

Health & Care Focus

A helping hand for lifelong prosperity

Contents:

Market activity - overview
and outlook

Pension changes on the horizon - again!

Why accounts are good for business

The best Corporate Finance Team to
advise on your acquisition or disposal!!!



HAZLEWOODS

DRIVING LIFELONG PROSPERITY

Market activity - overview and outlook

There has been a lot of negative press for the sector during 2011, with the saga known as Southern Cross and the Panorama documentary relating to Castlebeck's Winterbourne View. The vast majority of operators, however, continue to offer high quality provision and have a very good reputation in their particular market place.

Many of the fundamentals of the sector have not changed over recent years, despite pressure on fees, and the challenges of staffing and inflationary



























impact. The demographics are strong and the appetite of corporate acquirers, private equity and new entrants remains. The number of transactions is still high, although there have been fewer larger deals than there were prior to the economic woes.

Hazlewoods has been busier than ever with 31 completed health and care transactions in the first nine months of 2011.

There have been some larger deals this year,

which include The Priory Group's acquisition of Craegmoor; the sale by ISIS of Pathways Care to Acorn and The SLC Group to Lifeways. In addition, Bowmark have exited a number of investments, but have also invested in Glenside Manor.

Our thoughts on the current activity in the various social care sub-sectors, the market outlook, the value trends and the specific attributes of the sub-sectors are summarised below:

Sector	Outlook 	Recent Value Trend 	Activity
Elderly (Nursing)			Lower levels of bank funding leading to reduced values and fewer transactions. Limited private equity interest, but new builds continuing.
Elderly (Residential)			Pressure from domiciliary care and lower levels of bank funding, resulting in fewer transactions. Little private equity interest.
Domiciliary Care (Elderly)			Continued growth in demand with further consolidation of a still fragmented market. Interest from private equity is keeping values high but values are driven by size.
Domiciliary Care (Specialist)			A growth area with a number of acquirers and real interest from private equity.
LD (Residential)			Currently less interest as focus is on supported living. Medium term growth envisaged in the sector; but financing property is generally less attractive to private equity investors.
LD (Supported Living)			A good number of transactions in recent months. Buyers keen to buy trade and not property.
Mental Health (Residential / Supported Living)	 / 	 / 	Similar profiles as above for LD.
Acquired Brain Injury			Good operators highly sought after; with benefit of some non-Government funding. Values remain high.
Children's Services (Residential)			Occupancy and demand remain high and multiples remain consistent for quality assets but there are limited acquirers.
Children's Services (Fostering)			Lower multiples for smaller operators, although premium remains for larger businesses. Market is consolidating.
Day Nurseries			Limited acquirers, with majority of acquisitions being owner operators. Values dependent on underlying freehold property, with lower funding levels from banks.

The high level of interest from investors, as well as bank funding availability, in relation to well performing and high quality businesses means that there are still many opportunities available for both buyers and sellers.

For a no obligation exploratory meeting to discuss current values and your options for the future of your business, please do not hesitate to contact a member of the team on 01242 246670.

Pension changes on the horizon - again!

Once again, pensions are in the limelight. This time, the Government is to start an auto-enrolment plan for pension contributions to ensure employees save for their retirement. The new rules come into force on 1 October 2012, but they don't apply to everybody at this stage. Larger employers (> 500 employees) are affected between 1 October 2012 and 1 November 2013.

Employees	Effective Date
350 - 499	1 Jan 2014
250 - 349	1 Feb 2014
240 - 249	1 April 2014
150 - 239	1 May 2014
90 - 149	1 June 2014
50 - 89	1 July 2014
Less than 50	1 March 2014 - 1 Feb 2016*

* Depending on PAYE reference number.

What are the new requirements?

- enrol all eligible workers into a qualifying workplace pension arrangement;
- choose the qualifying scheme and make contributions into it;
- there are requirements for existing schemes to consider as well.

Which employees must be included?

- You must enrol those employees aged between 22 and state pension age (an increasing 65+ for men and an increasing

60+ for women) who earn above the income tax personal allowance (£7,475 in 2011/12).

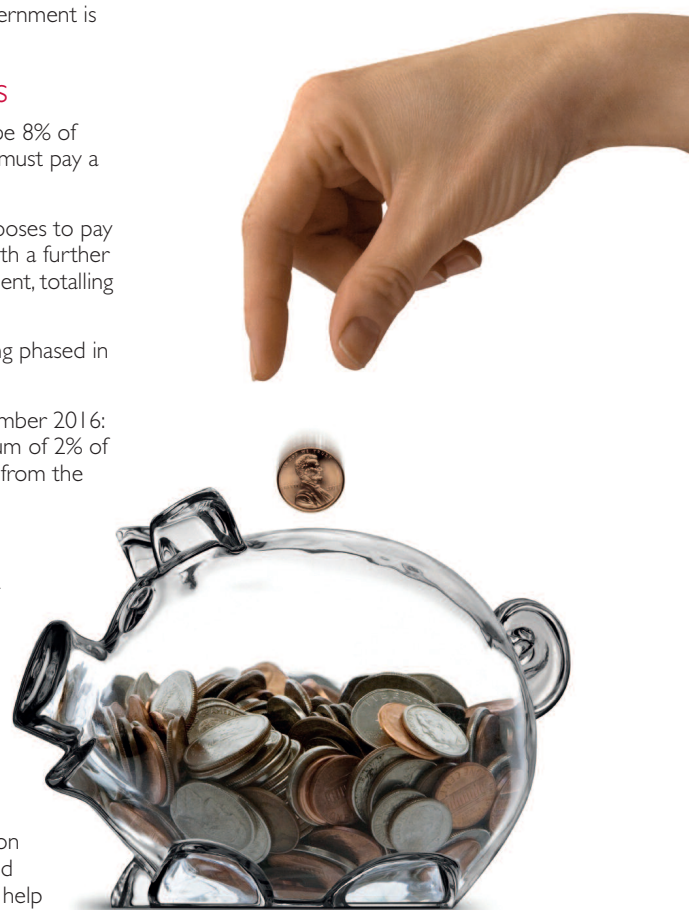
- Contributions become payable on earnings over the National Insurance primary threshold (£7,228 in 2011/12).
- Employees will be able to opt out of their employer's scheme but the Government is likely to make this difficult.

Minimum contributions

- The minimum contribution will be 8% of earnings of which the employer must pay a minimum of 3%.
- For example: if the employer chooses to pay 3%, the employee will pay 4% with a further 1% paid as tax relief by government, totalling 8%.
- The level of contributions is being phased in as follows:
 - from October 2012 to September 2016: total contribution of a minimum of 2% of earnings including at least 1% from the employer;
 - from October 2016 to September 2017: total contribution of a minimum of 5% of earnings including at least 2% from employer; and
 - from October 2017, total contribution of a minimum of 8% of earnings, including at least 3% from the employer.
- It is vital to plan this in conjunction with the rest of your business and perhaps tie it to a pay review to help reduce the impact.

We have a financial planning team at Hazlewoods, who work alongside our health and care team who are experts in these matters. We would be delighted to help you plan for this and help make it work for your business.

In the first instance contact Andrew Brookes, Head of Healthcare on 01242 237661.



Why accounts are good for business

Preparing accurate management and well planned statutory accounts can add real value to care businesses;

Tendering

- Accounts can be required in tendering for business with local authorities, who will expect to be reassured by seeing financially secure accounts and hence more likely to place service users with your business.

Defending fee cuts

- The detailed profit and loss account showing a breakdown of costs incurred by a company can assist in defending fees charged to any fee broker or the local authorities. If this is properly analysed and supportable, this can be much easier from our experience.

Increased sale value

- A sustained track record of reliable accounts

and results can add real value when it comes to selling your business.

Financial management - benefits of outsourcing

- Accurate and timely management accounts;
- Lower cost annual accounts;
- Reduced staff and administration costs;
- Benchmarking of your business;
- "Early warning" review systems;
- Pro-active planning.

The best Corporate Finance Team to advise on your acquisition or disposal!!

As many of you know, we have been involved in the health and care sector for 25 years, with a dedicated team for almost 20 years. In this time we have worked with many operators to help them develop their business, plan their tax affairs efficiently, deal with their accounts/audit and help them prepare for each phase of their long term business plan. On many occasions the end game for operators will be the sale of their business and we have been lucky enough to work with many fantastic clients to help them achieve their aspirations.

We have also achieved one of our aspirations. We are absolutely delighted that the whole health and care team at Hazlewoods have been recognised for their work with the award of the Laing and Buisson "Corporate Financier of the Year" trophy in September this year.

Andrew Brookes accepted the trophy on behalf of the team from Gyles Brandreth and Paul Birley.



Andrew Brookes
Partner and
Head of Healthcare
t: 01242 246670



David Main
Partner
t: 01242 246670



Rachael Anstee
Healthcare Director
t: 01242 237661



John Lucas
Healthcare Director
t: 01242 246670

Our Health and Social Care Team are happy to discuss matters arising from this newsletter, as well as any other issues relating to your business or personal affairs.

The services we provide include:

- Accountancy and bookkeeping
- Taxation planning
- Management accounts
- Strategic planning
- Audit
- Raising finance
- Acquisition searches and advice
- Financial and taxation due diligence
- Confidential business disposals
- Sage advice and training
- Financial planning
- Payroll assistance to include bureau service
- Benchmarking and profitability advice
- Incorporation



Windsor House Bayshill Road Cheltenham Gloucestershire GL50 3AT
Tel: 01242 237661 Fax: 01242 584263

www.hazlewoods.co.uk

This newsletter has been prepared as a guide to topics of current financial and business interest. We strongly recommend you take professional advice before making decisions on matters discussed here. No responsibility for any loss to any person acting as a result of this material can be accepted by us. Any views or opinions expressed are solely those of the author and do not necessarily represent those of Hazlewoods LLP.

Hazlewoods LLP is a Limited Liability Partnership registered in England with number OC311817

Hazlewoods is a
member of **HLB** International.

A list of LLP partners is available from each office.
Registered as auditors by the Institute of Chartered Accountants in England and Wales.
Hazlewoods LLP is authorised & regulated by the Financial Services Authority.

