Company Registration No. 01948041

NOTTINGHAM REHAB LIMITED

Report and Financial Statements

31 March 2006

REPORT AND FINANCIAL STATEMENTS 2006

CONTENTS

REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P J Isherwood
I J Bolton
K Chapman
D A Johnson
D B Dutton
P B Maudsley
J Cobbledick

SECRETARY

I J Bolton

REGISTERED OFFICE

Burley House
Bradford Road
Burley-in-Wharfedale
West Yorkshire
LS29 7DZ

SOLICITORS

Hammonds
2 Park Lane
Leeds
LS3 1ES

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

PRINCIPAL ACTIVITY

The activity of the Company is the provision of healthcare services and products.

BUSINESS REVIEW

The Company, which was previously dormant, commenced trading on 1 April 2004. The Company acquired the trade and assets of Huntleigh National Care on 13 November 2004. In addition the healthcare business of Findel Education was transferred to the Company on 31 March 2005. The year ended 31 March 2006 represents the first full year of trading following these acquisitions. The directors are satisfied with the result for the year and consider that there is scope to develop the business in future years.

On-time collections and deliveries, being the key performance indicators that management consider to be important, were over 92%, a level comparable with the previous year. Maintaining these service levels is imperative for the continued growth and development of the business.

RESULTS AND DIVIDENDS

The profit on ordinary activities before taxation for the year amounted to £3,560,000 (2005: £227,000). No dividend was paid or proposed during the year (2005: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The company is reliant on a small number of contracts for substantially all of its revenues. There can be no guarantee that each of the contracts will be successfully renewed when the current contract terms expire. However, the company is the market leader within the industry, and thereby it is well placed to renew its current contracts and successfully bid for any new contracts that are put to tender.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

P J Isherwood	
I J Bolton	
K Chapman	
D A Johnson	
D B Dutton	(appointed 30 September 2005)
P B Maudsley	(appointed 30 September 2005)
J Cobbledick	(appointed 1 December 2005)
P E Jolly	(appointed 11 May 2006)

None of the directors has any interests in the shares of the company.

Messrs Bolton, Chapman, Johnson, Dutton, Maudsley and Jolly are directors of Findel plc, the ultimate parent company, and their interests in its shares are disclosed in that company's financial statements. The interests of other directors in Findel plc at the date of their appointment and the year end are:

	31 March 2006		31 March 2005	
	Ordinary shares	Share options	Ordinary shares	Share options
P J Isherwood	303,750	-	303,750	-
J Cobbledick	-	-	-	-

DISABLED EMPLOYEES

It is company policy to give full and fair consideration to applications from disabled persons. Opportunities also exist for employees who become disabled to continue their employment or be trained for other suitable positions. Opportunities for promotion are open to all employees irrespective of disablement.

DIRECTORS' REPORT

EMPLOYEE CONSULTATION

Information is provided to employees regarding the company and factors affecting its performance through normal management channels and regular consultation.

SUPPLIER PAYMENT POLICY

The company's policy in respect of payments to suppliers is to agree the terms of payment with suppliers in advance, to ensure that suppliers are made aware of those terms and abide by such terms.

The trade creditors at 31 March 2006 represent 27 creditor days (2005: 10 days) based on the total amounts invoiced by suppliers during the year.

DISCLOSURE OF RELEVANT INFORMATION TO AUDITORS

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the 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.

AUDITORS

In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

A resolution to appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

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

Secretary

I J Bolton

14 July 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- 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 Companies Act. They are also responsible for the system of internal control, 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 NOTTINGHAM REHAB LIMITED

We have audited the financial statements of Nottingham Rehab Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. 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

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 in accordance with the relevant framework and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We 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 transactions with the company is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Audit (UK and Ireland) 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 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 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 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.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds

14 July 2006

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2006

		Note	2006 £'000	2005 £'000
TURNOVER			53,226	11,443
Cost of sales			(36,538)	(8,061)
GROSS PROFIT			16,688	3,382
Selling and distribution costs			(2,087)	(1,487)
Administrative expenses	- exceptional	3	-	(540)
	- goodwill amortisation		(213)	(53)
	- other		(10,828)	(1,075)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4	3,560	227
Taxation		5	(510)	(84)
PROFIT ON ORDINARY ACTIVITIES FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES		13	3,050	143

There are no recognised gains or losses in either year other than the profit for that year, accordingly no statement of total recognised gains and losses has been presented.

There is no movement in equity shareholders' funds other than the profit for the year.

The above results arise from continuing operations.

The accompanying notes form an integral part of this profit and loss account.

BALANCE SHEET
31 March 2006

	Note	2006 £'000	2005 £'000
FIXED ASSETS			
Intangible assets	6	4,251	3,930
Tangible assets	7	1,905	1,610
		6,156	5,540
CURRENT ASSETS			
Stocks	8	7,098	6,709
Debtors	9	16,107	10,352
Cash at bank and in hand		3,607	-
		26,812	17
CREDITORS: amounts falling due within one year	10	(29,635)	(22,420)
NET CURRENT LIABILITIES		(2,823)	(5,359)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,333	181
Provisions for liabilities and charges	11	(140)	(38)
NET ASSETS		3,193	143
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Profit and loss account	13	3,193	143
EQUITY SHAREHOLDERS' FUNDS		3,193	143

These financial statements were approved by the Board of Directors on 14 July 2006.

Signed on behalf of the Board of Directors

D B Dutton
Director

The accompanying notes form an integral part of this balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

1. ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below. All of these have been applied consistently throughout the year and the preceding year. FRS 17 ("Retirement Benefits"), FRS 20 ("Share-Based Payments"), FRS 21 ("Events after the balance sheet date") and the presentational requirements of FRS 25 ("Financial Instruments: Disclosure and Presentation") have been adopted in the year and have no impact on the current year or the prior year figures.

Basis of accounting

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

The company has taken advantage of the exemption from the requirement of FRS 1 "Cash Flow Statements (Revised 1996)", since its ultimate parent company produces consolidated financial statements which are available to the public.

Turnover

Turnover consists of the invoiced value for goods and services exclusive of VAT and other sales taxes.

Pensions

During the year, the company has adopted FRS 17 "Retirement benefits". For defined benefit schemes, the pension scheme assets are measured using fair values whilst the pension scheme liabilities are measured using a projected unit method and discounted using an appropriate discount rate. The company is unable to identify its share of the underlying assets and liabilities in the schemes on a consistent and reasonable basis and, consequently, has taken the exemption afforded by FRS 17 to treat the pension schemes as if they were defined contribution schemes. Disclosures in relation to the scheme are included at Note 15.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated deprecation. Depreciation is calculated to write off all tangible fixed assets, except land, evenly over their estimated useful lives. Where there is evidence of impairment, fixed assets are written down to recoverable amount. Any such write down would be charged to operating profit.

The rates used are:

Short leasehold property	-	period of lease
Plant and equipment	-	10 to 25 years

Goodwill

Goodwill arising on the acquisition of subsidiaries and businesses, representing the excess of the fair value of the consideration over that of the separable net assets acquired, is capitalised and written off over its useful economic life of twenty years.

Stock

Stocks are stated at the lower of cost and net realisable value. Cost of finished goods is the invoiced value of materials plus labour and factory overheads based on normal levels of production.

Operating lease

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the period of the leases.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

1. ACCOUNTING POLICIES (CONTINUED)

Deferred tax is recognised in respect of all 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 periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' remuneration and transactions

None of the directors received any remuneration for their services to the company during the year or the preceding year. All of the directors' emoluments are received through Findel plc. It is not practical to split out the emoluments of the directors in the current or prior year.

No director held any options in the company's shares during the current and previous financial years.

	2006 No.	2005 No.
Average number of persons employed		
Administration	133	55
Production, selling and distribution	314	101
	447	156
	£'000	**£'000**
Staff costs during the year		
Wages and salaries	6,015	1,452
Social security costs	584	104
Pension costs	153	60
	6,752	1,616

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

3. EXCEPTIONAL ITEMS REPORTED WITHIN OPERATING PROFIT

	2006 £'000	2005 £'000
Reorganisation costs:		
Site closure costs	-	338
Redundancies	-	113
Consultancy	-	37
Other	-	52
	-	540

The costs above relate to a reorganisation of the business following the acquisition of Huntleigh National Care in the prior year. These costs have reduced the tax charge for the year by £nil (2005: £nil).

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation – owned assets	261	139
Amortisation of goodwill	213	53
Operating lease rentals - property	737	216

Audit fees were paid by another group company in the current and prior year.

5. TAXATION

The tax charge comprises:	2006 £'000	2005 £'000
UK corporation tax – current year	893	46
UK corporation tax – prior year	(485)	-
	408	46
Deferred tax – current year	71	38
Deferred tax – prior year	31	-
	510	84

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

5. TAXATION (CONTINUED)

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	3,560	227
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2005 – 30%)	1,068	68
Effects of:		
Expenses not deductible/income not taxable	(104)	16
Movement on deferred tax	(71)	(38)
Adjustment in respect of prior years	(485)	-
Current tax charge for period	408	46

6. FIXED ASSETS – INTANGIBLE

	Goodwill £'000
Cost	
At 1 April 2005	3,983
Additions	534
At 31 March 2006	4,517
Amortisation	
At 1 April 2005	53
Provided during the year	213
At 31 March 2006	266
Net book value	
At 31 March 2006	4,251
At 31 March 2005	3,930

During the year the directors recorded a further adjustment to goodwill in respect of an onerous contract in line with the hindsight provisions of FRS 7.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

7. FIXED ASSETS - TANGIBLE

	Short leasehold property £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 April 2005	166	2,660	2,826
Additions	42	935	977
Transfer to Group undertaking	-	(957)	(957)
At 31 March 2006	208	2,638	2,846
Depreciation			
At 1 April 2005	28	1,188	1,216
Charge for the year	12	249	261
Transfer to Group undertaking	-	(536)	(536)
At 31 March 2006	40	901	941
Net book value			
At 31 March 2006	168	1,737	1,905
At 31 March 2005	138	1,472	1,610

8. STOCKS

	2006 £'000	2005 £'000
Finished goods	7,098	6,709

There is no material difference between the balance sheet value of stocks and their replacement cost.

9. DEBTORS – DUE WITHIN ONE YEAR

	2006 £'000	2005 £'000
Trade debtors	10,297	8,515
Amounts owed by group companies	3,684	-
Prepayments and accrued income	2,126	1,837
	16,107	10,352

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £'000	2005 £'000
Trade creditors	3,148	449
Amounts owed to group companies	25,629	19,263
Corporation tax	224	46
Other creditors	147	1,008
Accruals and deferred income	487	1,654
	29,635	22,420

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

11. DEFERRED TAXATION

	£'000
At 1 April 2005	38
Charged to the profit and loss account	102
At 31 March 2006	140

The deferred tax liability is made up as follows:

	2006 £'000	2005 £'000
Accelerated capital allowances	140	38

12. CALLED UP SHARE CAPITAL

	2006 £'000	2005 £'000
Authorised, allotted and called-up and fully paid		
2 ordinary shares of £1 each	-	-

13. RESERVES

Profit and loss reserve:	£'000
At 1 April 2005	143
Retained profit for the year	3,050
At 31 March 2006	3,193

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

14. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

Guarantees

The company, together with certain other wholly owned subsidiary undertakings of Findel plc, has entered into an unsecured guarantee of certain borrowing facilities of Findel plc subject to a maximum of £160,000,000 (2005: £160,000,000). The amount of such borrowings by Findel plc at 31 March 2006 was £160,000,000 (2005: £130,000,000).

The company, its parent and certain of its fellow subsidiary undertakings have entered into cross-guarantees at the request of certain of the group's bankers. The full amount of the contingent liabilities at 31 March 2006 was £9,132,190 (2005: £nil).

Annual commitments under operating leases for land and buildings

	2006	**2005**
	£'000	**£'000**
Annual operating lease commitments expiring:		
Within one year	192	60
In the second to fifth year	422	387
In more than five years	118	344
	732	791

15. PENSIONS

Certain employees of the company are eligible to become members of the two UK defined benefit schemes (the "Novara Defined Benefit Schemes"). These are defined benefit, multi-employer schemes, the assets of which are held in a separate trustee administered fund. Contributions are based on pension costs across all participating companies in the group scheme and upon the advice of a professionally qualified actuary. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

A full actuarial valuation was carried out at 6 April 2004 this showed that the market value of the scheme's assets was £11.4m and that the actuarial value of these assets represented 71% of the benefits that had accrued to members. The next valuation is due in April 2007.

For the purposes of FRS 17 the actuarial valuation carried out on the Novara Defined Benefit Schemes as at 6 April 2005 was updated to 31 March 2006 by a qualified independent actuary.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

15. PENSIONS (CONTINUED)

The major assumptions used by the actuary were as set out in the table above. The assets in the schemes and expected rate of return were:

	2006		2005		2004	
	Long term rate of return expected	Value £'000	Long term rate of return expected	Value £'000	Long term rate of return expected	Value £'000
Equities	8.00%	13,211	7.50%	9,655	7.50%	8,378
Bonds	4.50%	4,572	5.00%	4,676	5.00%	4,080
Other	4.50%	47	4.50%	43	4.50%	99
Total market value of assets		17,830		14,374		12,557
Present value of schemes' liabilities		(24,602)		(22,502)		(19,165)
Deficit in the schemes		(6,772)		(8,128)		(6,608)
Related deferred tax asset		2,032		2,438		1,982
Net pension liability		(4,740)		(5,690)		(4,626)

16. RELATED PARTY TRANSACTIONS

As a subsidiary undertaking of Findel plc, the company has taken advantage of the exemption in FRS8 "Related party disclosures" not to disclose transactions with other members of the group headed by Findel plc.

There were no other related party transactions in the current and preceding year.

17. ULTIMATE PARENT COMPANY

The immediate parent company is Findel Education 2002 Ltd, registered in England and Wales. The ultimate parent company is Findel plc, registered in England and Wales. This is the largest and smallest group into which the company is consolidated. Copies of those group financial statements have been delivered to, and are available from, the Registrar of Companies, Companies Registration Office, Crown Way, Maindy, Cardiff, CF4 3UZ.