

Health & Care Services (UK) Limited
Annual Report
for the year ended 31 December 2007

Registered number 2083074

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Health & Care Services (UK) Limited

Annual report for the year ended 31 December 2007

	Page
Directors and advisors	1
Directors' report for the year ended 31 December 2007	2
Independent auditors' report to the members of Health & Care Services (UK) Limited	5
Profit and loss account for the year ended 31 December 2007	6
Statement of total recognised gains and losses for the year ended 31 December 2007	7
Note of historical cost profits and losses for the year ended 31 December 2007	7
Balance sheet as at 31 December 2007	8
Notes to the financial statements for the year ended 31 December 2007	9

Health & Care Services (UK) Limited

Directors and advisors

Executive Directors

Ted Smith
Charles Cameron
Peter Cavanagh
David Manson

Secretary

BLG (Professional Services) Limited
Beaufort House
15 St Botolph Street
London
EC3A 7NJ

Registered Auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Solicitors

Barlow Lyde & Gilbert
Beaufort House
15 St Botolph Street
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EC3A 7NJ

Pinsent Masons
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Birmingham
B4 6BH

Registered Office

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Bankers

Bank of Scotland
155 Bishopsgate
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Health & Care Services (UK) Limited

Directors' report for the year ended 31 December 2007

The Directors present their report and the audited financial statements for the year ended 31 December 2007

Principal activities

The principal activity of the Company continues to be care delivery

Review of business and future developments

Both the level of continuing business and the year end position were satisfactory, despite the overall loss for the year. The Directors have put measures in place that they believe will improve the Company's performance in the forthcoming financial year.

Results and dividends

The profit and loss account shows a loss after tax for the year of £28,000 (2006 £1,045,000). The Directors do not recommend the payment of a dividend for the year ended 31 December 2007 (2006 £Nil).

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of Craegmoor Limited, its ultimate parent company, and are not managed separately. Accordingly, the principal risks and uncertainties of the Craegmoor Limited Group, which include those of the Company, are discussed in the Directors' Report of Craegmoor Limited which does not form part of this report.

Key Performance Indicators ("KPIs")

The directors of Craegmoor Limited manage the Craegmoor Group's operations on a group-wide basis. For this reason, the Directors of the Company believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Craegmoor Limited Group, which includes the Company, is discussed in the Directors' Report of Craegmoor Limited which does not form part of this report.

Directors

The following Directors have held office for the whole year unless otherwise stated

Ted Smith

Denise Keating

Charles Cameron

Peter Cavanagh

David Manson

Resigned 28 September 2007

Appointed 1 November 2007

Changes in fixed assets

Movements in fixed assets during the year are set out in notes 10 and 11 to the financial statements

Health & Care Services (UK) Limited

Directors' report for the year ended 31 December 2007 (continued)

Financial instruments

The Company's financial instruments primarily comprise debtors and creditors with other group companies arising directly from its operations. No trading in financial instruments has been undertaken.

There are no significant risks arising directly from the Company's financial instruments. However, the Company is reliant on the ongoing support of the Craegmoor Group, which has long term financing and overdraft facilities in place. The board of Craegmoor Limited, the ultimate parent undertaking, has reviewed and agreed the policies for managing the risks related to these facilities as set out below.

Liquidity risk

The Group has secured long term financing and overdraft facilities with financial institutions, which have high credit ratings that are designed to ensure the Group has sufficient available funds for operations. The £352,299,000 of debt, in the form of loan notes and bank loans (but excluding finance leases), is repayable between 1 and 6 years. Of the total outstanding debt, £232,900,000 is repayable on 17 March 2009.

Interest rate and cash flow risk

The Group has entered into interest rate swaps to ensure certainty over future interest cash flows. As a consequence, 68% (2006: 95%) of the Group's borrowings are at fixed rates of interest. A further 28% (2006: nil) of the Group's borrowings are variable but benefit from an interest cap.

Credit risk

A fellow subsidiary company, Craegmoor Facilities Company Limited, bears the credit risk for the Company.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

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). 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 those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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 the financial statements comply with the Companies Act 1985. 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.

Health & Care Services (UK) Limited

Directors' report for the year ended 31 December 2007 (continued)

Statement of disclosure of information to auditors

Each of the persons who are directors at the date that this report is approved confirms that

- so far as the Director is 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 or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

The Company has elected, in accordance with section 386 of the Companies Act 1985, to dispense with the obligation to appoint auditors annually

By order of the Board



Charles Cameron
Director
14 April 2008

Independent auditors' report to the members of Health & Care Services (UK) Limited

We have audited the financial statements of Health & Care Services (UK) Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
14 April 2008

Health & Care Services (UK) Limited

Profit and loss account for the year ended 31 December 2007

		2007 Before Exceptional Items	2007 Exceptional items Note 2	2007 Total	2006 Total
	Note	£'000	£'000	£'000	£'000
Turnover		3,263	-	3,263	3,571
Administrative expenses		(2,709)	243	(2,466)	(3,069)
Operating profit	7	554	243	797	502
Loss on disposal of tangible fixed assets	5	-	(11)	(11)	(225)
Interest payable and similar charges	8	(802)	-	(802)	(890)
Other finance income		4	-	4	2
Loss on ordinary activities before taxation		(244)	232	(12)	(611)
Tax charge on loss on ordinary activities	9	(16)	-	(16)	(434)
Loss for the financial year	15	(260)	232	(28)	(1,045)

All activities relate to continuing operations

Health & Care Services (UK) Limited

Statement of total recognised gains and losses for the year ended 31 December 2007

	2007 £'000	2006 £'000
Loss for the financial year	(28)	(1,045)
Unrealised surplus on revaluation of properties	5,757	-
Actuarial gains on retirement benefit schemes	23	64
Deferred taxation charge on actuarial gains	(7)	(19)
Total recognised gains / (losses) for the financial year	5,745	(1,000)

Note of historical cost profits and losses for the year ended 31 December 2007

	2007 £'000	2006 £'000
Reported loss on ordinary activities before taxation	(12)	(611)
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	(4)	-
Historical cost loss on ordinary activities before taxation	(16)	(611)
Historical cost loss for the financial year	(16)	(1,045)

Health & Care Services (UK) Limited

Balance sheet as at 31 December 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Investments	10	-	-
Tangible assets	11	7,825	1,831
		7,825	1,831
Current assets			
Debtors	12	6,566	15,054
Net current assets		6,566	15,054
Total assets less current liabilities		14,391	16,885
Creditors amounts falling due after more than one year	13	(3,294)	(11,452)
Net assets excluding pension asset / (liability)		11,097	5,433
Pension asset / (liability)	18	55	(26)
Net assets including pension asset / (liability)		11,152	5,407
Capital and reserves			
Called up share capital	14	601	601
Share premium account	15	177	177
Revaluation reserve	15	6,592	835
Profit and loss account	15	3,739	3,751
Other reserves	15	43	43
Total shareholders' funds	16	11,152	5,407

The financial statements on pages 6 to 21 were approved by the Board of Directors on 14 April 2008 and signed on its behalf by



Charles Cameron
Director

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2007

1 Principal accounting policies

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the principal accounting policies, which have been consistently applied, is set out below.

Tangible fixed assets

The cost of fixed assets is their purchase cost, and any costs directly attributable to bringing them into working condition for their intended use. Land and buildings are revalued by independent, professionally qualified valuers on a five year rolling basis, the first such valuation being five years after acquisition. These valuations are carried out on an existing use, open market value basis, and in the intervening years these valuations are updated by the Directors with the assistance of independent professional advice as required.

Increases in the revalued amounts of land and buildings are credited to revaluation reserves.

Freehold land is not depreciated. Subsequent to a revaluation depreciation is based on revalued amounts. Depreciation on tangible fixed assets other than land is calculated to write off their cost, less estimated residual values, by equal annual instalments on the following bases:

Freehold buildings	- over 50 years
Building improvements	- over 10 years
Equipment	- over 7 years
Furniture and fittings	- over 3, 5 or 10 years
Computer equipment	- over 3 or 5 years

During the year, a review was performed of the appropriateness of asset lives resulting in the revised bases shown above. The Directors are of the opinion the revised periods better reflect the useful economic lives of the individual assets in the various categories. This change in estimation techniques resulted in an increase to the depreciation charge for the year of £4,000.

Provision is made for any impairment in the period in which it arises. The impairment is calculated by comparing the carrying value to the recoverable amount as required by FRS 11, "Impairment of fixed assets and goodwill". The recoverable amount of land and buildings is taken to be the higher of realisable value and value in use. Value in use is determined by reference to the expected future cash flows of the care home, discounted at a risk weighted cost of capital of 10.0% (2006: 10.0%). Realisable value is determined by independent professional valuers on an existing use open market value basis.

Provisions for impairment in the carrying value of land and buildings are charged against revaluation reserves in the balance sheet to the extent that they relate to a reversal of prior increases. Impairments to below historical cost are charged to the profit and loss account. Reversals of previous impairments are credited to the profit and loss account to the extent that they return the asset carrying value to its depreciated historical cost, with any amount over and above that value being credited to the revaluation reserve.

Investments

The carrying value of fixed asset investments is based on historic cost less provision for impairment where required in accordance with FRS 11.

Turnover

Turnover represents amounts invoiced and accrued for care services provided during the period in the UK, net of credit notes and excluding Value Added Tax. Where services are invoiced in advance the related income is deferred to match the period in which the service is provided.

Pension scheme

The Company operates a defined benefit pension scheme and accounts for it in accordance with FRS17 "Retirement Benefits". For more details see note 18.

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

1 Principal accounting policies

Corporation tax

UK Corporation Tax is provided at amounts expecting to be paid (or recovered) using the tax rates and bases that have been enacted or substantially enacted by the balance sheet date. Corporation Tax payable is reduced wholly or in part by the surrender of losses by fellow group companies. Payments made, if any, to surrendering companies for losses are reflected in the tax charge.

Deferred taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is only recognised to the extent that the transfer of economic benefits in the future is deemed to be more likely than not. Deferred tax assets and liabilities recognised are not discounted.

Cash flow statement

The Company is a wholly owned subsidiary of Craegmoor Limited, and the cash flows of the Company are included in the consolidated group cash flow statement of that company. Consequently, the Company is exempt under the terms of Financial Reporting Standard No. 1 (Revised) from publishing a cash flow statement.

Consolidation

The Company has taken advantage of the exemption under section 228(1) of the Companies Act, not to prepare and file consolidated accounts. The results of the Company are included within the group accounts of Craegmoor Limited, its ultimate parent undertaking that is incorporated in England and Wales. In accordance with section 228(1), the Company will deliver to the registrar, copies of these group accounts.

2 Exceptional administrative expenses

	2007	2006
	£'000	£'000
Reversal of previous years' impairments on revalued properties	243	-

3 Related party transactions

The Company has taken advantage of the exemption granted under paragraph 3(c) of FRS 8 and not disclosed any transactions with other group companies where they are more than 90% owned by a common parent.

4 Directors' emoluments

The emoluments of the Directors were paid by Craegmoor Healthcare Company Limited, a fellow subsidiary of Craegmoor Limited. The Directors were also directors of a number of other fellow subsidiaries during the year ended 31 December 2007 and 31 December 2006 and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the emoluments of the Directors are disclosed within the accounts of Craegmoor Healthcare Company Limited.

5 Loss on disposal of tangible fixed assets

	2007	2006
	£'000	£'000
Loss on disposal of tangible fixed assets sold during the year	(11)	(225)

There was no effect of the loss on disposal of tangible fixed assets on the charge for taxation for the year ended 31 December 2007 (2006: £Nil).

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

6 Employee information

The average monthly number of persons (including Executive Directors) employed by the Company during the year was

	2007	2006
Analysis by function	Number	Number
Nursing	106	120
Ancillary	18	20
Administration	11	15
	135	155
Staff costs (for the above persons)	£'000	£'000
Management charge in lieu of staff costs	1,800	2,200
Other pension costs (Note 18)	81	58
	1,881	2,258

The above disclosures are in respect of employees that carried out work in connection with the Company's operations during the year. However, these persons are employed by a fellow subsidiary company.

7 Operating profit

	2007	2006
	£'000	£'000
Operating profit is stated after charging / (crediting):		
Depreciation of tangible fixed assets	67	117
Impairment reversals (Note 2)	(243)	-
Management charge from fellow subsidiaries	2,561	2,894

The audit fee for the Company for the year ended 31 December 2007 of £4,000 (2006 £3,000) is borne by a fellow subsidiary company and included within the management charge.

The management charges from fellow subsidiary undertakings, Craegmoor Facilities Company Limited and Craegmoor Healthcare Company Limited, relate to an allocation of operating costs incurred on behalf of the Company and its fellow subsidiaries.

8 Interest payable and similar charges

	2007	2006
	£'000	£'000
On amounts owed to group undertakings	802	885
Finance lease charges	-	5
	802	890

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

9 Tax on loss on ordinary activities

	2007	2006
	£'000	£'000
Current taxation		
Group relief and balancing payments at 30% (2006 30%)	-	190
Adjustment in respect of previous periods	-	260
Total current taxation	-	450
Deferred taxation		
Current year – origination and reversal of timing differences	-	(12)
Adjustment in respect of previous periods	(16)	(4)
Total deferred taxation	(16)	(16)
Tax charge	(16)	434

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

9 Tax on loss on ordinary activities (continued)

The tax charge for the year differs from the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007 £'000	2006 £'000
Loss on ordinary activities	(12)	(611)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	(4)	(183)
Effects of		
Expenses not deductible for tax purposes	(5)	9
Impairment reversals	(73)	-
Capital allowances for the year less than depreciation	4	88
Transfer pricing adjustments and balancing payment	276	296
Capital gain	-	148
Utilisation of current year capital losses	-	(148)
Adjustment to tax charge in respect of previous periods	-	260
Charge on actuarial gains on retirement benefit schemes	-	(19)
Short term timing differences	16	(1)
Group relief received not paid for	(214)	
Current tax charge	-	450

No provision has been made for deferred tax on gains recognised on revaluing property to its market value Such tax would become payable only if the property was sold without it being possible to claim rollover relief or utilise available losses The total amount unprovided for at 28% is £1,846,000 (2006 £251,000 at 30%) The UK Corporation Tax rate changed to 28% on 1 April 2008, had the rate remained the same, the total amount unprovided for at 31 December 2007 would have been £1,978,000 Deferred tax liabilities have not been discounted

In accordance with the Craegmoor Group accounting policy a deferred tax asset has not been recognised due to the uncertainty over the recoverability of the following

	2007 £'000	2006 £'000
Accelerated capital allowances	(3)	75
Short term timing differences	34	4
	31	79

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

10 Investments

			Total £'000
<hr/>			
Shares in subsidiary undertakings at cost			
At 1 January 2007 and 31 December 2007			
<hr/>			
The Company's subsidiary undertakings are as follows			
Name of undertaking	Principal activity	Description of shares held	Proportion of nominal value of issued shares held
Health & Care Services (NW) Limited	Care delivery	Ordinary £1 shares	100%
Health & Care Services Yorks Ltd	Care delivery	Ordinary £1 shares	100%
Health & Care Services Humbs Ltd	Care delivery	Ordinary £1 shares	100%

All of the above companies are incorporated in England and Wales. The total cost of the investment is £9

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

11 Tangible fixed assets

	Freehold land and buildings £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation			
At 1 January 2007	2,523	1,394	3,917
Revaluations	5,143	-	5,143
Additions	-	61	61
Transfers from fellow subsidiaries	-	14	14
Disposals	-	(1,203)	(1,203)
Reclassifications (see below)	7	(7)	-
At 31 December 2007	7,673	259	7,932
Accumulated depreciation			
At 1 January 2007	823	1,263	2,086
Revaluations	(857)	-	(857)
Transfers from fellow subsidiaries	-	3	3
Charge for the year	33	34	67
Disposals	-	(1,192)	(1,192)
Reclassifications (see below)	1	(1)	-
At 31 December 2007	-	107	107
Net book value			
At 31 December 2007	7,673	152	7,825
At 31 December 2006	1,700	131	1,831

During the financial year the categorisation of fixed assets in prior years was reviewed. The above reclassifications were required so as to more appropriately disclose assets between the categories.

The Group has followed FRS 15 "Tangible fixed assets" during the year and has chosen to revalue its land and buildings on a rolling basis such that all properties are covered by independent, professional valuations over a five year cycle. In accordance with the Group's accounting policy, the land and buildings occupied by the Group, which were acquired by Craegmoor Group Limited during 1997 and 2002, were revalued by external valuers, Christie & Co, Chartered Surveyors and Valuers, as at 31 December 2007. These valuations were carried out on the basis of existing use value in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors.

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

11 Tangible fixed assets (continued)

The impact of these valuation techniques can be summarised as follows

	2007 £'000	2006 £'000
External valuations		
Upward valuations – credited to revaluation reserve	5,757	-
– credited to profit and loss account	243	-
	6,000	-

If freehold land and buildings had not been revalued they would have been included at the following amounts

	2007 £'000	2006 £'000
Cost	2,181	2,174
Aggregate depreciation	(391)	(354)
Net book value	1,790	1,820

12 Debtors

	2007 £'000	2006 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	6,566	15,054

Amounts owed by group undertakings are interest free and are payable on demand

13 Creditors: amounts falling due after more than one year

	2007 £'000	2006 £'000
Amounts owed to group undertakings	3,294	11,452

There are no defined repayment terms on amounts owed to group undertakings but the relevant group undertaking has confirmed to the Directors of the Company that it will not seek any repayments of this loan within 12 months after the year-end

There is no interest charged on amounts owed to group undertakings outstanding as at 31 December 2007. Elements of the debt outstanding at 31 December 2006 were subject to interest at rates linked to the 3 month LIBOR and these have been repaid during the year

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

14 Called up share capital

	2007 £'000	2006 £'000
Authorised		
700,000 (2006 700,000) ordinary shares of £1 each	700	700
Allotted, called up and fully paid		
601,300 (2006 601,300) ordinary shares of £1 each	601	601

15 Reserves

	Share premium account £'000	Profit and loss account £'000	Revaluation reserve £'000	Other reserves £'000
At 1 January 2007	177	3,751	835	43
Loss for the financial year	-	(28)	-	-
Unrealised surplus on revaluation of properties	-	-	5,757	-
Actuarial gain on retirement benefit schemes	-	23	-	-
Taxation charge on retirement benefit schemes	-	(7)	-	-
At 31 December 2007	177	3,739	6,592	43

16 Reconciliation of movement in shareholders' funds

	2007 £'000	2006 £'000
Loss for the financial year	(28)	(1,045)
Unrealised surplus on revaluation of properties	5,757	-
Actuarial gain on retirement benefit schemes	23	64
Taxation charge on retirement benefit schemes	(7)	(19)
Net increase/(decrease) in shareholders' funds	5,745	(1,000)
Opening equity shareholders' funds	5,407	6,407
Closing equity shareholders' funds	11,152	5,407

17 Post balance sheet events

The Directors do not consider there have been any material events since the year end requiring disclosure in accordance with FRS 21 "Events after the Balance Sheet Date"

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

18 Pension scheme

The Company operates a defined benefit pension scheme, the "Health & Care Services (UK) Limited Pension and Life Assurance Scheme" for staff at one of its homes. The scheme is professionally valued tri-annually, under the projected unit method.

The pension cost relating to the above defined benefit scheme is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest available actuarial valuation of the scheme was at 10 November 2004. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 1.0% per annum higher than increases in earnings and 1.5% higher than increases in present and future pensions.

At the date of the latest actuarial valuation the market value of the assets of the "Health and Care Pension and Life Assurance Plan" was £410,000. The actuarial value of these assets was sufficient to cover 70% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

The total contributions to the scheme are 57.2% of pensionable salary, 6% is payable by the employees and 51.2% by the Company.

The total net pension cost to the Company for the year ended 31 December 2007 was £81,000 (2006 £58,000).

The most recent valuation of the Company's defined benefit pension scheme, the "Health and Care Pension and Life Assurance Plan" has been updated to 31 December 2007 to take account of the requirements of FRS 17. The major assumptions used to calculate the present value of scheme liabilities were as follows:

	2007 %	2006 %	2005 %	2004 %
Discount rate	5.65	5.10	4.70	5.30
Inflation rate	3.50	3.25	3.00	3.00
Rate of increase in salaries	4.25	4.00	4.00	4.00
Rate of increase of pensions in payment	3.50	3.25	3.00	3.00

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

18 Pension scheme (continued)

The assets of the scheme and the expected rate of return and liabilities of the scheme at 31 December were

	Long term rate of return expected at 31 December 2007	Value at 31 December 2007	Long term rate of return expected at 31 December 2006	Value at 31 December 2006	Long term rate of return expected at 31 December 2005	Value at 31 December 2005
	%	£'000	%	£'000	%	£'000
Other – Deposit Administration Contract	6.0	872	5.1	704	6.0	576
Market value of scheme		872		704		576
Present value of scheme liabilities		(794)		(730)		(677)
Surplus / (Deficit) in the scheme		78		(26)		(101)
Deferred tax liability on scheme surplus		(23)		-		-
Net asset / (liability)		55		(26)		(101)

Analysis of the amount charged to operating profit:

	2007 £'000	2006 £'000
Current service cost	65	59
Expenses paid in year	10	-
Loss / (Gain) on settlements / curtailments	6	(1)
Total operating charge	81	58

Analysis of the amount credited to other finance income:

	2007 £'000	2006 £'000
Expected return on pension scheme assets	43	36
Interest on pension scheme liabilities	(39)	(34)
Net return	4	2

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

18 Pension scheme (continued)

Analysis of amount recognised in statement of total recognised gains and losses:

	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Actual return less expected return on pension scheme assets	(19)	22	37	7	7
Percentage of scheme assets	(2.2)%	3.1%	6.4%	1.6%	2.0%
Experience gains and losses arising on scheme liabilities	(1)	13	(52)	34	32
Percentage of present value of scheme liabilities	(0.1)%	1.8%	(7.7)%	7.8%	8.8%
Changes in assumptions underlying the present value of the scheme liabilities	43	29	(109)	(19)	(25)
Percentage of present value of scheme liabilities	5.4%	4.0%	(16.1)%	(4.4)%	(6.9)%
Actuarial gain recognised in the statement of total recognised gains and losses	23	64	(124)	22	14
Percentage of the present value of scheme liabilities	3.1%	8.9%	(17.4)%	5.0%	3.9%

Movement in surplus / (deficit) during the year:

	2007 £'000	2006 £'000
Deficit at 1 January	(26)	(101)
Movement in the year		
Current service cost	(65)	(59)
(Loss) / Gain on settlement curtailments	(6)	1
Contributions	158	69
Payments	-	5
Expenses paid by the scheme	(10)	(7)
Other finance income	4	2
Actuarial gain	23	64
Surplus / (Deficit) at 31 December	78	(26)

The surplus at 31 December 2007 has been recognised in the Company's accounts as, in the view of the Directors, the Company will be able to recover this amount through future reductions in employer contributions

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

19 Contingent liabilities

There is a fixed and floating charge over the assets of the Company and certain of its fellow subsidiaries in respect of an external loan undertaken by an intermediate parent undertaking. Amounts drawn down on the facility of £245,000,000 amounted to £235,544,000, inclusive of accrued interest, as at 31 December 2007. As at 31 December 2006 there was a fixed charge over the assets of the Company and a cross guarantee amounting to £8,080,000 in respect of an external loan undertaken by a fellow subsidiary undertaking.

20 Capital commitments

The Company had no capital commitments at 31 December 2007 (2006: £Nil).

21 Immediate and ultimate parent companies

The Directors regard Craegmoor Holdings Limited, a company registered in England and Wales, as the immediate parent company of Health & Care Services (UK) Limited and Craegmoor Limited, a company registered in England and Wales, as the ultimate parent company in the United Kingdom. Craegmoor Limited is the parent company of the largest and smallest group in which Health & Care Services (UK) Limited is consolidated. Copies of Craegmoor Limited's consolidated financial statements may be obtained from its registered office, Craegmoor House, Perdiswell Park, Worcester, WR3 7NW.