536	542	1,965	1,151
Amounts owed to group undertakings	-	390	-	412
Corporation tax	357	-	788	102
Other taxation and social security	1,682	308	1,542	235
Other creditors	1,262	240	1,888	345
Accruals and deferred income	4,670	1,128	4,832	1,088
	13,018	3,709	14,544	4,494

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2014		2013	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans	71,654	6,116	74,393	6,465
Other loans	7,709	1,503	8,555	2,255
Other creditors	2,271	-	2,120	-
Accruals and deferred income	3,226	-	3,288	-
	84,860	7,619	88,356	8,720

19. BORROWINGS

	2014		2013	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans	74,303	6,465	76,903	6,874
Other loans	8,571	2,255	9,574	3,007
	82,874	8,720	86,477	9,881
Due within one year	3,511	1,101	3,529	1,161
Due after more than one year	79,363	7,619	82,948	8,720
	82,874	8,720	86,477	9,881

	2014		2013	
	Group £'000	Company £'000	Group £'000	Company £'000
a) Bank loans				
In less than one year	2,649	349	2,510	409
Between one and two years	2,835	371	2,598	349
Between two and five years	11,154	1,269	10,095	1,190
Over five years	57,665	4,476	61,700	4,926
	74,303	6,465	76,903	6,874

A total of 10 (2013: 13) bank loans is secured over 25 (2013: 27) 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 1 to 22 years. Interest charged during the year ranged from 2.54% to 6.28%. The loans are due to be repaid between 2015 and 2036.

19. BORROWINGS (continued)

	2014		2013	
	Group £'000	Company £'000	Group £'000	Company £'000
b) Other loans				
In less than one year	862	752	1,019	752
Between one and two years	875	752	866	752
Between two and five years	1,221	751	1,936	1,503
Over five years	5,613	-	5,753	-
	8,571	2,255	9,574	3,007

A total of 5 (2013: 5) other loans is secured over 13 (2013: 13) separate properties and repayable in instalments over periods from 2 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.

20. PROVISIONS FOR LIABILITIES

	Group			Company			
	Included in provisions £'000	Included in pension liability (note 30) £'000	Total £'000	Included in provisions £'000	Included in debtors (note 15) £'000	Included in pension liability (note 30) £'000	Total £'000
Deferred taxation							
At 1 April 2013	3,080	(354)	2,726	-	(34)	-	(34)
(Credited)/charged to the profit and loss account	(127)	109	(18)	-	4	6	10
Credited to the statement of total recognised gains and losses	-	(150)	(150)	-	-	(6)	(6)
At 31 March 2014	2,953	(395)	2,558	-	(30)	-	(30)
Dilapidation provision							
At 1 April 2013	114	-	114	113	-	-	113
Credited to the profit and loss account	(1)	-	(1)	-	-	-	-
At 31 March 2014	113	-	113	113	-	-	113
Total provisions for liabilities	3,066	(395)	2,671	113	(30)	-	83

20. PROVISIONS FOR LIABILITIES (continued)

Deferred taxation

The amounts of deferred taxation provided/(recognised) at 20% (2013: 23%) in the financial statements are as follows:

	2014		2013	
	Group £'000	Company £'000	Group £'000	Company £'000
Capital allowances in excess of depreciation	4,070	-	4,560	-
Depreciation in excess of capital allowances	(75)	(29)	(82)	(33)
Other timing differences	(418)	(1)	(426)	(1)
Tax losses carried forward	(624)	-	(972)	-
	2,953	(30)	3,080	(34)

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.

21. SHARE CAPITAL

	2014		2013	
	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

Notes to the financial statements
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22. OTHER RESERVES

	2014		2013	
	Group £'000	Company £'000	Group £'000	Company £'000
At 1 April	495	407	376	359
Transferred from profit and loss account	98	28	119	48
At 31 March	593	435	495	407

23. PROFIT AND LOSS ACCOUNT

	2014		2013	
	Group £'000	Company £'000	Group £'000	Company £'000
At 1 April	5,535	14,711	5,836	13,978
Profit for the financial year	375	485	587	744
Credit to equity for equity-settled share-based payments	72	72	56	56
Actuarial losses net of deferred tax	(714)	(23)	(825)	(19)
Transferred to other reserves	(98)	(28)	(119)	(48)
At 31 March	5,170	15,217	5,535	14,711

24. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2014		2013	
	Group £'000	Company £'000	Group £'000	Company £'000
At 1 April	6,080	15,168	6,262	14,387
Profit for the financial year	375	485	587	744
Credit to equity for equity-settled share-based payments	72	72	56	56
Actuarial losses net of deferred tax	(714)	(23)	(825)	(19)
At 31 March	5,813	15,702	6,080	15,168

25. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2014 £'000	2013 £'000
Operating profit	6,119	6,924
Depreciation	2,464	2,535
Impairment loss	2,069	2,962
Amortisation of goodwill	164	164
Decrease/(increase) in stocks	195	(195)
Increase in debtors	(391)	(1,076)
(Decrease)/increase in creditors	(988)	343
Decrease in provisions	(1)	-
Surplus of pension charge over contributions paid	125	33
Share-based payments	72	56
Net cash inflow from operating activities	9,828	11,746

26. ANALYSIS OF CASH FLOWS

	2014 £'000	2013 £'000
Returns on investments and servicing of finance		
Interest received	113	113
Interest paid	(6,022)	(6,259)
	(5,909)	(6,146)
Taxation		
UK corporation tax paid	(926)	(688)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(300)	(502)
Receipts from sale of tangible fixed assets	-	680
	(300)	178
Financing		
Loans repaid in the year	(3,603)	(2,944)

27. ANALYSIS AND RECONCILIATION OF NET DEBT

	At 1 April 2013 £'000	Cash flows £'000	At 31 March 2014 £'000
Cash at bank and in hand	27,244	490	27,734
Short-term investments	1,500	(1,400)	100
	28,744	(910)	27,834
Debt due within one year	(3,529)	18	(3,511)
Debt due after more than one year	(82,948)	3,585	(79,363)
	(86,477)	3,603	(82,874)
Net debt	(57,733)	2,693	(55,040)

Cash at bank and in hand as at 31 March 2014 includes £21,253,000 (2013: £20,504,000) held in ring-fenced companies.

28. FINANCIAL COMMITMENTS

Operating leases

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

	2014		2013	
Leases which expire	Group £'000	Company £'000	Group £'000	Company £'000
Buildings				
Within one year	12	-	18	-
Within two to five years	33	-	129	102
After more than five years	709	709	310	310
	754	709	457	412
Other				
Within one year	72	37	133	104
Within two to five years	596	312	489	202
	668	349	622	306

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 2015.

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.

29. INTEREST RATE SWAP AGREEMENTS

	2014		2013	
	Group £'000	Company £'000	Group £'000	Company £'000
Interest paid	2,271	307	2,120	300

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;
- Shaw (Pembroke) Specialist Services Limited;
- Surehaven (Pembroke) 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 2014 and 31 March 2035. The aggregate of the fair values of the agreements at 31 March 2014 was a liability of £8,301,000 (2013: £12,657,000). The fair value of the agreement held by the parent company at 31 March 2014 was a liability of £1,097,000 (2013: £1,681,000).

30. 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;
- Shaw healthcare (Group) Pension Fund; and
- Greater Manchester Pension Fund.

The company ended its participation in the Greater Manchester Pension Fund during the year by means of a settlement whereby it was relieved of its obligations in respect of the scheme in exchange for a payment to participants.

An approximate roll forward of the liabilities of the schemes as at 31 March 2014 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.

	2014	2013
Principal actuarial assumptions at the balance sheet date		
Discount rate	4.40%	4.50%
Price inflation - RPI	3.60%	3.30%
Price inflation - CPI	2.80%	2.80%
Rate of increase in salaries	3.00%	3.00%
Rate of increase for pensions in payment - current pensioners	2.80%	2.80%
Rate of increase for pensions in payment - current active and deferred members	2.80%	2.80%
Post retirement mortality (life expectancy)		
Current pensioners age 65 - males	23.4	22.2
Current pensioners age 65 - females	25.3	24.2
Future pensioners age 65 (currently age 45) - males	25.6	24.0
Future pensioners age 65 (currently age 45) - females	27.8	26.4
Expected return on assets		
Equities	7.5%	7.5%
Bonds	5.5%	5.5%
Other bonds	5.5%	5.5%
Property	5.5%	5.5%
Cash	1.0%	1.0%
Other	4.0%	4.0%

30. RETIREMENT BENEFIT SCHEMES (continued)

Defined benefit schemes (continued)

	2014 £'000	2013 £'000
Amounts recognised in the balance sheet		
Fair value of scheme assets	27,437	27,006
Present value of scheme liabilities	(28,989)	(27,327)
Deficit in schemes	(1,552)	(321)
Pension assets not recognised in respect of schemes in surplus	(333)	(1,217)
Gross pension liability recognised	(1,885)	(1,538)
Related deferred tax asset	395	354
Net pension liability recognised	(1,490)	(1,184)
Amounts recognised in the profit and loss account		
Current service cost	(605)	(598)
Past service cost	-	-
Pension cost recognised within operating costs	(605)	(598)
Interest cost	(1,222)	(1,128)
Expected return on scheme assets	1,863	1,602
Pension credit recognised within interest receivable	641	474
Total pension credit/(cost) recognised	36	(124)
Actual return on assets over the period		
Actual return	2,004	3,441
Analysis of amount recognised in the statement of total recognised gains and losses		
Actuarial gain on assets	140	1,839
Actuarial loss on liabilities	(1,887)	(3,237)
Pension assets not recognised in respect of schemes in surplus	883	364
Gross actuarial loss recognised	(864)	(1,034)
Deferred tax asset	150	209
Net actuarial loss recognised	(714)	(825)
Changes in the fair value of scheme assets		
At 1 April	27,006	23,706
Expected return on scheme assets	1,863	1,602
Actuarial gain	140	1,839
Member contributions	151	177
Employer contributions	489	565
Effect of any curtailments or settlements	(1,321)	-
Benefits paid	(891)	(883)
At 31 March	27,437	27,006

30. RETIREMENT BENEFIT SCHEMES (continued)

Defined benefit schemes (continued)

	2014 £'000	2013 £'000
Changes in the present value of scheme liabilities		
At 1 April	27,327	23,070
Interest cost	1,222	1,128
Current service cost	605	598
Member contributions	151	177
Actuarial loss	1,887	3,237
Effect of any curtailments or settlements	(1,312)	-
Benefits paid	(891)	(883)
At 31 March	28,989	27,327

	2014	2013
Major categories of assets as a percentage of total assets		
Equities	77%	77%
Bonds	14%	16%
Property	6%	5%
Cash	2%	1%
Other	1%	1%
	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 2014/2015 is £457,000.

Defined contribution pension scheme

The group operates a defined contribution pension scheme for which the pension cost charge for the year amounted to £107,000 (2013: £119,200). 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 (2013: £2,080).

31. RELATED PARTY TRANSACTIONS

During the year the group recognised income of £836,000 (2013: £1,785,000) and costs of £1,046,000 (2013: £743,000) in respect of transactions with The Shaw Foundation Limited, a company related by way of common directors. Amounts owed by The Shaw Foundation Limited of £106,000 (2013: £40,000) are disclosed under amounts owed by related parties in note 15 to the financial statements.

The group also made loan repayments during the year of £947,000 (2013: £766,000) in respect of loans owed to The Shaw Foundation Limited. No loans were granted by The Shaw Foundation during the year (2013: £4,112,000). Loans owed to The Shaw Foundation of £7,660,000 (2013: £8,607,000) are included within other loans in note 19 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.

32. 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.

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