

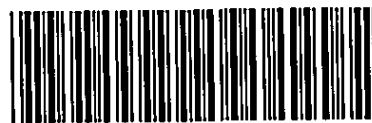
## **Care UK Mental Health Partnerships Limited**

**Directors' report and financial statements**

**For the year ended 30 September 2006**

**Registered number 01833385**

WEDNESDAY



\*AR88ERJ5\*

A44

25/07/2007

156

COMPANIES HOUSE

## Contents

Company Information	2
Directors' Report	3
Statement of Directors' Responsibilities	5
Independent auditors' report	6
Profit and Loss Account	7
Balance Sheet	8
Notes to the financial statements	9

## **Company Information**

### **Directors**

M R Parish  
P J Humphreys  
J T Turk (Resigned 16 Feb 2007)

### **Secretary**

P J Humphreys

### **Auditors**

KPMG Audit Plc  
6 Lower Brook Street  
Ipswich  
Suffolk  
IP4 1AP

### **Bankers**

HSBC Bank Plc  
Midland House  
26 North Station Road  
Colchester  
Essex  
CO1 1SY

### **Registered Office**

Connaught House  
850 The Crescent  
Colchester Business Park  
Colchester  
CO4 9QB

### **Registered number**

01833385

## Directors' Report

The directors present their report and financial statements for the year ended 30 September 2006

### Principal activities and review of the business

The company is principally engaged in 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

### Business review

The company strategy is to continue to grow both organically and through acquisition where market consolidation opportunities make this cost effective

The Key Performance Indicators (KPI's) used by the company to measure financial performance are revenue, operating profit, operating margin, bed numbers and occupancy

Turnover in the Company has increased by 11% from the previous year. This was partly driven by the opening in February of Evergreen Lodge, a fully contracted specialist 12-bed mental health care facility providing support and rehabilitation services in partnership with Croydon Primary Care NHS trust. The profit for the year before taxation amounted to £1,750,000 (2005 £1,322,000) representing a year on year growth of 32%. Operating margin increased year on year from 11.2% to 13.4%. Total bed numbers have increased in the year with the addition of the Croydon contract above.

The principle financial risk in the business relates to the level of financial occupancy achieved in our non-contracted services which comprise 65% of total beds in the business. The company has achieved progress in this area in the year with an average financial occupancy of 96% compared to 95% in the previous year. We continue to focus management on this key area and expect to see continued momentum.

An interim dividend of £750,000 (2005 £nil) was paid in the year. A final dividend of £500,000 (2005 £1,000,000) in respect of the prior financial year was paid during the current year.

The directors do not recommend a final ordinary dividend to be paid in respect of the current year.

### Directors

The directors who served during the year were as follows

M R Parish

P J Humphreys

J T Turk (Resigned 16 Feb 2007)

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

The interests of M R Parish and P J Humphreys in the shares of the ultimate holding company, Care UK Plc, are disclosed in the financial statements of that company.

J T Turk has 324 shares in the ultimate holding company, Care UK Plc.

### Employees

It is group policy to give fair consideration to the employment needs of disabled people to comply with current legislation with regard to disabled persons and, wherever practicable, to continue to employ and promote the careers of existing employees, who become disabled and to consider disabled persons for employment, subsequent training, career development and promotion on the basis of their aptitude and abilities.

Management regularly visit local offices and discuss matters of current interest and concern to the business with members of staff.

In order to encourage employees to become shareholders of the group company, Care UK Plc, and to participate in the achievements of the group, the group operates a Save As You Earn share option scheme.

## Directors' Report *(continued)*

have developed a series on internal communications tools, including e-mail notices, newsletters and 'cascade' briefings in order to keep employees informed regarding the progress, financial position and commercial issues of the Care UK group

### **Political and charitable donations**

The company made no political or charitable donations during the year (2005 £nil)

### **Statement on payment of suppliers**

The company does not follow a specific code or statement on payment practice. However, it is the company's policy to pay its suppliers in accordance with the payment terms agreed at the outset of the relationship providing the supplier adheres to its obligations.

As at 30 September 2006 the number of billing days outstanding to suppliers by the company was 30 (2005 30)

### **Auditors**

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company will be proposed at the forthcoming Annual General Meeting.

### **Approval of report**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report was approved by order of the board on



**P J Humphreys**  
Director

Connaught House  
850 The Crescent  
Colchester Business Park  
Colchester  
CO4 9QB

## **Statement of Directors' Responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing 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 its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

## **Independent auditors' report to the members of Care UK Mental Health Partnerships Limited**

We have audited the financial statements of Care UK Mental Health Partnerships Limited for the year ended 30 September 2006 which comprise the profit and loss account, the balance sheet and the related notes. 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 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**

As described in the Statement of Directors' Responsibilities on page 5, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its profit 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.

KPMG Audit Plc

20 July 2007

KPMG Audit Plc  
Chartered Accountants, Registered Auditor  
Ipswich

## **Profit and Loss Account**

*For the year ended 30 September 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>	<b>2005</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>13,105</b>	<b>11,843</b>
Cost of sales		<b>(10,529)</b>	<b>(9,575)</b>
<b>Gross profit</b>		<b>2,576</b>	<b>2,268</b>
Administrative expenses		<b>-</b>	<b>(921)</b>
<b>Operating profit</b>		<b>2,576</b>	<b>1,347</b>
Other interest receivable and similar income		<b>5</b>	<b>-</b>
Interest payable and similar charges	<b>3</b>	<b>(831)</b>	<b>(25)</b>
<b>Profit on ordinary activities before taxation</b>		<b>1,750</b>	<b>1,322</b>
Tax on profit on ordinary activities	<b>4-6</b> <b>7</b>	<b>(561)</b>	<b>(513)</b>
<b>Profit for the financial year</b>		<b>1,189</b>	<b>809</b>

All results derive from continuing activities

The company has no recognised gains or losses other than the profit for the above year

There were no material differences between the result as disclosed in the profit and loss account and that given by an unmodified historical cost basis during the current year




## Balance Sheet

As at 30 September 2006

	Note	2006 £000	2005 £000
<b>Fixed assets</b>			
Intangible assets	9	1,198	1,288
Tangible assets	10	15,052	14,397
Investments	11	6,663	788
		<b>22,913</b>	<b>16,473</b>
<b>Current assets</b>			
Stocks	12	7	4
Debtors	13	2,668	1,504
Cash at bank and in hand		-	399
		<b>2,675</b>	<b>1,907</b>
<b>Creditors, amounts falling due within one year</b>	14	<b>(3,860)</b>	<b>(9,350)</b>
<b>Net current liabilities</b>		<b>(1,185)</b>	<b>(7,443)</b>
<b>Total assets less current liabilities</b>		<b>21,728</b>	<b>9,030</b>
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(18,846)</b>	<b>(6,110)</b>
<b>Provisions for liabilities and charges.</b>			
Deferred taxation	16	(435)	(412)
<b>Net assets</b>		<b>2,447</b>	<b>2,508</b>
<b>Capital and reserves</b>			
Called up share capital	17	-	-
Profit and loss account	18	2,447	2,508
<b>Shareholders' funds</b>	19	<b>2,447</b>	<b>2,508</b>

These financial statements were approved by the board of directors on 17 July 2007 and were signed on its behalf by



P J Humphreys  
 Director

## Notes to the financial statements

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below. In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date',
- The presentation requirements of FRS 25 'Financial instruments: presentation and disclosure', and
- FRS 28 'Corresponding amounts'

The adoption of FRS 21 'Events after the balance sheet date' has meant that dividends declared after the end of the financial period cannot be included as a financial liability within those financial statements. This has led to the prior period adjustment disclosed in note 19. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

There has been no material effect of any other changes in accounting policies on the current year financial statements and prior year financial statements as previously reported.

#### **Basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, as modified to include the revaluation of certain land and buildings.

The company is exempt from the requirement of Financial Reporting Standard No 1 (revised) 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.

These financial statements present information about the Company as an individual undertaking and not about its Group. The company is exempt from the requirement of Financial Reporting Standard No 2 to prepare consolidated financial statements by virtue of section 228 of the Companies Act 1985.

As the company is a wholly owned subsidiary of Care UK Plc, the company has taken advantage of the exemption contained in Financial Reporting Standard No 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Care UK Plc, within which this company is included, can be obtained from the address given in note 25.

#### **Investments**

In the company's financial statements, investments in subsidiary undertakings are stated at cost less provisions for any impairments.

#### **Fixed assets**

Freehold and long leasehold land and buildings are carried in the financial statements at cost or external professional valuation. The last valuation was 1992 and following the implementation of FRS 15 there have been no further valuations. Assets in the course of construction are carried in the financial statements at cost, taken from the most recent valuation certificate received prior to the date of the financial statements.

The cost of land and buildings includes both the costs of financing assets in the course of construction and other costs that are directly attributable to bringing the asset into working condition for its intended use. Capitalisation of finance and other costs ceases at the date the asset is fully capable of providing the service for which it has been constructed.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### **Fixed assets (continued)**

Depreciation is provided to write off the cost, less estimated residual values, of fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold land	No depreciation provided
Freehold buildings	5 to 50 years
Long leasehold buildings	50 years, or if shorter, the period of the lease or the associated contract
Short leasehold buildings	The shorter of the period of the lease or the associated contract
Plant and machinery	25 years
Motor vehicles	4 years
Furniture, fittings, medical equipment and office equipment	3 to 10 years

Costs incurred in relation to contracts not yet signed where the company has been appointed preferred provider are capitalised in accordance with UITF Abstract 34. Such amounts are held within other debtors until such time as the contract is signed when they are transferred into assets in the course of construction.

#### **Stocks**

Stocks are valued at the lower of cost and net realisable value.

#### **Taxation**

The charge for taxation is based on the profit for the year and takes into account deferred taxation.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### **Pensions**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in independently administered managed funds. Contributions to defined contribution personal pension schemes are charged to the profit and loss account in the year in which they become payable.

The company also participates in a group pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company.

Because the company is unable to identify its share of the group scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme is accounted for by the Company as if the scheme was a defined contribution scheme. Further information is available in the Care UK Plc group financial statements.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### **Leasing**

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 or the term of the lease, whichever is shorter. 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.

All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

#### **Government grants**

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

#### **Long Term Incentive Plan**

The company participates in the Care UK group Long Term Incentive Plan ("LTIP"). The LTIP is managed by a separately administered trust. Liabilities of the LTIP are guaranteed by the Care UK group and the assets of the LTIP mainly comprise shares in the Care UK Plc. In accordance with UTIF Abstract 38 "Accounting for ESOP trusts", the assets, liabilities, income and costs of the LTIP have been included in the company's financial statements. The cost of annual awards to participants that take the form of shares or rights to shares are recognised over the period to which each of the performance criteria are measured and the benefits accrue.

### 2 Turnover

Turnover represents sales and services to third party customers in the health and social care sector, stated net of any applicable value added tax. Turnover is recognised when services are provided.

### 3 Interest payable

	2006 £000	2005 £000
Bank loans and overdrafts	-	25
Intercompany interest payable	848	-
Capitalised interest	(17)	-
	<hr/>	<hr/>
	831	25
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 4 Directors' emoluments

The directors received no emoluments during the financial year ended 30 September 2006 for their services to the company (2005 £nil). The emoluments of M R Parish and P J Humphreys and their share options are disclosed in the financial statements of Care UK Plc.

Retirement benefits under money purchase pension schemes are accruing to 3 directors (2005 3).

### 5 Staff numbers and cost

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2006	2005
Care staff	339	378
Administration	42	48
	<hr/>	<hr/>
	381	426
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2006	2005
	£000	£000
Wages and salaries	6,052	6,310
Social security costs	505	520
Other pension costs	41	54
	<hr/>	<hr/>
	6,598	6,884
	<hr/>	<hr/>

### 6 Profit on ordinary activities before taxation

	2006	2005
	£000	£000
<b><i>Profit on ordinary activities before taxation is stated after charging</i></b>		
Depreciation and other amounts written off owned tangible and intangible fixed assets	514	455
Rentals payable under operating leases Land and buildings	47	45
Rent payable to parent company	98	-
	<hr/>	<hr/>

Auditor remuneration was borne by Care Solutions Limited, a fellow Group company.

## Notes to the financial statements (continued)

### 7 Taxation

	2006 £000	2005 £000
UK corporation tax at 30% (2005 30%)	542	409
Adjustment relating to an earlier year	(4)	(2)
	<hr/>	<hr/>
Deferred tax	538	407
Origination and reversal of timing differences	23	106
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>561</u>	<u>513</u>

#### Current tax reconciliation

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows

	2006 £000	2005 £000
Profit on ordinary activities before tax	1,750	1,322
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax 30% (2005 30%)	525	397
Effects of		
Adjustments to tax charge relating to an earlier year	(4)	(2)
Capitalised revenue expenditure deducted on an allowable accounts basis	(9)	-
Capital allowances for period in excess of depreciation	(2)	(22)
Goodwill amortisation	27	27
Capitalised interest	(5)	-
Expenses not deductible for tax purposes	6	2
Other short-term timing differences	-	5
	<hr/>	<hr/>
Current tax charge for year	<u>538</u>	<u>407</u>

### 8 Dividends and other appropriations

	2006 £000	2005 £000
Final dividend paid	500	1,000
Interim dividend paid	750	-
	<hr/>	<hr/>
	<u>1,250</u>	<u>1,000</u>

## Notes to the financial statements (continued)

### 9 Intangible assets

Intangible assets represents goodwill arising on acquisitions completed on or after 1 October 1998

<b>Group</b>	<b>Total £000</b>
<b>Cost</b>	
At 1 October 2005	1,814
	<hr/>
At 30 September 2006	1,814
	<hr/>
<b>Amortisation</b>	
At 1 October 2005	526
Charge for year	90
	<hr/>
At 30 September 2006	616
	<hr/>
<b>Net book value</b>	
At 30 September 2006	1,198
	<hr/>
At 30 September 2005	1,288
	<hr/>

## Notes to the financial statements (continued)

### 10. Tangible fixed assets

	Land and buildings	Motor vehicles	Fixtures fittings and equipment	Assets in course of construction	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 1 October 2005	13,658	3	2,121	158	15,940
Additions	692	-	314	418	1,424
Transfer from/(to) other Group entities	(11)	12	102	(436)	(333)
At 30 September 2006	14,339	15	2,537	140	17,031
<b>Depreciation</b>					
At 1 October 2005	755	2	786	-	1,543
Charge for year	142	1	281	-	424
Transfer from other Group entities	-	12	-	-	12
At 30 September 2006	897	15	1,067	-	1,979
<b>Net book value</b>					
At 30 September 2006	13,442	-	1,470	140	15,052
At 30 September 2005	12,903	1	1,335	158	14,397

Land and buildings include depreciable assets with an original cost of £7,529,000 (2005 £7,081,000) and capitalised interest of £254,000 (2005 £239,000). Included within the net book value of land and buildings are long leasehold buildings which have a net book value of £25,000 (2005 £19,000) and short leasehold buildings which have a net book value of £8,000 (2005 £4,000).

Assets in the course of construction include capitalised interest of £2,000 (2005 £Nil).



## Notes to the financial statements (continued)

### 11 Investments

	2006 £000	2005 £000
Subsidiary undertakings, stated at cost		
At 1 October	788	788
Additions	5,875	-
	<hr/>	<hr/>
At 30 September	6,663	788
	<hr/>	<hr/>

On 9 June 2006 the Company acquired 100% of the issued share capital of Park Villa Limited and Generis Limited

The following subsidiaries, which are incorporated in England and Wales and operate in the United Kingdom, have been included in the consolidated financial statements of the ultimate holding Company and are all directly held by the holding company

Subsidiaries	Class of share capital held	Effective holding percentage	Nature of business
Arc Healthcare Limited	Ordinary	100%	Non-trading
Park Villa Limited	Ordinary	100%	Provision of care to service users with complex needs and some dual diagnosis with a learning disability
Generis Limited	Ordinary	100%	Provision of low security psychiatric care

### 12 Stocks

	2006 £000	2005 £000
Raw materials and consumables	7	4
	<hr/>	<hr/>

### 13 Debtors

	2006 £000	2005 £000
Amounts due within one year		
Trade debtors	802	1,159
Amounts owed by group undertakings	1,786	56
Other debtors	17	175
Prepayments and accrued income	63	114
	<hr/>	<hr/>
	2,668	1,504
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 14 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Dividends payable ( <i>as previously stated</i> )	-	500
Prior period adjustment	-	(500)
Dividends payable ( <i>restated</i> )	-	-
Bank loans and overdrafts	1,448	-
Trade creditors	424	319
Amounts owed to group undertakings	-	6,446
Other taxes and social security costs	162	129
Corporation tax	542	409
Other creditors	-	819
Accruals and deferred income	1,284	1,228
	<b>3,860</b>	<b>9,350</b>

### 15 Creditors: amounts falling due after more than one year

	2006 £000	2005 £000
Loan notes	-	400
Amounts owed to group undertakings	18,846	5,710
	<b>18,846</b>	<b>6,110</b>

### 16 Deferred taxation

	2006 £000	2005 £000
Accelerated capital allowances	370	366
Provisions	(11)	(11)
Capitalised interest	76	72
Tax losses carried forward	-	(15)
Undiscounted deferred tax provision	<b>435</b>	<b>412</b>
As at 1 October 2005	<b>412</b>	<b>306</b>
Charged to profit and loss account – prior year	<b>23</b>	<b>106</b>
As at 30 September 2006	<b>435</b>	<b>412</b>

All the above amounts are stated at the expected full UK corporation tax rate of 30%

## Notes to the financial statements (continued)

### 17 Share capital

	2006 £	2005 £
<b>Authorised</b>		
100 (2005 1,000) ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
100 (2005 100) ordinary shares of £1 each	100	100
	<hr/>	<hr/>

### 18 Profit and loss account

	2006 £000	2005 £000
As at 1 October 2005 (as previously stated)	2,508	1,699
Prior period adjustment – dividends payable	-	1,000
	<hr/>	<hr/>
As at 1 October 2005 (restated)	2,508	2,699
Retained profit for the financial year	1,189	809
Dividends paid	(1,250)	(1,000)
	<hr/>	<hr/>
As at 30 September 2006	2,447	2,508
	<hr/>	<hr/>

### 19 Reconciliation of movement in shareholders' funds

	2006 £000	2005 £000
Opening shareholders' funds (as previously stated)	2,508	1,699
Prior period adjustment – dividends payable	-	1,000
	<hr/>	<hr/>
Opening shareholders' funds (restated)	2,508	2,699
Profit for the financial period	1,189	809
Dividends	(1,250)	(1,000)
	<hr/>	<hr/>
Closing shareholders' funds	2,447	2,508
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 20 Contingent liabilities

The group's bankers hold a fixed and floating charge over the assets of the company to secure amounts advanced to the parent company and certain fellow subsidiaries. The group has a secured loan facility of £180.0 million (2005: 123.5 million) that expires on 17 February 2015. In addition the group has an overdraft facility of £3 million (2005: £3 million). As at 30 September 2006 the group had drawn down £117.0 million (2005: £100.8 million) of those facilities.

### 21 Capital commitments

	2006 £000	2005 £000
Amounts contracted for but not provided in the financial statements	113	Nil

### 22 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 2006 £000	Land and buildings 2005 £000
Operating leases which expire		
Within one year	-	-
Within two to five years	47	45
In over five years	-	-
	<u>47</u>	<u>45</u>

### 23 Pension commitments

#### a) Defined contribution scheme

The Care UK Plc group has an Inland Revenue approved defined contributions group pension plan. Contributions to this scheme are charged to the profit and loss account evenly throughout the year. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost for the year represents contributions payable by the company to the fund and amounted to £41,000 (2005: £54,000).

#### b) Defined benefit scheme

The company also participates in a group pension scheme providing benefits based on final pensionable pay, the Care UK LG pension scheme. The assets of the scheme are held separately from those of the company being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company.

Because the company is unable to identify its share of the group scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme will be accounted for by the company as if the scheme was a defined contribution scheme.

## Notes to the financial statements *(continued)*

### 23 Pension commitments *(continued)*

The latest full actuarial valuation was carried out at 1 April 2003 and was updated for FRS 17 purposes to 30 September 2006 by a qualified actuary. As at 30 September 2006, the scheme has a deficit of £920,000 (2005 £794,000). Further information is available in the Care UK Plc group financial statements.

### 24 Post balance sheet event – proposed change in tax rate

The UK Government has announced that the full corporation tax rate will be reduced from 30% to 28% with effect from 1 April 2008. In accordance with UK GAAP, the rate of 30% is used as the basis for the calculation of the taxes stated in these financial statements.

Once the change in tax rate has been 'substantially enacted' (achieved by the passing of the 2007 Finance Act), the new tax rate will be adopted as appropriate.

### 25 Controlling party

The company is a wholly owned and controlled subsidiary of Care UK Plc, a company registered in England and Wales. Copies of the consolidated financial statements of Care UK Plc are available from its registered office at Connaught House, 850 The Crescent, Colchester Business Park, Essex, CO4 9QB.