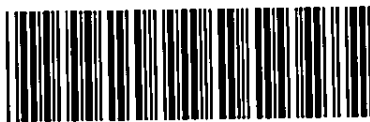


Health & Care Services (UK) Limited
Annual report and financial statements
for the year ended 31 December 2009

Registered number 2083074

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Health & Care Services (UK) Limited

Annual report and financial statements for the year ended 31 December 2009

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Health & Care Services (UK) Limited

Directors and advisors

Executive Directors

Ted Smith
Christine Cameron
Julian Ball
Julian Spurling
David Manson

Secretary

Scott Morrison
Craegmoor House
Perdiswell Park
Worcester
WR3 7NW

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Solicitors

Pinsent Masons
3 Colmore Circus
Birmingham
B4 6BH

DLA Piper (UK) Solicitors LLP
3 Noble Street
London
EC2V 7EE

Registered Office

Craegmoor House
Perdiswell Park
Worcester
WR3 7NW

Bankers

Barclays Bank
1 Churchill Place
London
E14 5HP

Allied Irish Banks Plc
St Helen's
1 Undershaft
London
EC3A 8AB

Health & Care Services (UK) Limited

Directors' report for the year ended 31 December 2009

The Directors present their annual report and the audited financial statements for the year ended 31 December 2009

Principal activities

The principal activity of the Company continues to be care delivery

Review of business and future developments

On the 31 December 2009 as part of a restructuring exercise the Company sold its total investment in Health & Care Services (NW) Limited to a fellow group subsidiary

Both the level of continuing business and the year end position were satisfactory and the Directors expect the present level of activity will be sustainable for the foreseeable future. The Directors of Craegmoor Group Limited (formerly Craegmoor Topco Limited), its ultimate parent company in the United Kingdom, manage the Group's operations on a group-wide basis. For this reason, the Directors of the Company believe a separate business review and future developments summary for the Company is not relevant for an understanding of the business and future strategy. The business review and future developments of the Craegmoor Group Limited group, which includes the Company, are discussed in the Directors' report of Craegmoor Group Limited for the year ended 31 December 2009 which does not form part of this report.

Results and dividends

The profit and loss account shows a profit after tax for the year of £121,000 (2008 £172,000). The Directors do not recommend the payment of a dividend for the year ended 31 December 2009 (2008 £Nil).

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of Craegmoor Group Limited, and are not managed separately. Accordingly, the principal risks and uncertainties of the Craegmoor Group Limited group ("the Group"), which include those of the Company, are discussed in the Directors' report of Craegmoor Group Limited for the year ended 31 December 2009.

Key Performance Indicators ("KPIs")

The directors of Craegmoor Group Limited manage the Group's operations on a group-wide basis. For this reason, the Directors of the Company believe that analysis using separate 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 Group Limited group, which includes the Company, is discussed in the Directors' report of Craegmoor Group Limited for the year ended 31 December 2009.

Directors

The following Directors have held office for the whole year and up to the date of signing the financial statements unless otherwise stated:

Ted Smith	
Peter Cavanagh	Resigned 16 June 2009
David Manson	
Charles Cameron	Resigned 20 February 2009
Christine Cameron	Appointed 16 June 2009
Julian Spurling	Appointed 16 June 2009
Julian Ball	Appointed 30 September 2009

Changes in tangible assets and investments

Movements in tangible assets and investments during the year are set out in notes 7 and 8 to the financial statements. The Directors believe that there is no significant difference between the market value and the balance sheet value of land.

Health & Care Services (UK) Limited

Directors' report for the year ended 31 December 2009 (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 Group Limited, the ultimate UK 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 revolving credit facilities with financial institutions, which have high credit ratings that are designed to ensure the Group has sufficient available funds for operations. The majority of the £215,938,000 (2008: £216,682,000) of debt, in the form of loan notes and bank loans (but excluding preference shares and finance leases), is repayable in 2016 to 2018.

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, 100% (2008: 77%) of the Group's borrowings are at fixed rates of interest.

Credit risk

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

Statement of Directors' responsibilities

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 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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.

Health & Care Services (UK) Limited

Directors' report for the year ended 31 December 2009 (continued)

Statement of disclosure of information to auditors

In the case of each of the persons who are directors at the time when the report is approved the following applies

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he or she 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

Independent Auditors

The Company has elected, in accordance with section 487 of the Companies Act 2006, to dispense with the obligation to appoint auditors annually

By order of the Board

A handwritten signature in black ink, appearing to read 'D. Manson', followed by a horizontal line.

David Manson
Director
30 April 2010

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 2009 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Note of historical cost profit and losses, the Balance sheet and the related notes. 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).

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3 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 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.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

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 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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

A handwritten signature in black ink, appearing to be 'Stephen Rowe', with a long horizontal line extending to the right.

Stephen Rowe (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
30 April 2010

Health & Care Services (UK) Limited

Profit and loss account for the year ended 31 December 2009

		2009 Before exceptional items £'000	2009 Exceptional items (Note 5) £'000	2009 Total £'000	2008 £'000
	Note				
Turnover		3,516	-	3,516	3,394
Administrative expenses		(3,246)	-	(3,246)	(3,206)
Operating profit	4	270	-	270	188
Loss on disposal of investment	5	-	(119)	(119)	-
Other finance income	16	9	-	9	8
Profit on ordinary activities before taxation		279	(119)	160	196
Tax on profit on ordinary activities	6	(39)	-	(39)	(24)
Profit for the financial year	13	240	(119)	121	172

All activities relate to continuing operations

Health & Care Services (UK) Limited

Statement of total recognised gains and losses for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Profit for the financial year		121	172
Unrealised surplus on revaluation of properties	7	-	215
Reversal of prior years' revaluations on impaired properties	7	(618)	(331)
Actuarial (loss) / gain on retirement benefit schemes	16	(287)	32
Deferred taxation charge on actuarial (loss) / gain		80	(9)
Total recognised gains and losses for the financial year		(704)	79

Note of historical cost profits and losses for the year ended 31 December 2009

	2009 £'000	2008 £'000
Reported profit on ordinary activities before taxation	160	196
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	44	91
Historical cost profits on ordinary activities before taxation	204	287
Historical cost profits for the financial year	165	263

Health & Care Services (UK) Limited

Balance sheet as at 31 December 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	7	7,006	7,646
Investments	8	-	-
		7,006	7,646
Current assets			
Debtors	9	6,930	6,733
Net current assets		6,930	6,733
Total assets less current liabilities		13,936	14,379
Creditors amounts falling due after more than one year	10	(3,413)	(3,293)
Provision for liabilities	11	(10)	-
Net assets excluding pension asset		10,514	11,086
Pension asset	16	14	145
Net assets including pension asset		10,527	11,231
Capital and reserves			
Called up share capital	12	601	601
Share premium account	13	177	177
Revaluation reserve	13	5,858	6,476
Profit and loss reserve	13	3,848	3,934
Other reserves	13	43	43
Total shareholders' funds	14	10,527	11,231

The financial statements on pages 7 to 23 were approved by the Board of Directors on 30 April 2010 and signed on its behalf by



David Manson
Director
Company registered number 2083074

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2009

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 assets, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the principal accounting policies, which have been consistently applied, is set out below.

Turnover

Turnover represents amounts invoiced and accrued for care services provided during the year 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. The Directors consider that the Company's turnover all derives from one class of business.

Pension scheme

The Company operates a defined benefit pension scheme and accounts for it in accordance with FRS17 "Retirement Benefits".

Contributions to employees' private pension schemes are recognised as they become due.

In respect of the defined benefit plan obligations are measured at discounted present value whilst plan assets are measured at fair value. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. Where the calculation of the net balance of plan assets and plan obligations results in a benefit to the Company, the recognised asset is limited to the present value of any available future refunds from the plan or reductions in future contributions to the plan. The operating and finance costs of the plan are recognised in the income statement. Current service costs are spread systematically over the lives of employees and financing costs are recognised in full in the period in which they arise. Past service costs are recognised immediately in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of comprehensive income.

Tangible assets

The cost of tangible 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 every five years. These valuations are carried out on an existing use, open market value basis, and in the intervening years 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 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

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 determined from time to time based on the capital structure of the group. Realisable value is determined by independent professional valuers on an existing use open market value basis.

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

1 Principal accounting policies (continued)

Tangible assets (continued)

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.

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 may be 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 Group 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 FRS 1 (Revised) from publishing a cash flow statement.

Consolidation

The Company has taken advantage of the exemption under section 400(1) of the Companies Act 2006, not to prepare and file consolidated accounts. The results of the Company are included within the group accounts of Craegmoor Group Limited, its ultimate parent undertaking that is incorporated in the United Kingdom. In accordance with section 400(2), the Company will deliver to the registrar, copies of these group accounts.

2 Directors' emoluments

The emoluments of the Directors were paid by Craegmoor Facilities Company Limited, a fellow subsidiary of Craegmoor Group Limited. The Directors were also directors of a number of other fellow subsidiaries during the year ended 31 December 2009 and 31 December 2008 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 Facilities Company Limited.

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

3 Employee information

The below 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. The average monthly number of persons (including Executive Directors) during the year was

	2009	2008
Analysis by function	Number	Number
Nursing	107	109
Ancillary	19	17
Administration	10	11
	136	137
Staff costs (for the above persons)	£'000	£'000
Management charge in lieu of staff costs	1,871	1,756
Other pension costs (Note 16)	65	76
	1,936	1,832

4 Operating profit

	2009	2008
	£'000	£'000
Operating profit is stated after charging:		
Depreciation of tangible assets	111	169
Management charge from fellow subsidiaries	3,072	2,961

The audit fee for the Company for the year ended 31 December 2009 of £1,500 (2007: £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.

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

5 Loss on disposal of investment

	2009	2008
	£'000	£'000
Loss on disposal of investment in fellow subsidiary (Note 8)	119	-

The exceptional items had no effect on the charge for current taxation for the financial year (2008 £Nil)

6 Tax on profit on ordinary activities

	2009	2008
	£'000	£'000
Deferred taxation		
Deferred tax on pension	29	24
Current year deferred tax charge	10	-
Total deferred taxation charge	39	24

There is no current tax charge for the year (2008 £Nil). The tax for the period differs from the standard effective rate of corporation tax in the UK for the year ended 31 December 2009 of 28% (2008 28.5%). The differences are explained below

	2009	2008
	£'000	£'000
Profit on ordinary activities before taxation	160	196
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28.5%)	45	56
Effects of		
Expenses not deductible for tax purposes	35	111
Capital allowances for the year (in excess of) / less than depreciation	(24)	2
Transfer pricing adjustments	103	79
Short term timing differences	(16)	(22)
Group relief received not paid for	(143)	(226)
Current tax charge	-	-

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

6 Tax on profit on ordinary activities (continued)

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 £1,640,000 (2008: £1,101,000).

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

	2009 £'000	2008 £'000
Accelerated capital allowances	-	1
Short term timing differences	-	(24)
	-	(23)

A deferred tax asset would be recognised to the extent that the Company makes future taxable profits which could not be satisfied by group relief.

7 Tangible assets

	Freehold land and buildings £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation			
At 1 January 2009	7,559	338	7,897
Additions	-	89	89
Impairments (see below)	(618)	-	(618)
At 31 December 2009	6,941	427	7,368
Accumulated depreciation			
At 1 January 2009	104	147	251
Charge for the year	63	48	111
At 31 December 2009	167	195	362
Net book value			
At 31 December 2009	6,774	232	7,006
At 31 December 2008	7,455	191	7,646

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

7 Tangible assets

In accordance with FRS15 and Craegmoor Group's accounting policy, the land and buildings occupied by the Company, were revalued by external valuers, Christie & Co, Chartered Surveyors and Valuers, as at 18 July 2008, being the date the Craegmoor Group (No 5) Limited (formerly Craegmoor Limited) group was acquired by the Craegmoor Group Limited group. 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.

Where appropriate, the entire portfolio will be revalued every five years, the next valuation being 18 July 2013, together with interim revaluations every three years.

For all properties in the Company's portfolio, the Directors have performed "value in use" calculations on an existing use open market value basis in accordance with the requirements of FRS 11, "Impairments of fixed assets and goodwill". The valuations considered the expected future performance of the entities based upon all known conditions. A risk weighted average cost of capital of 10.65% (2008: 10.87%) was used in these calculations.

The impact of these valuation techniques can be summarised as follows:

	2009 £'000	2008 £'000
External valuations		
Upward valuations - credited to revaluation reserve	-	215
Impairments - charged to revaluation reserve	-	(278)
	-	(63)
Directors' valuations		
(Value in use tests, look back tests and revisions to estimation techniques)		
Impairments - charged to revaluation reserve	(618)	(53)
	(618)	(116)
If freehold land and buildings had not been revalued they would have been included at the following amounts		
	2009 £'000	2008 £'000
Cost	2,208	2,208
Aggregate depreciation	(448)	(429)
Net book value	1,760	1,779

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

8 Investments

	Total
	£'000

Shares in subsidiary undertakings at cost and net book value

At 1 January 2009 and 31 December 2009	-
--	---

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 Yorks Ltd	Dormant	Ordinary £1 shares	100%
Health & Care Services Humbs Ltd	Dormant	Ordinary £1 shares	100%

Both of the above companies are incorporated in England and Wales. The total cost of the investment is £8. The Directors believe that the carrying value of the investments is supported by their underlying net assets. On 31 December 2009, as part of a group reorganisation, the Company sold to a fellow group subsidiary company, its investment of £1 in Health & Care Services (NW) Limited.

9 Debtors

Amounts falling due within one year	2009	2008
	£'000	£'000
Amounts owed by group undertakings	6,930	6,733

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

10 Creditors: amounts falling due after more than one year

	2009	2008
	£'000	£'000
Amounts owed to group undertakings	3,413	3,293

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. However, 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.

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

11 Provisions for liabilities

	Deferred tax	
	£'000	
At 1 January 2009	-	
Charge to the profit and loss account	10	
At 31 December 2009	10	
The amount provided for deferred taxation comprises:	2009	2008
	£'000	£'000
Timing differences relating to accelerated capital allowances	22	-
Short term timing differences	(12)	-
	10	-

12 Called up share capital

	2009	2008
	£'000	£'000
Authorised		
700,000 (2008 700,000) ordinary shares of £1 each	700	700
Issued and fully paid		
601,300 (2008 601,300) ordinary shares of £1 each	601	601

13 Reserves

	Share premium account	Profit and loss reserve	Revaluation reserve	Other reserves
	£'000	£'000	£'000	£'000
At 1 January 2009	177	3,934	6,476	43
Profit for the financial year	-	121	-	-
Reversal of prior years' revaluations on impaired properties	-	-	(618)	-
Actuarial loss on retirement benefit scheme	-	(287)	-	-
Taxation credit on retirement benefit schemes	-	80	-	-
At 31 December 2009	177	3,848	5,858	43

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

14 Reconciliation of movement in shareholders' funds

	2009 £'000	2008 £'000
Profit for the financial year	121	172
Unrealised surplus on revaluation of properties	-	215
Reversal of prior years' revaluations on impaired properties	(618)	(331)
Actuarial (loss) / gain on retirement benefit schemes	(287)	32
Taxation credit / (charge) on retirement benefit schemes	80	(9)
Net (decrease) / increase in shareholders' funds	(704)	79
Opening shareholders' funds	11,231	11,152
Closing shareholders' funds	10,527	11,231

15 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"

16 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.

An actuarial valuation of the Health & Care Services (UK) Limited pension scheme using the projected unit basis was carried out at 31 December 2008 by Legal & General Assurance Society, independent consulting actuaries.

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 2009 was £65,000 (2008: £76,000).

The major assumptions used by the actuary were:

	2009 %	2008 %
Discount rate	5.70	6.70
Inflation rate	3.60	2.75
Rate of increase in salaries	4.35	3.50
Rate of increase of pensions in payment	3.60	3.50

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

16 Pension scheme (continued)

The mortality assumptions used were as follows	2009 years	2008 years
Longevity at age 60 for current pensioners		
- Men	28.5	28.3
- Women	30.1	30.0
Longevity at age 60 for future pensioners		
- Men	30.1	29.9
- Women	31.4	31.3

Actuarial Valuation

The actuarial valuation at 31 December 2009 showed an decrease in the surplus from £201,000 to £19,000. Therefore based on the current Schedule of Contributions and pensionable salaries the total contributions expected to be made to the scheme by Health & Care Service (UK) Limited in the year to 31 December 2010 is therefore £101,000.

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 2009 %	Value at 31 December 2009 £'000	Long term rate of return expected at 31 December 2008 %	Value at 31 December 2008 £'000
Other – Deposit administration contract	5.2	987	6.0	878
Market value of scheme assets		987		878
Present value of scheme liabilities		(968)		(677)
Surplus in the scheme		19		201
Deferred tax liability on scheme surplus		(5)		(56)
Net surplus		14		145

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

16 Pension scheme (continued)

Reconciliation of present value of scheme liabilities	2009 £'000	2008 £'000
At 1 January	677	794
Current service cost	49	69
Past service cost	9	-
Interest cost	44	49
Experience gain on liabilities	61	(6)
Gain on changes in assumptions	197	(206)
Change in secured pensioner value	(31)	(23)
Benefits paid	(38)	-
At 31 December	968	677
Reconciliation of fair value of scheme assets	2009 £'000	2008 £'000
At 1 January	878	871
Expected return on assets	53	57
Loss on asset return	(29)	(180)
Employer contributions	161	159
Death insurance premium paid	(5)	(6)
Expenses paid by scheme	(10)	(10)
Employee contributions	8	10
Experience change in secured pensioner value	(31)	(23)
Benefit paid	(38)	-
At 31 December	987	878

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

16 Pension scheme (continued)

The surplus at 31 December 2009 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

Scheme assets do not include any of Health & Care Services (UK) Limited's own financial instruments, or any property occupied by Health & Care Services (UK) Limited

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets

In the current year there was an actual return on assets of £24,000 (2008 £(123,000))

Analysis of the amount charged to operating profit:

	2009 £'000	2008 £'000
Current service cost	46	66
Past service cost	9	-
Expenses paid in year	10	10
Total operating charge	65	76

All of the current and past services costs, £55,000 (2008 £66,000) is included within administrative expenses

Analysis of the amount credited to other finance income

	2009 £'000	2008 £'000
Expected return on pension scheme assets	53	57
Interest on pension scheme liabilities	(44)	(49)
Net return	9	8

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

16 Pension scheme (continued)

Analysis of the amount credited to the Statement of total recognised gains and losses:

	2009 £'000	2008 £'000
Experience (losses) / gains on liabilities	(61)	6
(Loss) / gain on change in assumptions	(197)	206
Loss on asset return	(29)	(180)
	(287)	32

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

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Defined benefit obligation	(968)	(677)	(794)	(730)	(677)
Plan assets	987	878	872	704	576
Surplus/(deficit)	19	201	78	(26)	(101)
Experience adjustments on plan assets					
Amount	(29)	(180)	(19)	22	37
Experience adjustments on liabilities					
Amount	(61)	6	1	(13)	52
Total amounts recognised in the statement of total recognised gains and losses					
Amount	(287)	32	(23)	(64)	124

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is a loss of £351,000 (2008 £64,000)

Health & Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

17 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 £192,622,000 (2008 £207,000,000) amounted to £179,767,000 (2008 £179,023,000) inclusive of accrued interest, as at 31 December 2009.

18 Capital commitments

The Company had no capital commitments at 31 December 2009 (2008 £Nil).

19 Related party transactions

The Company has taken advantage of the exemption granted under paragraph 5 of the amendment to FRS 8 and not disclosed any transactions with other group companies where they are wholly owned by a common parent.

20 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 Group Limited, a company registered in England and Wales, as the ultimate parent company in the United Kingdom. The ultimate controlling party is Advent Miro (Cayman) Limited, a company registered in the Cayman Islands.

Craegmoor Group Limited is the parent company of the largest and smallest group in which Health & Care Services (UK) Limited is consolidated. Copies of Craegmoor Group Limited's consolidated financial statements may be obtained from its registered office, Craegmoor House, Perdiswell Park, Worcester, WR3 7NW.