

Company Registration No. 05867920

**Care Management Group (Acquisition)
Limited**

Report and Financial Statements

For the year ended 28 February 2009



Care Management Group (Acquisition)

Report and financial statements 2009

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors responsibilities	3
Independent auditors' report	4
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

Care Management Group (Acquisition) Limited

Report and financial statements 2009

Officers and professional advisers

Directors

R R J Perry

(resigned 20 June 2008)

P Kinsey

(appointed 20 June 2008)

D Harland

(appointed 1 September 2008)

Secretary

G J Fitton

Registered Office

The Pointe
89 Hartfield Road
Wimbledon
London
SW19 3TJ

Bankers

NatWest
PO Box 3415
Bishopsgate
London
EC2P 2AP

Auditors

Deloitte LLP
Chartered Accountants
Reading

Care Management Group (Acquisition) Limited

Directors' Report

For the year ended 28 February 2009

The directors present their annual report and the audited financial statements for the year ended 28 February 2009. The Company has taken advantage of the small Company exemption not to prepare a business review. The directors expect the Company to remain as an intermediate holding Company for the foreseeable future and will continue to assess the business performance with reference to the trading performance of its subsidiaries.

Principal activity and Business Review

The Company's principal activity is to act as an intermediate holding Company for the Group, whose principal activity is providing residential care for people with learning disabilities and other special needs.

On 20 June 2008, the entire issued ordinary share capital of the Company was acquired by CMG Investment Holdings Limited. CMG Investment Holdings Limited then became the ultimate parent undertaking of the Company. The majority of the issued ordinary share capital of CMG Investment Holdings Limited is held by funds advised by Court Cavendish Limited.

Results and dividends

The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements. The Company did not pay a dividend during the year (2008: £nil).

Future prospects and basis of preparation

The Company meets its day to day working capital requirements through available cash funds, which remain in a strong position. The current economic conditions have not impacted business results year on year, however, the directors acknowledge that the current economic environment creates uncertainty over the level of future trading performance.

The Company is expected to be able to operate within its available working capital and after making enquiries, the directors have a reasonable expectation that the Company is able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Directors

The directors who served the Company during the year and since the year end are set out on page 1.

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) the directors have taken all the steps that they ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



D Harland
Director

21 May 2009

Care Management Group (Acquisition) Limited

Statement of directors' responsibilities

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

United Kingdom 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 period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that 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.

Independent auditors' report to the members of Care Management Group (Acquisition) Limited

We have audited the financial statements of Care Management Group (Acquisition) Limited for the year ended 28 February 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and 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 judgments 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 Care Management Group (Acquisition) 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 company's affairs as at 28 February 2009 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.



DELOITTE LLP
Reading, United Kingdom
22 May 2009

Care Management Group (Acquisition) Limited

Profit and loss account

For the year ended 28 February 2009

	Note	2009 £'000	2008 £'000
Administrative expenses		(166)	(37)
Administrative expenses – reorganisation costs		(2,003)	-
Total administrative expenses		<u>(2,169)</u>	<u>(37)</u>
Operating loss		(2,169)	(37)
Interest receivable and similar income		7	4
Interest payable and similar charges	3	<u>(9,476)</u>	<u>(8,364)</u>
Loss on ordinary activities before and after taxation and loss transferred from reserves	11	<u>(11,638)</u>	<u>(8,397)</u>

All results derive from continuing operations.

There are no recognised gains or losses for the current or preceding year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses has been presented.

Care Management Group (Acquisition) Limited

Balance sheet 28 February 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Investments	5	77,400	77,400
Current assets			
Debtors: amounts due within one year	6	21	44
Debtors: amounts due in more than one year	6	61,440	59,143
Cash at bank and in hand		562	12
		62,023	59,199
Creditors: amounts falling due within one year	7	(3,675)	(91,075)
Net current assets/(liabilities)		58,348	(31,876)
Total assets less current liabilities		135,748	45,524
Creditors: amounts falling due after more than one year	8	(101,789)	(61,401)
Net assets/(liabilities)		33,959	(15,877)
Capital and reserves			
Called up share capital	10	-	-
Capital contribution reserve	11	61,474	-
Profit and loss account	11	(27,515)	(15,877)
Total shareholder's funds/(deficit)	11	33,959	(15,877)

The financial statements were approved by the Board of Directors on 21 May 2009 and were signed on its behalf by:


D Harland
Director

Care Management Group (Acquisition) Limited

Notes to the financial statements For the year ended 28 February 2009

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. These have been applied consistently throughout the current and preceding years.

Basis of preparation

The Company meets its day to day working capital requirements through available cash funds, which remain in a strong position. The current economic conditions have not impacted business results year on year, however, the directors acknowledge that the current economic environment creates uncertainty over the level of future trading performance.

The Company is expected to be able to operate within its available working capital and after making enquiries, the directors have a reasonable expectation that the Company is able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Cash flow statement

The company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

Consolidation

The company has taken advantage of the exemption from the requirement to produce consolidated financial statements in accordance with Section 228(2) of Companies Act 1985 since the company is a wholly owned subsidiary undertaking of a UK company which itself prepares consolidated financial statements. The financial statements therefore present information about the company as an individual undertaking not as a group.

Investments

Investments are stated at cost less provision for any impairment in value.

Debt

Debt is initially stated at the amount of the net proceeds after the deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

Loan issue costs

Loan issue costs, to the extent that they meet the criteria of FRS 4 Capital Instruments, are offset against the loan to which they relate, and are amortised in order to give a constant rate of return.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Care Management Group (Acquisition) Limited

Notes to the financial statements For the year ended 28 February 2009

1. Accounting policies (continued)

Taxation (continued)

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse.

2. Loss on ordinary activities before taxation

Exceptional costs of £2,002,261 were incurred during the year (2008: £nil) in relation to revision of the debt facility. The company's audit fee was borne by a subsidiary, Care Management Group Limited and was not recharged in the current or preceding year. The audit fee relating to the company was £6,500 (2008: £6,270).

3. Interest payable and similar charges

	2009 £'000	2008 £'000
On term loan	8,760	7,648
Amortisation of loan issue costs	716	716
	<u>9,476</u>	<u>8,364</u>

4. Taxation

There was no tax charge during the year (2008 £nil)

	2009 £'000	2008 £'000
(a) Factors affecting current tax charge for the year		
Loss on ordinary activities before taxation	(11,638)	(8,397)
At standard rate of 28.2% (2008 – 30%)	(3,278)	(2,519)
Effects of:		
Losses not recognised	1,729	-
Group relief	1,549	2,519
Current tax charge for the year	<u>-</u>	<u>-</u>

The UK standard rate of corporation tax reduced from 30% to 28% with effect from April 2008.

At 28 February 2009, the Company has not recognised a deferred tax asset of £3,192,000 (2008: £241,000) in respect of carried forward tax losses as it is not certain that the Company will be able to utilise these assets in the foreseeable future.

Care Management Group (Acquisition) Limited

Notes to the financial statements For the year ended 28 February 2009

5. Investments

Cost and net book value

At 1 March 2008 and 28 February 2009

**Investments
in subsidiary
undertakings
£'000**
77,400

The following investments were held at the end of the period:

Name of undertaking	Description of shares held	Principal activity	Shareholding
Care Management Group (UK) Limited	Ordinary shares of £1 each	Holding company	100%
Care Management Group (Holdings) Limited	Ordinary shares of £1 each	Holding company	100%
Care Management Group Limited	Ordinary shares of £1 each	Running care homes	100%
Care Management Group (Southern) Limited	Ordinary shares of £1 each	Running care homes	100%
CMG Homes Limited	Ordinary shares of £1 each	Agency services for parent company	100%
CCA Residential Homes Limited	Ordinary shares of £1 each	Running care homes	100%
Blocklin Holdings Limited	Ordinary shares of £1 each	Holding company	100%
Blocklin House Limited	Ordinary shares of £1 each	Running care homes	100%
Care Management Group Trustees Limited	Ordinary Shares of £1 each	Holding company	100%
Victoria House (UK) Limited	Ordinary Shares of £1 each	Dormant company	100%
Wherewelve Limited	Ordinary shares of £1 each	Running care homes	100%
Wherewelve Care Group Limited	Ordinary Shares of £1 each	Dormant company	100%
Solent Residential Homes Limited	Ordinary Shares of £1 each	Dormant company	100%
Pathways (Trebanos) Limited	Ordinary Shares of £1 each	Dormant company	100%

Care Management Group (Acquisition) Limited holds the entire issued share capital and voting rights of Care Management Group (UK) Limited.

Care Management Group (Acquisition) Limited

Notes to the financial statements

For the year ended 28 February 2009

5. Investments (continued)

Care Management Group (UK) Limited holds the entire issued share capital and voting rights of Care Management Group (Holdings) Limited and Care Management Group Trustees Limited.

Care Management Group (Holdings) Limited holds the entire issued share capital of Care Management Group Limited, which in turn holds the entire issued share capital of Care Management Group (Southern) Limited, CMG Homes Limited, CCA Residential Homes Limited, Blocklin Holdings Limited and Victoria House (UK) Limited, Wherewelcome Limited, Wherewelcome Care Group Limited, Solent Residential Homes Limited and Pathways (Trebanos) Limited

Blocklin Holdings Limited holds the entire issued share capital of Blocklin House Limited.

All subsidiary undertakings are incorporated in England and Wales and are included in the Group consolidation.

6. Debtors

	2009 £'000	2008 £'000
Amounts due within one year:		
Prepayments and accrued income	21	44
Amounts due after more than one year:		
Amounts owed by subsidiary undertakings	61,440	59,143

Amounts owed by subsidiary undertakings are unsecured and interest free.

7. Creditors: Amounts falling due within one year

	2009 £'000	2008 £'000
Bank loans	1,000	90,984
Accruals and deferred income	2,675	91
	3,675	91,075

8. Creditors: Amounts falling due after more than one year

	2009 £'000	2008 £'000
Bank loans	96,572	-
Amounts owed to Group undertakings	5,217	61,401
	101,789	61,401

Interest charged on the bank loans is at rates between 0.5% and 2.5% over base rate per annum. The bank loans comprise loans secured by floating charges over the assets of the Group. Bank loans are shown net of £1,644,980 (2008: £2,362,000) of unamortised issue expenses.

Care Management Group (Acquisition) Limited

Notes to the financial statements

For the year ended 28 February 2009

9. Creditors: Amounts falling due after more than one year (continued)

Bank loans and amounts due to group undertakings falling due after more than one year are repayable between two and five years.

The company has entered into an interest rate swap for £67,000,000 where for a three year period, variable interest rates are swapped for fixed rate interest payments. These arrangements have been made to hedge against cash-flow interest rate risk arising from the Group having obtained a variable debt rate. The interest rate swap contract matures on 18th August 2009. At 28 February 2009, the fair value of the interest rate swap contract was (£1,086,947) (2008: £222,279).

10. Share capital

	2009 £	2008 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
	2009 £	2008 £
Called up, allotted and fully paid		
1 ordinary shares of £1 each	<u>1</u>	<u>1</u>

11. Reconciliation of movement in shareholder's funds/(deficit)

	2009			2008	
	Share capital £'000	Profit and loss account £'000	Capital contribution reserve £'000	Total £'000	Total £'000
At the beginning of the period	-	(15,877)	-	(15,877)	(7,480)
Loss for the period	-	(11,638)	-	(11,638)	(8,397)
Capital contribution	-	-	61,474	61,474	-
At the end of the period	<u>-</u>	<u>(27,515)</u>	<u>61,474</u>	<u>33,959</u>	<u>(15,877)</u>

The capital contribution reserve of £61,474k (2008 £nil) represents the waiver of amounts not payable to previous group companies following the acquisition of the company by CMG Investment Holdings Limited on 20 June 2008.

Care Management Group (Acquisition) Limited

Notes to the financial statements

For the year ended 28 February 2009

12. Financial commitments

The company is party to cross guarantees for the bank debts due by all companies within the CMG Investment Holdings Limited Group. Total amounts due as at 28 February 2009 amounted to £99,422,811 (£93,345,930).

As at the year end, the Care Management Group (Holding Company) Limited had pledged financial support to Care Management Group (Funding) Limited, Care Management Group (Acquisition) Limited, Care Management Group (UK) Limited, Blocklin Holdings Limited and Blocklin House Limited.

13. Related party transactions

The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the CMG Investment Holdings Limited group.

14. Ultimate parent company and controlling party

On 20 June 2008, the entire issued ordinary share capital of Care Management Group (Acquisition) Limited was acquired by CMG Investment Holdings Limited. CMG Investment Holdings Limited then became the ultimate parent undertaking of the company. The majority of the issued ordinary share capital of CMG Investment Holdings Limited is held by funds advised by Court Cavendish Limited.

CMG Investment Holdings Limited is the only group company to consolidate these financial statements for the year ended 28 February 2009.