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Care UK Mental Health Partnerships Limited

Report and Accounts

30 September 2002



Care UK Mental Health Partnerships Limited
Report and accounts
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Care UK Mental Health Partnerships Limited

Directors' Report

The directors present their report and the accounts for the year ended 30 September 2002.

Principal activities and review of the business

The company's principal activity during the year was the provision of care for the severe and enduring mentally ill in a range of dependencies from step down medium secure units to 24 hour nurse care. On 30 September 2001, the company acquired the trade, assets and certain liabilities of its subsidiary undertaking, Arc Healthcare Limited.

Results and dividends

The loss for the year, after taxation, amounted to £(349,000) (2001 profit:£181,000 restated for FRS 19). The directors do not recommend the payment of a dividend for the period.

Future developments

The directors aim to maintain the management policies which have resulted in the company's substantial growth in recent years. They consider that the next year will show a further significant growth in sales.

Events since the balance sheet date

There have been no events since the balance sheet date requiring revision of the financial statements nor a note thereto.

Directors

The directors who served during the year were as follows:

R S Clough	
M R Parish	(appointed 5 November 2001)
J Bryant	(resigned 30 September 2002)
P J Humphreys	(appointed 8 July 2002)
G D Cochrane	(appointed 7 August 2002)
P Cornford	(resigned 30 September 2002)
T Joy	(resigned 30 September 2002)
R Seed	(resigned 7 November 2002)
R G Griffiths	(resigned 2 September 2002)

None of the directors who held office at the year end had any interest in the shares of the company.

The interests of Mr R S Clough, Mr M R Parish and Mr P J Humphreys in the shares of Care UK plc the ultimate holding company are shown in the financial statements of that company.

The other directors' beneficial interests in the ordinary share capital of Care UK plc at the end of the financial year were:

		Interest at end of year	Interest at start of year or date of appointment
R Seed	10p ordinary shares	946	946

(Details of share options of ordinary share capital of Care UK plc are given in note 4).

Care UK Mental Health Partnerships Limited

Directors' Report

Political and charitable donations

During the year, the company made charitable contributions of £320 (2001: £Nil). No political contributions were made during the year (2001:£Nil).

Employees

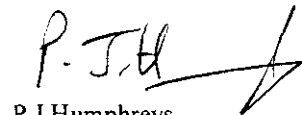
The vast majority of our employees are based at our nursing and residential home locations and are involved in day to day caring for people. The company has established structures and procedures for consultation, communication and negotiation with its employees. Importance is placed on this aspect of the business and all managers have responsibility to this end.

The company where possible, gives equal opportunity and consideration to applications for employment from disabled persons. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is company policy that training, career development and promotion should be on the basis of aptitudes and abilities for all staff.

Auditors

A resolution to reappoint KPMG Audit Plc as auditors will be put to the members at the Annual General Meeting.

This report was approved by the board on 21 JANUARY 2003



P J Humphreys
Director

Care UK Mental Health Partnerships Limited
Statement of Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those accounts, the directors are required to:

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

The directors are responsible for maintaining 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 accounts 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.

Care UK Mental Health Partnerships Limited
Independent Auditors' Report

Report of the Independent auditors
to the shareholders of Care UK Mental Health Partnerships Limited

We have audited the accounts on pages 5 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30 September 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants and Registered Auditor
6 Lower Brook Street
Ipswich
IP4 1AP

- 3 FEB 2003

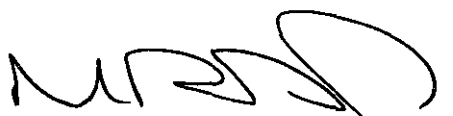
Care UK Mental Health Partnerships Limited
Profit and Loss Account
for the year ended 30 September 2002

	Notes	2002 £000	2001 (As restated) £000
Turnover	2		
Continuing Operations		8,671	4,014
Cost of sales		(7,369)	(3,285)
Gross profit		<u>1,302</u>	<u>729</u>
Administrative expenses		(1,019)	(622)
Operating profit	3	<u>283</u>	<u>107</u>
Continuing Operations		283	107
Acquisitions		-	-
Income from investments		-	1,769
Provision against investment		-	(1,500)
Interest payable		(442)	(125)
(Loss)/profit on ordinary activities before taxation		<u>(159)</u>	<u>251</u>
Tax on (loss)/profit on ordinary activities	6	(190)	(70)
(Loss)/profit for the financial year		<u>(349)</u>	<u>181</u>
Retained (loss)/profit for the financial year	16	<u><u>(349)</u></u>	<u><u>181</u></u>

Under Financial Reporting Standard No. 2 the company is exempt from the requirement to prepare consolidated financial statements by virtue of section 248 of the Companies Act 1985.

Care UK Mental Health Partnerships Limited
Balance Sheet
as at 30 September 2002

	Notes	2002 £000	2001 (As restated) £000
Fixed assets			
Intangible assets	7	1,560	1,651
Tangible assets	8	14,505	13,546
Investments	9	788	788
		<u>16,853</u>	<u>15,985</u>
Current assets			
Stocks	10	5	15
Debtors	11	1,033	3,386
Cash at bank and in hand		9	5
		<u>1,047</u>	<u>3,406</u>
Creditors: amounts falling due within one year	12	(16,222)	(17,183)
Net current liabilities		<u>(15,175)</u>	<u>(13,777)</u>
Total assets less current liabilities		<u>1,678</u>	<u>2,208</u>
Creditors: amounts falling due after more than one year	13	(1,146)	(1,518)
Provisions for liabilities and charges	14	(201)	(10)
		<u>331</u>	<u>680</u>
Capital and reserves			
Called up share capital	15	-	-
Profit and loss account	16	331	680
Shareholders' funds:			
Equity		<u>331</u>	<u>680</u>
		<u>331</u>	<u>680</u>



M R Parish
Director

Approved by the board on 21 JANUARY 2003

Care UK Mental Health Partnerships Limited
Other Primary Statements

Reconciliation of Movement in Shareholders' Funds
for the year ended 30 September 2002

	2002	2001
	£000	(as restated)
	£000	£000
Retained profit for the financial year	(349)	251
Prior year adjustment (Note 16)	-	(10)
Net increase to shareholders' funds	<u>(349)</u>	<u>241</u>
Opening shareholders funds	680	439
Closing shareholders' funds	<u>331</u>	<u>680</u>

Statement of Total recognised gains and losses
For the Year ended 30 September 2002

	Year to	Year to 30 Sept
	30 Sept 2002	2001
	£000	(as restated)
	£000	£000
Retained Profit for the financial year	<u>(349)</u>	<u>181</u>
Total gains and losses recognised for the year	<u>(349)</u>	<u>181</u>
Prior year adjustment (Note 16)	<u>(10)</u>	
Total gains and losses recognised since last annual report	<u>(359)</u>	

Care UK Mental Health Partnerships Limited
Notes to the Accounts
for the year ended 30 September 2002

1 Accounting policies

The company has adopted FRS 19 "Deferred Tax". Financial Reporting Standard (FRS) 19 "Deferred Tax" requires that deferred tax should now be provided in full on all timing differences 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 to the balance sheet date. The effect of this on prior year reserves is shown in Note 16.

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

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

Under Financial Reporting Standard No. 2 the company is exempt from the requirement to prepare consolidated financial statements by virtue of section 248 of the Companies Act 1985.

The company is a wholly owned subsidiary of Care UK plc and has taken advantage of FRS 8 and has not disclosed transactions or balances with entities under common control.

Fixed assets and depreciation

Freehold land and buildings are carried in the financial statements at cost or professional valuation.

The cost of land and buildings includes finance and other costs incurred on bank loans to fund nursing and residential homes in the course of construction; development costs associated with initiating and managing the construction of nursing homes; and expenditure specifically incurred in connection with the commissioning of new nursing homes. Capitalisation ceases on the date the home is brought into use.

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

Freehold and long leasehold and nursing homes	Nil
Freehold buildings	2% on cost, less residual value of 30%
Fixtures and fittings	10% to 33%
Motor vehicles	25%

Stocks

Stock is valued at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences arising from the different treatment of certain items for taxation and accounting purposes which have not reversed by the balance sheet date, except as otherwise required by FRS 19. No discounting is applied to deferred tax balances.

Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Care UK Mental Health Partnerships Limited
Notes to the Accounts
for the year ended 30 September 2002

2 Turnover

Turnover represents the invoiced value of goods and services supplied by the company.

3 Operating (loss)/profit	2002	2001
	£000	£000

This is stated after charging:

Depreciation of owned fixed assets	293	126
Amortisation of goodwill	91	158
Operating lease rentals - land buildings	44	47
Auditors' remuneration	25	16
	<u>25</u>	<u>16</u>

Auditors remuneration relating to audit services for the current year have been borne by the parent company, Care UK Plc.

4 Directors' emoluments	2002	2001
	£	£

Emoluments	<u>229,037</u>	<u>342,654</u>
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Highest paid director:	<u>80,500</u>	<u>109,648</u>
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Care UK Mental Health Partnerships Limited
Notes to the Accounts
for the year ended 30th September 2002

4 Remuneration of Directors (continued)

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as indicated below:-

	1/10/2001 or date of appointment	Granted	Exercised	Lapsed	Exercise 30/09/02 Price	Market Price at date of exercise	Date from which exercisable	Expiry Date
P Cornford								
Performance Related Scheme	20,000	-	-	(20,000)	- 222.5p	-	Mar-03	Mar-07
	10,000	-	-	(10,000)	- 241.5p	-	Dec-03	Dec-07
	-	10,000	-	(10,000)	- 180.5p	-	Dec-04	Dec-08
T Joy								
No. 2 Executive Scheme	35,529	-	-	(35,529)	- 76.0p	-	Jan-99	Jan-03
	20,000	-	-	(20,000)	- 113.0p	-	Jul-99	Jul-03
SAYE Scheme								
	1,753	-	-	-	1,753 221.0p	-	Aug-04	N/A
	-	5,555	-	-	5,555 171.0p	-	Aug-05	N/A
Performance Related Scheme								
	25,000	-	-	(25,000)	- 99.0p	273.0p	Aug-99	Aug-03
	75,000	-	-	(75,000)	- 220.5p	-	Jul-02	Jul-06
G Griffiths								
Performance Related Scheme	-	20,000	-	(20,000)	- 180.5p	-	Dec-04	Dec-08

The market value of the shares of Care UK plc at 30 September 2002 was 134.5p per share and the price range during the year was from 126.5p to 236.5p per share.

The grant and exercise of any options by R S Clough, Mr M R Parish and Mr P J Humphreys are shown in the financial statements of Care UK Plc.

Care UK Mental Health Partnerships Limited
Notes to the Accounts
for the year ended 30 September 2002

5 Staff costs	2002	2001
	£000	£000
Wages and salaries	4,533	2,229
Social security costs	345	179
Other pension costs	15	32
	<u>4,893</u>	<u>2,440</u>

Average number of employees during the year	Number	Number
Nursing Care & support staff	436	223
Management & administration	44	23
	<u>480</u>	<u>246</u>

6 Taxation	2002	2001
		(as restated)
	£000	£000
UK corporation tax at 30%	(1)	-
Deferred taxation (note 14)	191	70
	<u>190</u>	<u>70</u>

The current tax charge for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:-

	2002	2001
	£000	£000
(Loss)/profit on ordinary activities before tax	<u>(159)</u>	<u>251</u>
Current tax at 30%	-	75
Current tax charge	-	-
(Over)/undercharge	<u>-</u>	<u>75</u>
Effects of:		
Expenses not deductible for tax purposes		
Goodwill	(91)	(157)
Expenses adjustments	(3)	(2)
Loss on disposal of fixed assets	(117)	-
Capital allowances for period in excess of depreciation	42	84
Capitalised Interest	60	65
Utilisation of tax losses	(53)	(65)
Other	3	326
Net total items	<u>(159)</u>	<u>251</u>
Tax at 30%	-	75
(Over)/undercharge	<u>-</u>	<u>75</u>

Care UK Mental Health Partnerships Limited
Notes to the Accounts
for the year ended 30 September 2002

7 Intangible fixed assets **£000**
 Goodwill:

Cost

At 1 October 2001	1,814
Additions	-
At 30 September 2002	<u>1,814</u>

Amortisation

At 1 October 2001	163
Provided during the year	91
At 30 September 2002	<u>254</u>

Net book value

At 30 September 2002	<u>1,560</u>
At 30 September 2001	<u>1,651</u>

8 Tangible fixed assets

	Assets in the course of construction £000	Freehold land and buildings £000	Motor Vehicles £000	Fixtures & fittings £000	Total £000
Cost					
At 1 October 2001	2,591	10,329	166	896	13,982
Additions	1,169	405	29	269	1,872
Transfer from Group Company	(1,946)	1,946	(51)	-	(51)
Disposals	(553)	-	(83)	-	(636)
At 30 September 2002	<u>1,261</u>	<u>12,680</u>	<u>61</u>	<u>1,165</u>	<u>15,167</u>
Depreciation					
At 1 October 2001	-	205	65	166	436
Charge for the year	-	165	23	105	293
Transfer from Group Company	-	-	(23)	-	(23)
On disposals	-	-	(44)	-	(44)
At 30 September 2002	<u>-</u>	<u>370</u>	<u>21</u>	<u>271</u>	<u>662</u>
Net book value					
At 30 September 2002	<u>1,261</u>	<u>12,310</u>	<u>40</u>	<u>894</u>	<u>14,505</u>
At 30 September 2001	<u>2,591</u>	<u>10,124</u>	<u>101</u>	<u>730</u>	<u>13,546</u>

Land and buildings include depreciable assets of £5,659,053 (2001: £4,919,265).

Care UK Mental Health Partnerships Limited
Notes to the Accounts
for the year ended 30 September 2002

9 Investments

	Total £000
Cost	
At 1 October 2001	788
Additions	-
Provision against investment	-
At 30 September 2002	<u>788</u>

The company holds 20% or more of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Arc Healthcare Limited	England and Wales	Ordinary	100

10 Stocks	2002 £000	2001 £000
Raw materials and consumables	<u>5</u>	<u>15</u>

11 Debtors	2002 £000	2001 £000
Trade debtors	782	866
Amounts owed by group undertakings	2	551
Other debtors	195	145
Prepayments and accrued income	54	55
Dividends receivable	-	1,769
	<u>1,033</u>	<u>3,386</u>

12 Creditors: amounts falling due within one year	2002 £000	2001 £000
Bank loans and overdrafts	648	201
Trade creditors	242	322
Amounts owed to group undertakings	14,508	15,582
Corporation tax	20	(3)
Other taxes and social security costs	119	61
Other creditors	(20)	19
Accruals and deferred income	705	1,001
	<u>16,222</u>	<u>17,183</u>

Care UK Mental Health Partnerships Limited
Notes to the Accounts
for the year ended 30 September 2002

13 Creditors: amounts falling due after one year

	2002	2001
	£000	£000
Loan notes	<u>1,146</u>	<u>1,518</u>

The loan notes of £1,146,000 which carry interest at base lending rate are redeemable at par between 30 June 2004 and 30 June 2006. A holder may however give notice to redeem up to 20 per cent of a holding in every 12 month period.

14 Deferred taxation

	2002	2001
	£000	(as restated)
		£000
At 1 October 2001	10	(60)
Charged to the profit and loss account	191	70
At 30 September 2002	<u>201</u>	<u>10</u>

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	Provided	Potential	Provided	Potential
	2002	2002	2001	2001
	£000	£000	£000	£000
Capital allowances in advance of depreciation	<u>201</u>	<u>-</u>	<u>10</u>	<u>-</u>

15 Share capital

	2002	2001
	£	£
Authorised:		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>
	2002	2001
	No	No
	£	£
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Care UK Mental Health Partnerships Limited
Notes to the Accounts
for the year ended 30 September 2002

16 Profit and loss account

	2002
	(as restated)
	£000
At 1 October 2001	690
Retained loss	(349)
Prior year adjustment	(10)
At 30 September 2002	<u>331</u>

These accounts reflect the adoption of FRS 19, "Deferred Taxation", which requires that deferred tax should now be provided in full on all timing differences 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.

The 2001 accounts have therefore been restated as a prior year adjustment under FRS 3. The reported tax charge for the year ended 30 September 2001 of £nil has now been restated as £70,000 under FRS 19. Group reserves brought forward at 1 October 2000 have also been restated, and have increased by £60,000.

Deferred tax balances have not been discounted.

17 Controlling party

The ultimate parent company is Care UK plc, which is registered in England and Wales. Copies of the group financial statements of Care UK plc which is registered in England and Wales are available from its registered office at Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9QB.