

Lighthouse Healthcare Limited

CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009



Company Registration No. 5820919

Lighthouse Healthcare Limited

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Lighthouse Healthcare Limited

DIRECTORS AND ADVISORS

DIRECTORS

D Whittaker
KA Willis
DJ Cole
TZ Gowers
GH Blackoe

SECRETARY

TZ Gowers

REGISTERED OFFICE

2nd Floor Bezant House
Bradgate Park View
Chellaston
Derbyshire
DE73 5UH

AUDITORS

Baker Tilly UK Audit LLP
Chartered Accountants
Festival Way
Stoke-on-Trent
Staffordshire
ST1 5BB

Lighthouse Healthcare Limited

DIRECTORS' REPORT

The directors present their report and the audited group financial statements of Lighthouse Healthcare Limited for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activity of the company is that of a holding company, providing a support office and financing function for its subsidiaries. The principal activity of the group is the provision of learning disability and mental health services.

REVIEW OF THE BUSINESS

The directors are satisfied with the performance of the company and the group for the year and do not anticipate any significant changes to the group's activities in the forthcoming year.

Details of the results for the year are set out in the profit and loss account on page 8.

The group further consolidated its position in the market during the year with the registration of 2 new facilities adding a total of 10 beds to the portfolio. The group finished the year with 177 registered beds across 8 facilities.

The group's patients and service users are mainly funded by the public sector. During the period the company has put significant effort into building relationships with NHS specialised commissioning groups, local authorities and other public sector purchasing agencies.

An important part of the company's activities is the strength of its property portfolio of healthcare facilities. In this context, the company's strategy includes the ongoing economic development of the property portfolio and a regular refurbishment programme.

KEY PERFORMANCE INDICATORS

Financial Performance

The group prepares detailed financial budgets for all of its facilities and operations, against which actual performance is monitored.

Quality and Compliance with Regulations

The group operates in a highly regulated environment, registered with the Care Quality Commission in England and with Health Inspectorate Wales in Wales. The quality of care provided by the group and its compliance with regulation are monitored in a structured manner and subject to continuous review by the senior managers and executive directors.

Position at the year end

The group's performance against these measures was satisfactory at the year end.

FUTURE DEVELOPMENTS

The directors expect the general level of activity in the healthcare sector to increase and believe that the company is well positioned to take advantage of opportunities for additional growth, although they recognise that funding in the sector will come under pressure in the next few years.

The directors expect the future performance of the group to be satisfactory.

Lighthouse Healthcare Limited

DIRECTORS' REPORT

RISKS AND UNCERTAINTIES

The group is exposed to a variety of risks that could affect the performance of the business. The Board is responsible for maintaining a risk management programme that seeks to identify, manage and mitigate business risk.

Customer and Price risk

The group's main customer is the NHS and any changes in government purchasing policy away from the independent sector would constitute a risk. NHS, government bodies and local authorities will be under pressure to cut spending, which represents a risk to the business in terms of fees for new admissions and inflationary increases on fees for existing users of the services.

Wherever possible the group mitigates price risk through negotiating long term contracts for patients and service users with fixed price agreements and it is committed to working with its purchasers to find solutions that provide demonstrable value for money. In an increasingly competitive market, the strategy is to continue to focus on providing high quality person-centred services at fee levels which are competitive and represent good value.

Credit risk

The group has limited exposure to this risk as counterparties are all local NHS, governmental departments and local authorities.

Liquidity risk

The group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient funds available for operations and planned exposures.

Interest rate cash flow risk

The group utilises interest rate swaps to manage its exposure to interest rate fluctuations. At the year end 53% of the Group's bank borrowings were hedged.

Health and safety risk

Due to the nature of the group operations, an independent adviser monitors health and safety risk in conjunction with the operations team, to ensure that company policies are adhered to.

DIVIDENDS

No dividends have been paid during the year (2008: £Nil).

GOING CONCERN

After making appropriate enquiries the directors have reasonable expectations that the company and group have adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

PAYMENT OF COMMERCIAL DEBTS

The group's policy, in relation to all of its suppliers, is to settle accounts in accordance with the payment terms agreed with those suppliers. The group does not follow any code or standard payment practice.

Lighthouse Healthcare Limited

DIRECTORS' REPORT

EMPLOYEE INVOLVEMENT AND DISABLED PERSONS

The group's policy is to consult and discuss with employees matters likely to affect employees' interests. Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the regular and frequent financial and economic factors affecting the group's performance.

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made wherever possible for retraining employees who become disabled to enable them to perform work identified as appropriate to their aptitudes.

MARKET VALUE OF LAND AND BUILDINGS

In the opinion of the directors, the market value of the land and buildings of the group and company exceeds book values of those assets at 31 March 2009. However, as the group does not adopt a policy of valuation, the excess of market value over book value has not been quantified.

DIRECTORS

The directors who held office during the year were as follows:

D Whittaker
K Willis (appointed 17 April 2008)
MA Cork (appointed 2 June 2008, resigned 21 May 2009)
EAD Haddon (resigned 11 June 2008)
DJ Cole (appointed 19 January 2009)

After the year end the following appointments were made:

TZ Gowers (appointed 26 May 2009)
GH Blackoe (appointed 1 June 2009)

AUDITORS

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of Baker Tilly UK Audit LLP as auditors of the company is to be proposed at the annual general meeting.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

By order of the board



TZ Gowers
Company Secretary

26 January 2010

Lighthouse Healthcare Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF 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 the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LIGHTHOUSE HEALTHCARE LIMITED

We have audited the financial statements on pages 8 to 29.

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 Annual Report and 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).

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LIGHTHOUSE
HEALTHCARE LIMITED (continued)

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 group's and company's affairs at 31 March 2009 and of the group's loss for the year then ended and 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.



BAKER TILLY UK AUDIT LLP

Registered Auditor
Chartered Accountants
Festival Way
Stoke-on-Trent
Staffordshire
ST1 5BB

28 January 2010

Lighthouse Healthcare Limited
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2009

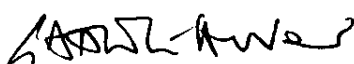
	Note	2009 £'000	2008 £'000
TURNOVER – CONTINUING OPERATIONS	1	18,257	10,867
Cost of sales		(11,011)	(5,367)
		<hr/>	<hr/>
GROSS PROFIT		7,246	5,500
Administrative expenses		(6,039)	(5,183)
Other operating income	3	-	5
		<hr/>	<hr/>
OPERATING PROFIT – CONTINUING OPERATIONS		1,207	322
Interest receivable and similar income	4	65	164
Interest payable and similar charges	5	(4,601)	(4,112)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2-6	(3,329)	(3,626)
Taxation	7	(11)	(236)
		<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR	16	(3,340)	(3,862)
		<hr/>	<hr/>

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

Lighthouse Healthcare Limited
CONSOLIDATED BALANCE SHEET
at 31 March 2009

	Note	2009		2008	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible fixed assets	9		59,281		60,502
Tangible fixed assets	10		20,723		18,547
			<u>80,004</u>		<u>79,049</u>
CURRENT ASSETS					
Debtors	11	633		2,226	
Property held for resale		260		97	
Cash at bank and in hand		1,146		4,612	
		<u>2,039</u>		<u>6,935</u>	
CREDITORS: Amounts falling due within one year	12	(2,955)		(4,524)	
NET CURRENT (LIABILITIES)/ASSETS			<u>(916)</u>		<u>2,411</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>79,088</u>		<u>81,460</u>
CREDITORS: Amounts falling due after more than one year	13		(80,277)		(79,319)
PROVISIONS FOR LIABILITIES AND CHARGES	14		(493)		(483)
NET (LIABILITIES)/ASSETS			<u>(1,682)</u>		<u>1,658</u>
CAPITAL AND RESERVES					
Called up share capital	15		-		-
Share premium account	16		7,000		7,000
Profit and loss account	16		(8,682)		(5,342)
SHAREHOLDERS' (DEFICIT)/FUNDS			<u>(1,682)</u>		<u>1,658</u>

The financial statements on pages 8 to 29 were approved by the board and authorised for issue on 26 January 2010 and are signed on its behalf by:



D Whittaker
Director

Lighthouse Healthcare Limited

BALANCE SHEET

at 31 March 2009

	Note	2009 £'000	2008 £'000
FIXED ASSETS			
Investments	8	69,157	69,146
Tangible fixed assets	10	2,666	1,199
		<u>71,823</u>	<u>70,345</u>
CURRENT ASSETS			
Debtors – (of which £6,822,000 (2008: £nil) is due after more than one year)	11	6,825	11,620
Property held for resale		260	-
Cash at bank and in hand		57	2
		<u>7,142</u>	<u>11,622</u>
CREDITORS: Amounts falling due within one year	12	<u>(1,468)</u>	<u>(1,534)</u>
NET CURRENT ASSETS		<u>5,674</u>	<u>10,088</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>77,497</u>	<u>80,433</u>
CREDITORS: Amounts falling due after more than one year	13	<u>(80,210)</u>	<u>(79,272)</u>
NET (LIABILITIES)/ASSETS		<u>(2,713)</u>	<u>1,161</u>
CAPITAL AND RESERVES			
Called up share capital	15	-	-
Share premium account	16	7,000	7,000
Profit and loss account	16	(9,713)	(5,839)
SHAREHOLDERS' (DEFICIT)/FUNDS		<u>(2,713)</u>	<u>1,161</u>

The financial statements on pages 8 to 29 were approved by the board and authorised for issue on 26 January 2010 and are signed on its behalf by:

D Whittaker

D Whittaker
Director

Company Registration No. 5820919

Lighthouse Healthcare Limited
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2009

	Note	2009 £'000	2008 £'000
CASH FLOW FROM OPERATING ACTIVITIES	17	3,888	81
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	18	(3,716)	(3,279)
TAXATION		(415)	79
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets		(2,678)	(7,243)
Purchase of property for resale		(364)	-
Sale of tangible fixed assets		24	92
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE		(3,018)	(7,151)
ACQUISITIONS AND DISPOSALS			
Net cash acquired with subsidiary		-	1,293
Acquisition of subsidiary		(11)	(49,015)
NET CASH OUTFLOW FOR ACQUISITIONS AND DISPOSALS		(11)	(47,722)
CASH OUTFLOW BEFORE FINANCING		(3,272)	(57,992)
FINANCING	18	(194)	62,150
(DECREASE)/INCREASE IN CASH IN THE YEAR		(3,466)	4,158
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
(Decrease)/increase in cash in the year		(3,466)	4,158
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		194	(55,150)
Changes in net debt resulting from cash flows		(3,272)	(50,992)
Loans and finance leases acquired with subsidiary		-	(554)
Interest accrued on loans		(1,262)	(669)
New finance leases		(204)	(85)
Movement in net debt in the year		(4,738)	(52,300)
Net debt at start of year	19	(72,741)	(20,441)
NET DEBT AT END OF YEAR	19	(77,479)	(72,741)

Lighthouse Healthcare Limited

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT)/FUNDS for the year ended 31 March 2009

	GROUP		COMPANY	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
LOSS FOR THE FINANCIAL YEAR	(3,340)	(3,862)	(3,874)	(3,902)
NET INCREASE IN SHAREHOLDERS' DEFICIT	(3,340)	(3,862)	(3,874)	(3,902)
Premium on new share issue	-	7,000	-	7,000
OPENING SHAREHOLDERS' FUNDS/(DEFICIT)	(3,340)	3,138	(3,874)	3,098
	1,658	(1,480)	1,161	(1,937)
CLOSING SHAREHOLDERS' (DEFICIT)/FUNDS	(1,682)	1,658	(2,713)	1,161

Lighthouse Healthcare Limited

ACCOUNTING POLICIES

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

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

The company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the Lighthouse Healthcare Limited group.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of Lighthouse Healthcare Limited and its subsidiary undertakings for the year. Subsidiaries acquired during a year are consolidated using the acquisition method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 March.

Purchased goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair value of the separable net asset acquired, is capitalised and written off on a straight line basis over its estimated useful economic life of 50 years.

Under the provisions of FRS 10 – Goodwill and intangible fixed assets, an impairment review is carried out annually. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset is the greater of its net selling price and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

GOING CONCERN

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 2 to 4.

Occupancy levels within the business continue to rise and fee rate targets are being achieved although, as the group is reliant on public funding and given the current uncertain economic outlook, there is a risk that these may not be maintained. The group continues to focus on winning long term contracts to ensure a level of cashflow certainty and controlling staffing costs in units where occupancy levels are not at a maximum. The group is utilising its increased size to enter into group purchasing contracts to realise efficiencies on the other cost lines. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The group has bank funding in place until October 2017, with significant headroom on current and forecast performance to meet its obligations. In future years, an adequate level of free cash will be generated to allow for development opportunities to build on the profitability of the business. The group currently hedges 53% of its bank debt to mitigate the risk of increased interest costs as a result of adverse LIBOR fluctuations. The hedging policy is constantly under review and it is anticipated that the proportion of hedged debt will increase to achieve a level of certainty for the group's borrowing costs.

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Lighthouse Healthcare Limited

ACCOUNTING POLICIES

INVESTMENTS

Fixed asset investments are stated at cost. Provision is made for any impairment in the value of fixed asset investments.

TANGIBLE FIXED ASSETS

Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Freehold buildings	- 50 years
Plant and equipment	- 3 to 10 years
Motor vehicles	- 4 to 5 years

PROPERTY HELD FOR SALE

Properties held for sale are stated at the lower of cost and net realisable value.

LEASED ASSETS AND OBLIGATIONS

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. 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.

RETIREMENT BENEFITS

The group operates a defined contribution scheme. The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

DEFERRED TAXATION

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

A deferred tax asset is recognised only to the extent that it will be realised in the foreseeable future.

CASH AND CASH EQUIVALENTS

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

TURNOVER

Turnover represents the amounts derived from the provision of nursing care services to customers during the year. Turnover relating to the supply of nursing care is recognised at the beginning of the month to which it relates.

Lighthouse Healthcare Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

1 TURNOVER

In the opinion of the directors there is only one class of business, being the provision of nursing care services. All turnover is derived in the UK.

2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2009 £'000	2008 £'000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation – owned	603	429
Depreciation – leased	66	18
Loss on disposal of fixed assets	13	7
Impairment of property held for resale	104	-
Goodwill amortisation	1,232	1,623
Auditors' remuneration:		
Audit services		
- statutory audit of parent and consolidated accounts	3	5
Other services		
- audit of subsidiaries	27	23
Tax services		
- compliance services	6	4
	<u> </u>	<u> </u>

3 OTHER OPERATING INCOME

	2009 £'000	2008 £'000
Rent receivable	-	2
Insurance claim	-	2
Other income	-	1
	<u> </u>	<u> </u>
	-	5
	<u> </u>	<u> </u>

Lighthouse Healthcare Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2009

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2009	2008
	£'000	£'000
Bank interest receivable	64	82
Other interest receivable	1	82
	<hr/>	<hr/>
	65	164
	<hr/>	<hr/>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2009	2008
	£'000	£'000
Loan interest	4,314	3,900
Interest on loan stock	276	200
Bank interest	-	9
Interest on finance leases	11	3
	<hr/>	<hr/>
	4,601	4,112
	<hr/>	<hr/>

Lighthouse Healthcare Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

6 EMPLOYEES

The average monthly number of persons (including directors) employed during the year was:	2009 Number	2008 Number
Management and administration	38	16
Nursing and residential	474	265
	<u>512</u>	<u>281</u>

Staff costs for the above persons:	2009 £'000	2008 £'000
Wages and salaries	10,731	4,878
Social security costs	1,028	404
Pension costs	85	29
	<u>11,844</u>	<u>5,311</u>

DIRECTORS' REMUNERATION	2009 £'000	2008 £'000
Aggregate emoluments	223	98
Compensation for loss of office	249	-
Sums paid to third parties for directors' services	95	-
Company pension contributions	13	-
	<u>580</u>	<u>98</u>

Remuneration (including compensation for loss of office) paid to the highest paid director amounted to £418,633 (2008: £49,000).

The number of directors to whom retirement benefits are accruing under:

	2009 Number	2008 Number
Money purchase schemes	<u>1</u>	<u>-</u>

Lighthouse Healthcare Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2009

7 TAXATION

	2009 £'000	2008 £'000
Current tax:		
UK corporation tax on loss of the year	-	(11)
Adjustment in respect of prior years	1	(72)
	<u>1</u>	<u>(83)</u>
Total current tax	<u>1</u>	<u>(83)</u>
Deferred taxation:		
Origination and reversal of timing differences	(20)	259
Adjustment in respect of prior years	30	60
	<u>10</u>	<u>319</u>
Total deferred tax	<u>10</u>	<u>319</u>
Tax on loss on ordinary activities	<u>11</u>	<u>236</u>

	2009 £'000	2008 £'000
Factors affecting tax charge for year:		
The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are explained below:		
Loss on ordinary activities before tax	(3,329)	(3,626)
	<u>(3,329)</u>	<u>(3,626)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 28% (2008:30%)	(932)	(1,088)
Expenses not deductible for tax purposes	483	58
Other timing differences	81	-
Capital allowances in excess of depreciation	(56)	(101)
Difference between tax and accounting profit	-	487
Adjustment in respect of prior years	1	(72)
Profit on ineligible assets	-	(7)
Tax losses carried forward	430	640
Utilisation of tax losses	(6)	-
	<u>1</u>	<u>(83)</u>
Tax charge for year	<u>1</u>	<u>(83)</u>

Lighthouse Healthcare Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

8	INVESTMENTS	COMPANY Shares in group undertakings £'000
	<i>Cost</i>	
	At beginning of year	69,146
	Adjustment to opening cost	11
		<hr/>
	At end of year	69,157
		<hr/>

The principal undertakings in which the company's interest at the year end is more than 20% are as follows:

<i>Company</i>	<i>Principal activity</i>	<i>Percentage and class of share held</i>
Acorn Care Limited	Provision of nursing care.	100% Ordinary
Acorn Care (Welshpool) Limited	Provision of nursing care	100% Ordinary
Healthline Individual Care Limited	Provision of nursing care	100% Ordinary
Growing Older With Learning Disability Limited	Provision of nursing care	100% Ordinary

All companies are incorporated in England and Wales.

Lighthouse Healthcare Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

9 INTANGIBLE FIXED ASSETS

	GROUP Goodwill £'000
COST	
At beginning of year	62,944
Adjustments in respect of previous acquisitions	11
	<hr/>
At end of year	62,955
	<hr/>
AMORTISATION	
At beginning of year	2,442
Charge for year	1,232
	<hr/>
At end of year	3,674
	<hr/>
NET BOOK VALUE	
At 31 March 2009	59,281
	<hr/>
At 31 March 2008	60,502
	<hr/>

The adjustment in respect of previous acquisitions relates to the acquisition of Healthline Individual Care Limited in the prior year.

Lighthouse Healthcare Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2009

10	FIXED ASSETS	GROUP			
		Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
	COST				
	At beginning of year	17,769	1,224	219	19,212
	Additions	2,305	354	223	2,882
	Disposals	-	-	(57)	(57)
	At end of year	20,074	1,578	385	22,037
	DEPRECIATION				
	At beginning of year	242	402	21	665
	Charge for year	300	261	108	669
	Disposals	-	-	(20)	(20)
	At end of year	542	663	109	1,314
	NET BOOK VALUE				
	At 31 March 2009	19,532	915	276	20,723
	At 31 March 2008	17,527	822	198	18,547

The net book value of motor vehicles includes £238,000 (2008: £100,000) in respect of fixed assets held under finance leases and hire purchase contracts. Depreciation charged for the year on these assets was £66,000 (2008: £18,000).

Included in freehold property is land with a value of £2,685,000 (2008: £2,535,000) which is not depreciated.

Lighthouse Healthcare Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2009

10 FIXED ASSETS (continued)

	COMPANY			
	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
COST				
At beginning of year	1,184	-	28	1,212
Additions	1,396	33	91	1,520
Disposals	-	-	(28)	(28)
At end of year	2,580	33	91	2,704
DEPRECIATION				
At beginning of year	13	-	-	13
Charge for year	4	4	22	30
Disposals	-	-	(5)	(5)
At end of year	17	4	17	38
NET BOOK VALUE				
At 31 March 2009	2,563	29	74	2,666
At 31 March 2008	1,171	-	28	1,199

The net book value of motor vehicles includes £74,000 (2008: £nil) in respect of fixed assets held under finance leases and hire purchase contracts. Depreciation charged for the year on these assets was £17,000 (2008: £nil).

Included in freehold land and property is land with a value of £300,000 (2008: £150,000) which is not depreciated.

11 DEBTORS

	GROUP		COMPANY	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<i>Due within one year:</i>				
Trade debtors	538	1,783	-	1,081
Amounts owed by group undertakings	-	-	-	10,537
Corporation tax	22	72	-	-
Other debtors	2	12	-	2
Prepayments and accrued income	71	359	3	-
	633	2,226	3	11,620
<i>Due after more than one year:</i>				
Amounts owed by group undertakings	-	-	6,822	-

Lighthouse Healthcare Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2009

12	CREDITORS: Amounts falling due within one year	GROUP		COMPANY	
		2009 £'000	2008 £'000	2009 £'000	2008 £'000
	Obligations under finance leases	98	34	30	-
	Trade creditors	314	391	77	-
	Corporation tax	1	466	-	-
	Other taxation and social security	497	235	28	5
	Other creditors	266	846	8	421
	Accruals and deferred income	1,529	2,552	1,075	1,108
	Deferred consideration	250	-	250	-
		2,955	4,524	1,468	1,534

13	CREDITORS: Amounts falling due after more than one year	GROUP		COMPANY	
		2009 £'000	2008 £'000	2009 £'000	2008 £'000
	Bank loan	75,798	74,922	75,798	74,922
	Obligations under finance leases	103	47	36	-
	Loan stock	2,626	2,350	2,626	2,350
	Deferred consideration	1,750	2,000	1,750	2,000
		80,277	79,319	80,210	79,272

One of the bank loans is repayable by quarterly instalments commencing on 1 January 2011 to 1 July 2017, with a final bullet payment in October 2017.

During the year the loan bore interest at 1.5% above base rate, with the all-in rate at the year end being 2%. The terms have been revised in December 2009, and from that date the loan bears interest at 2% above LIBOR for the period to 31 March 2011, increasing to 2.5% above LIBOR for the year to 31 March 2012 and 3% above LIBOR from 1 April 2012.

The other bank loan is repayable on 18 October 2017 and bore interest at 5.0% above LIBOR. At the year end the all-in rate was 6.64%. The terms have been revised in December 2009 and from that date the loan bears interest at 8% above LIBOR.

All bank loans are secured against all of the freehold property owned by the group by way of legal mortgage.

Obligations under finance leases are secured against the underlying assets.

The deferred consideration is repayable over 2 years, by quarterly instalments commencing on 31 January 2010, and bears interest at 10%.

The loan stock is due for repayment on 30 June 2011 and bears interest at 10% per annum on a monthly compounded basis.

Lighthouse Healthcare Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2009

13 CREDITORS: Amounts falling due after more than one year (continued)

	GROUP		COMPANY	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Analysis of debt maturity				
Amounts payable:				
In one year or less or on demand	250	-	250	-
In more than one year but not more than two years	1,382	-	1,382	-
In more than two years but not more than five years	7,960	3,833	7,960	3,833
In five years or more	70,832	71,089	70,832	71,089
	<u>80,424</u>	<u>74,922</u>	<u>80,424</u>	<u>74,922</u>

The above analysis reflects the revised payment terms agreed in December 2009.

	GROUP		COMPANY	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Obligations under finance leases:				
Amounts payable:				
In one year or less	98	34	30	-
Within two to five years	103	47	36	-
	<u>201</u>	<u>81</u>	<u>66</u>	<u>-</u>

Lighthouse Healthcare Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2009

14 PROVISIONS FOR LIABILITIES AND CHARGES

	GROUP Deferred tax £'000	COMPANY Deferred tax £'000
At beginning of year	483	-
Charge for the year	10	-
At end of year	493	-

Provision for deferred tax has been made as follows:

GROUP	2009		2008	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Difference between accumulated depreciation and capital allowances	580	(1)	483	1
Other timing differences	(3)	-	-	-
Tax losses	(84)	(433)	-	(230)
	<u>493</u>	<u>(434)</u>	<u>483</u>	<u>(229)</u>
	<u><u>493</u></u>	<u><u>(434)</u></u>	<u><u>483</u></u>	<u><u>(229)</u></u>

COMPANY	2009		2008	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Difference between accumulated depreciation and capital allowances	-	(1)	-	(1)
Other timing differences	-	(177)	-	(42)
Tax losses	-	(650)	-	(221)
	<u>-</u>	<u>(828)</u>	<u>-</u>	<u>(264)</u>
	<u><u>-</u></u>	<u><u>(828)</u></u>	<u><u>-</u></u>	<u><u>(264)</u></u>

The group and company do not provide deferred taxation assets unless sufficient taxable profits to utilise the assets can be foreseen.

Lighthouse Healthcare Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2009

15	CALLED UP SHARE CAPITAL	2009 £'000	2008 £'000
	AUTHORISED		
	9,200 Ordinary A shares of 1 pence each	-	-
	800 Ordinary B shares of 1 pence each	-	-
	4,065 Ordinary C shares of 1 pence each	-	-
		<u>-</u>	<u>-</u>
		-	-
		<u>-</u>	<u>-</u>
	ALLOTTED, CALLED UP AND FULLY PAID		
	9,200 Ordinary A shares of 1 pence each	-	-
	285 Ordinary B shares of 1 pence each	-	-
	4,065 Ordinary C shares of 1 pence each	-	-
		<u>-</u>	<u>-</u>
		-	-
		<u>-</u>	<u>-</u>

The ordinary A shares and the ordinary C shares rank pari passu as regards voting rights and entitlement to dividends. The ordinary B shares have no voting rights and no entitlement to dividends.

In the event of an exit, the first £35 million of equity is to be distributed pari passu amongst the ordinary A shares and ordinary C shares, and any excess over this sum (the excess equity value) distributed equally amongst all shareholders, save that all of the B ordinary shares then in issue shall not be entitled to more than 10% of the excess equity value, and all of the C ordinary shares then in issue shall not be entitled to less than 28.5% of the excess equity value.

16	RESERVES	Share premium account		Profit and loss account	
		GROUP	COMPANY	GROUP	COMPANY
		£'000	£'000	£'000	£'000
	At beginning of year	7,000	7,000	(5,342)	(5,839)
	Result for the year	-	-	(3,340)	(3,874)
		<u>7,000</u>	<u>7,000</u>	<u>(8,682)</u>	<u>(9,713)</u>
	At end of year	7,000	7,000	(8,682)	(9,713)

Lighthouse Healthcare Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2009

17	RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2009	2008
		£'000	£'000
	Operating profit	1,207	322
	Depreciation	669	447
	Amortisation	1,232	1,623
	Loss on disposal of assets	13	7
	Decrease/(increase) in debtors	1,541	(463)
	Decrease in creditors	(878)	(1,855)
	Impairment of property held for resale	104	-
		<u>3,888</u>	<u>81</u>

18	ANALYSIS OF CASHFLOWS	2009	2008
		£'000	£'000
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Interest paid on bank loans and overdraft	(3,772)	(3,440)
	Finance lease interest	(11)	(3)
	Interest received	67	164
		<u>(3,716)</u>	<u>(3,279)</u>
	FINANCING		
	Issue of shares	-	7,000
	New bank loans	-	73,717
	Repayment of bank loans	(110)	(18,547)
	Capital element of finance lease payments	(84)	(20)
		<u>(194)</u>	<u>62,150</u>

19	ANALYSIS OF NET DEBT				
		At beginning of year	Cash flow	Other non- cash changes	At end of year
		£'000	£'000	£'000	£'000
	Cash at bank and in hand	4,612	(3,466)	-	1,146
	Bank loans	(74,922)	110	(986)	(75,798)
	Loan stock	(2,350)	-	(276)	(2,626)
	Finance leases	(81)	84	(204)	(201)
	TOTAL	<u>(72,741)</u>	<u>(3,272)</u>	<u>(1,466)</u>	<u>(77,479)</u>

Lighthouse Healthcare Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

20 RELATED PARTY TRANSACTIONS

During the year the group paid £135,000 to Keith Willis Consultancy for consultancy and related expenses by Keith Willis, of which £10,000 was outstanding at the year end. £88,000 was paid to Keith Willis Associates for providing payroll and accounting services during the year. The balance outstanding at the year end was £nil. Both entities are under the control of Keith Willis, who is a director and shareholder of Lighthouse Healthcare Limited.

21 PENSION SCHEME

The group and company operate a defined contribution pension scheme that is administered independently of the group and company.

The contributions for the year were as follows:

	2009 £'000	2008 £'000
Group	85	29
Company	30	-

Outstanding contributions at the end of the year, included in creditors, were as follows:-

	2009 £'000	2008 £'000
Group	15	8
Company	8	-

Lighthouse Healthcare Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

22 FINANCIAL INSTRUMENTS – INTEREST RATE EXPOSURE

The company manages exposure to interest rate risk by using interest rate swaps.

At the year end the unrealised gains and losses on open interest rate swaps were as follows:

	2009			2008		
	Gains £'000	Losses £'000	Total £'000	Gains £'000	Losses £'000	Total £'000
Unrecognised gains and losses on hedges at 31 March:	-	(4,237)	(4,237)	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>