

Care UK Mental Health Partnerships Limited

Directors' report and financial statements

For the year ended 30 September 2008

Registered number 01833385

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Company Information

Directors

M R Parish
P J Humphreys
R N Jackson
J E Preston

Secretary

Care UK Secretaries Limited

Auditors

KPMG Audit Plc
6 Lower Brook Street
Ipswich
Suffolk
IP4 1AP

Bankers

HSBC Bank Plc
Midland House
26 North Station Road
Colchester
Essex
CO1 1SY

Registered Office

Connaught House
850 The Crescent
Colchester Business Park
Colchester
CO4 9QB

Registered number

01833385

Directors' Report

The directors present their report and financial statements for the year ended 30 September 2008.

Principal activities and review of the business

The company is principally engaged in the provision of care for the severe and enduring mentally ill in a range of dependencies from step down low secure units to 24 hour nurse care.

Business review

The company strategy is to continue to grow both organically and through acquisition where market consolidation opportunities make this cost effective.

The Key Performance Indicators (KPI's) used by the company to measure financial performance are revenue, operating profit, operating margin, bed numbers and occupancy. Turnover in the Company has increased by 1.4% from the previous year. This was driven by annual inflationary increases. Operating profit for the year amounted to £1,316,000 (2007: £2,587,000). The principal reason for the decrease was the write off of the investment in Arc Healthcare Limited of £789,000. Operating margin decreased year on year from 18.9% to 9.5%. Total bed numbers have decreased from 378 to 365.

The main financial risk in the business relates to the level of financial occupancy achieved in our non-contracted services which comprise 71% of total beds in the business. The company has achieved average financial occupancy of 89% compared to 91% in the previous year.

An interim dividend of £750,000 (2007: £750,000) was paid in the year. The directors do not recommend a final ordinary dividend to be paid in respect of the current year (2007: £nil).

Directors

The directors who served during the year were as follows:

M R Parish
P J Humphreys
R N Jackson
J E Preston

Employees

It is group policy to give fair consideration to the employment needs of disabled people to comply with current legislation with regard to disabled persons and, wherever practicable, to continue to employ and promote the careers of existing employees, who become disabled and to consider disabled persons for employment, subsequent training, career development and promotion on the basis of their aptitude and abilities.

Management regularly visit local offices and discuss matters of current interest and concern to the business with members of staff.

Management have developed a series on internal communications tools, including e-mail notices, newsletters and 'cascade' briefings in order to keep employees informed regarding the progress, financial position and commercial issues of the Care UK group.

Political and charitable donations

The company made no political or charitable donations during the year (2007: £nil).

Statement on payment of suppliers

The company does not follow a specific code or statement on payment practice. However, it is the company's policy to pay its suppliers in accordance with the payment terms agreed at the outset of the relationship providing the supplier adheres to its obligations.

As at 30 September 2008 the number of billing days outstanding to suppliers by the company was 30 (2007: 30).

Directors' Report *(continued)*

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company will be proposed at the forthcoming Annual General Meeting.

Approval of report

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report was approved by order of the board on 30 January 2009.



J E Preston
Director

Connaught House
850 The Crescent
Colchester Business Park
Colchester
CO4 9QB

Statement of Directors' Responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Care UK Mental Health Partnerships Limited

We have audited the financial statements of Care UK Mental Health Partnerships Limited for the year ended 30 September 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed. We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

30 JAN 2009

KPMG Audit Plc
Chartered Accountants, Registered Auditor
Ipswich

Profit and Loss Account

For the year ended 30 September 2008

	<i>Note</i>	2008 £000	2007 £000
Turnover	2	13,893	13,695
Cost of sales		(12,577)	(11,108)
Operating profit		1,316	2,587
Interest payable and similar charges	3	(1,339)	(1,306)
(Loss)/Profit on ordinary activities before taxation	4-6	(23)	1,281
Tax on (loss)/profit on ordinary activities	7	(97)	(320)
(Loss)/Profit for the financial year		(120)	961

All results derive from continuing activities.

The company has no recognised gains or losses other than the profit for the above year.

There were no material differences between the result as disclosed in the profit and loss account and that given by an unmodified historical cost basis during the current year.

Balance Sheet

As at 30 September 2008

	Note	2008 £000	2007 £000
Fixed assets			
Intangible assets	9	1,016	1,107
Tangible assets	10	15,275	15,276
Investments	11	5,846	6,635
		22,137	23,018
Current assets			
Stocks	12	8	8
Debtors	13	305	534
Cash at bank and in hand		11	136
		324	678
Creditors: amounts falling due within one year	14	(2,681)	(2,590)
Net current liabilities		(2,357)	(1,912)
Total assets less current liabilities		19,780	21,106
Creditors: amounts falling due after more than one year	15	(17,259)	(17,959)
Provisions for liabilities and charges:			
Deferred taxation	16	(351)	(357)
Net assets		2,170	2,790
Capital and reserves			
Called up share capital	17	-	-
Profit and loss account	18	2,170	2,790
Shareholders' funds	19	2,170	2,790

These financial statements were approved by the board of directors on 30 January 2009 and were signed on its behalf by:



J E Preston
Director

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, as modified to include the revaluation of certain land and buildings. The company has applied the transitional rules contained in FRS 15 Tangible Fixed Assets to retain previous valuations as the basis on which certain of these assets are held.

The company is exempt from the requirement of Financial Reporting Standard No 1 (revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Care UK Plc and its cash flows are included within the consolidated cash flow statement of that company.

These financial statements present information about the Company as an individual undertaking and not about its Group. The company is exempt from the requirement of Financial Reporting Standard No 2 to prepare consolidated financial statements by virtue of section 228 of the Companies Act 1985.

As the company is a wholly owned subsidiary of Care UK Plc, the company has taken advantage of the exemption contained in Financial Reporting Standard No 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Care UK Plc, within which this company is included, can be obtained from the address given in note 23.

The financial statements have been prepared on the going concern basis. The board of Care UK Plc has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Investments

In the company's financial statements, investments in subsidiary undertakings are stated at cost less provisions for any impairments.

Goodwill

Purchased goodwill arises on acquisitions and is the difference between the fair value of the purchase consideration and associated costs and the fair values attributable to the net assets acquired. In accordance with FRS 10, the goodwill arising on acquisitions completed on or after 1 October 1998 is capitalised as an intangible fixed asset and amortised over its estimated useful life, which will not exceed 20 years. Goodwill arising on acquisitions prior to this date was taken directly to reserves in the year of acquisition. On the disposal of businesses, any unamortised goodwill in the balance sheet or goodwill previously taken to reserves in respect of such business is charged against the disposal in the profit and loss account.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Fixed assets

Freehold and long leasehold land and buildings are carried in the financial statements at cost or external professional valuation. The last valuation was 1992 and following the implementation of FRS 15 there have been no further valuations. Assets in the course of construction are carried in the financial statements at cost, taken from the most recent valuation certificate received prior to the date of the financial statements.

The cost of land and buildings includes both the costs of financing assets in the course of construction and other costs that are directly attributable to bringing the asset into working condition for its intended use. Capitalisation of finance and other costs ceases at the date the asset is fully capable of providing the service for which it has been constructed.

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

Freehold land	No depreciation provided
Freehold buildings	5 to 50 years
Long leasehold buildings	50 years, or if shorter, the period of the lease or the associated contract
Short leasehold buildings	The shorter of the period of the lease or the associated contract
Motor vehicles	4 years
Furniture, fittings, medical equipment and office equipment	3 to 10 years

Costs incurred in relation to contracts not yet signed where the company has been appointed preferred provider are capitalised in accordance with UITF Abstract 34. Such amounts are held within other debtors until such time as the contract is signed when they are transferred into assets in the course of construction.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the loss for the year and takes into account deferred taxation.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in independently administered managed funds. Contributions to defined contribution personal pension schemes are charged to the profit and loss account in the year in which they become payable.

The company also participates in a group pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company.

Because the company is unable to identify its share of the group scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme is accounted for by the Company as if the scheme was a defined contribution scheme. Further information is available in the Care UK Plc group financial statements.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Leasing

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

2 Turnover

Turnover represents sales and services to third party customers in the health and social care sector, stated net of any applicable value added tax. Turnover is recognised when services are provided.

3 Interest payable

	2008 £000	2007 £000
Intercompany interest payable	1,339	1,306

4 Directors' emoluments

The directors received no emoluments during the financial year ended 30 September 2008 for their services to the company (2007: £nil). The emoluments of M R Parish and P J Humphreys are disclosed in the financial statements of Care UK Plc.

Retirement benefits under money purchase pension schemes are accruing to 4 directors (2007: 4).

Notes to the financial statements (continued)

5 Staff numbers and cost

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2008	2007
Care staff	421	425
Administration	36	47
	<hr/>	<hr/>
	457	472
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2008	2007
	£000	£000
Wages and salaries	6,836	6,795
Social security costs	536	525
Other pension costs	38	37
	<hr/>	<hr/>
	7,410	7,357
	<hr/>	<hr/>

6 (Loss)/Profit on ordinary activities before taxation

	2008	2007
	£000	£000
<i>(Loss)/Profit on ordinary activities before taxation is stated after charging</i>		
Auditor's remuneration		
Audit of these financial statements	12	-
Depreciation and other amounts written off owned tangible and intangible fixed assets	481	594
Rentals payable under operating leases: Land and buildings	49	49
Rent payable to parent company	164	156
	<hr/>	<hr/>

In 2007 auditor's remuneration was borne by Care Solutions Limited, a fellow Group company.

Notes to the financial statements (continued)

7 Taxation

	2008 £000	2007 £000
UK corporation tax at 29% (2007: 30%)	35	422
Adjustment relating to an earlier year	68	(24)
	<hr/>	<hr/>
	103	398
Deferred tax:		
Origination and reversal of timing differences	(9)	(78)
Adjustment relating to an earlier year	3	-
	<hr/>	<hr/>
Tax on (loss)/profit on ordinary activities	97	320
	<hr/>	<hr/>

Current tax reconciliation

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:

	2008 £000	2007 £000
(Loss)/Profit on ordinary activities before tax	(23)	1,281
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax 29% (2007: 30%)	(7)	384
Effects of:		
Adjustments to tax charge relating to an earlier year	68	(24)
Capital allowances for period in excess of depreciation	18	5
Goodwill amortisation	26	27
Capitalised interest	-	(2)
Expenses not deductible for tax purposes	1	8
Other short-term timing differences	(3)	-
	<hr/>	<hr/>
Current tax charge for year	103	398
	<hr/>	<hr/>

The UK corporation tax rate was reduced from 30% to 28% with effect from 1 April 2008. Therefore the tax rate applicable for the year ended 30 September 2008 is 29%.

8 Dividends and other appropriations

	2008 £000	2007 £000
Interim dividend paid	750	750
	<hr/>	<hr/>

Notes to the financial statements (continued)

9 Intangible assets

Group	Total £000
Cost	
At 1 October 2007	1,814
	<hr/>
At 30 September 2008	1,814
	<hr/>
Amortisation	
At 1 October 2007	707
Charge for year	91
	<hr/>
At 30 September 2008	798
	<hr/>
Net book value	
At 30 September 2008	1,016
	<hr/>
At 30 September 2007	1,107
	<hr/>

Intangible assets represents goodwill arising on acquisitions completed on or after 1 October 1998.

Notes to the financial statements (continued)

10 Tangible assets

	Land and buildings	Motor vehicles	Fixtures fittings and equipment	Assets in course of construction	Total
	£000	£000	£000	£000	£000
Cost					
At 1 October 2007	14,691	15	3,019	33	17,758
Additions	89	-	415	9	513
Disposals	-	-	-	(33)	(33)
At 30 September 2008	14,780	15	3,434	9	18,238
Depreciation					
At 1 October 2007	1,051	15	1,416	-	2,482
Charge for year	108	-	373	-	481
At 30 September 2008	1,159	15	1,789	-	2,963
Net book value					
At 30 September 2008	13,621	-	1,645	9	15,275
At 30 September 2007	13,640	-	1,603	33	15,276

Land and buildings include depreciable assets with an original cost of £7,837,000 (2007: £7,774,000) and capitalised interest of £260,000 (2007: £260,000). Included within the net book value of land and buildings are long leasehold buildings which have a net book value of £24,000 (2007: £24,000) and short leasehold buildings which have a net book value of £8,000 (2007: £8,000).

Notes to the financial statements (continued)

11 Investments

	2008 £000	2007 £000
Subsidiary undertakings, stated at cost		
At 1 October	6,635	6,663
Additions	-	12
Disposals	(789)	(40)
	<hr/>	<hr/>
At 30 September	5,846	6,635
	<hr/>	<hr/>

ARC Healthcare Limited was written off during the year.

The following subsidiaries, which are incorporated in England and Wales and operate in the United Kingdom, have been included in the consolidated financial statements of the ultimate holding Company and are all directly held by the holding company.

Subsidiaries	Class of share capital held	Effective holding percentage	Nature of business
Park Villa Limited	Ordinary	100%	Provision of care to service users with complex needs and some dual diagnosis with a learning disability.
Generis Limited	Ordinary	100%	Provision of low security psychiatric care.

12 Stocks

	2008 £000	2007 £000
Raw materials and consumables	8	8
	<hr/>	<hr/>

13 Debtors

	2008 £000	2007 £000
Amounts due within one year:		
Trade debtors	234	452
Other debtors	17	17
Prepayments and accrued income	54	65
	<hr/>	<hr/>
	305	534
	<hr/>	<hr/>

Notes to the financial statements (continued)

14 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	279	273
Amounts owed to group undertakings	756	814
Other taxes and social security costs	238	240
Corporation tax	3	422
Other creditors	8	6
Accruals and deferred income	1,397	835
	<u>2,681</u>	<u>2,590</u>

15 Creditors: amounts falling due after more than one year

	2008 £000	2007 £000
Amounts owed to group undertakings	17,259	17,959
	<u>17,259</u>	<u>17,959</u>

The debt is repayable by 31 January 2015. Interest is charged at a rate of 1.5% above three month LIBOR.

16 Deferred taxation

	2008 £000	2007 £000
Accelerated capital allowances	351	361
Provisions	-	(4)
	<u>351</u>	<u>357</u>
Undiscounted deferred tax provision	351	357
	<u>351</u>	<u>357</u>
As at 1 October	357	435
Credited to profit and loss account – current year	(9)	(78)
Charged to profit and loss account – prior year	3	-
	<u>351</u>	<u>357</u>
As at 30 September	351	357

Notes to the financial statements (continued)

17 Share capital

	2008 £	2007 £
Authorised		
100 (2007: 100) ordinary shares of £1 each	100	100
	<hr/>	<hr/>
Allotted, called up and fully paid		
100 (2007: 100) ordinary shares of £1 each	100	100
	<hr/>	<hr/>

18 Profit and loss account

	2008 £000	2007 £000
As at 1 October	2,790	2,447
Retained (loss)/profit for the financial year	(120)	961
Dividends paid	(750)	(750)
Dividends received	250	132
	<hr/>	<hr/>
As at 30 September	2,170	2,790
	<hr/>	<hr/>

19 Reconciliation of movement in shareholders' funds

	2008 £000	2007 £000
Opening shareholders' funds	2,790	2,447
(Loss)/Profit for the financial period	(120)	961
Dividends paid	(750)	(750)
Dividends received	250	132
	<hr/>	<hr/>
Closing shareholders' funds	2,170	2,790
	<hr/>	<hr/>

Notes to the financial statements (continued)

20 Contingent liabilities

The group's bankers hold a fixed and floating charge over the assets of the company to secure amounts advanced to the parent company and certain fellow subsidiaries. The group has a secured loan facility of £221.0 million (2007: 224.5 million) that expires on 17 February 2015. In addition the group has an overdraft facility of £3 million (2007: £3 million). As at 30 September 2008 the group had drawn down £150.0 million (2007: £160.2 million) of those facilities.

21 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 2008 £000	Land and buildings 2007 £000
Operating leases which expire:		
Within one year	49	49
Within two to five years	-	50
In over five years	-	-
	<hr/> 49	<hr/> 99
	<hr/>	<hr/>

22 Pension commitments

a) Defined contribution scheme

The Care UK Plc group has an Inland Revenue approved defined contributions group pension plan. Contributions to this scheme are charged to the profit and loss account evenly throughout the year. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost for the year represents contributions payable by the company to the fund and amounted to £38,000 (2007: £37,000).

b) Defined benefit scheme

The company also participates in a group pension scheme providing benefits based on final pensionable pay, the Care UK LG pension scheme. The assets of the scheme are held separately from those of the company being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company.

Because the company is unable to identify its share of the group scheme assets and liabilities on a consistent and reasonable, as permitted by FRS 17 'Retirement benefits' the scheme will be accounted for by the company as if the scheme was a defined contribution scheme.

The latest full actuarial valuation was carried out at 1 April 2006 and was updated for FRS 17 purposes to 30 September 2008 by a qualified actuary. As at 30 September 2008, the scheme has a deficit of £0.0m (2007: £0.1m). Further information is available in the Care UK Plc group financial statements.

23 Controlling party

The company is a wholly owned and controlled subsidiary of Care UK Plc, a company registered in England and Wales. Copies of the consolidated financial statements of Care UK Plc are available from its registered office at Connaught House, 850 The Crescent, Colchester Business Park, Essex, CO4 9QB. The largest and smallest group in which the results of the company are consolidated is that headed by Care UK Plc, incorporated in England & Wales.