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NOTTINGHAM REHAB LIMITED

Report and Financial Statements

31 March 2005

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NOTTINGHAM REHAB LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

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NOTTINGHAM REHAB LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P J Isherwood
I J Bolton
K Chapman
D A Johnson

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

NOTTINGHAM REHAB LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

ACTIVITIES

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

BUSINESS REVIEW OF DEVELOPMENTS

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 directors consider that there is scope to develop the business in future years.

RESULTS AND DIVIDENDS

The profit on ordinary activities before taxation for the year amounted to £227,000 (2004: £nil). No dividend was paid during the year.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

P J Isherwood	(appointed 1 December 2004)
I J Bolton	(appointed 1 December 2004)
K Chapman	
D A Johnson	

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

Messrs Bolton, Chapman and Johnson 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:

	Holdings	Options
P J Isherwood	303,750	-

DISABLED EMPLOYEES

The company recognises its social and statutory duty to employ disabled persons and pursues a policy of providing, wherever possible, the same employment opportunities to disabled persons as to others.

EMPLOYEE CONSULTATION

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

NOTTINGHAM REHAB LIMITED

DIRECTORS' REPORT

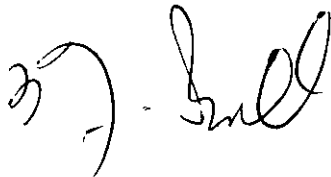
SUPPLIER PAYMENT POLICY

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.

AUDITORS

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

28 July 2005

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 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 19. 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 of the state of the company's affairs as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte + Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds

29 July 2005

NOTTINGHAM REHAB LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2005

	Note	2005 £000s	2004 £000s
TURNOVER			
Continuing operations	2	4,274	-
Acquisitions	2	7,169	-
		<u>11,443</u>	<u>-</u>
Cost of sales		8,061	-
		<u>3,382</u>	<u>-</u>
GROSS PROFIT			
Operating expenses (including exceptional costs of £540,000 see note 4)		3,155	-
OPERATING PROFIT		227	-
Continuing operations		31	-
Acquisitions		196	-
		<u>227</u>	<u>-</u>
TOTAL OPERATING PROFIT	2,4	<u>227</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	227	-
Taxation	6	(84)	-
		<u>143</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	14	<u>143</u>	<u>-</u>

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

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 shareholders' funds other than the profit for the year.

NOTTINGHAM REHAB LIMITED

BALANCE SHEET 31 March 2005

	Note	2005 £000s	2004 £000s
FIXED ASSETS			
Intangible assets	7	3,930	-
Tangible assets	8	1,610	-
		<u>5,540</u>	<u>-</u>
CURRENT ASSETS			
Stocks	9	6,709	-
Debtors	10	10,352	-
		<u>17,061</u>	<u>-</u>
CREDITORS: amounts falling due within one year	11	(22,420)	-
NET CURRENT LIABILITIES		<u>(5,359)</u>	<u>-</u>
Provisions for liabilities and charges	12	(38)	-
NET ASSETS		<u>143</u>	<u>-</u>
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Profit and loss account	14	143	-
EQUITY SHAREHOLDERS' FUNDS		<u>143</u>	<u>-</u>

These financial statements were approved by the Board of Directors on **28 July** 2005.

Signed on behalf of the Board of Directors



Director

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. These have been applied consistently throughout the year and the preceding year.

Basis of accounting

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

Turnover

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

Pensions

Pension costs are charged to the profit and loss account on a systematic basis over the period during which the group derives benefit from the employees' service in accordance with SSAP24 and based upon advice of a qualified actuary.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation. 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

Fixed asset investments

Fixed asset investments are stated at cost, less provision for impairment where appropriate.

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 and work in progress

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

Operating leases

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

Product development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and recognised over the period during which the company is expected to benefit.

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 2005

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. ANALYSIS OF OPERATING PROFIT

	2005		
	Continuing operations £000s	Acquisitions £000s	Total £000s
Turnover	4,274	7,169	11,443
Cost of sales	3,033	5,028	8,061
Gross profit	1,241	2,141	3,382
Selling and distribution costs	604	883	1,487
Administrative expenses:			
- Goodwill amortisation	-	53	53
- exceptional costs	-	540	540
- other admin expenses	606	469	1,075
Total admin expenses	606	1,062	1,668
Operating profit	31	196	227

The company did not trade in the year to 31 March 2004.

NOTTINGHAM REHAB LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' remuneration and transactions

No directors received any emoluments in relation to the company in the year.

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

	2005 No.	2004 No.
Average number of persons employed		
Administration	55	-
Production, selling and distribution	101	-
	<u>156</u>	<u>-</u>
	£000s	£000s
Staff costs during the year		
Wages and salaries	1,452	-
Social security costs	104	-
Pension costs	60	-
	<u>1,616</u>	<u>-</u>

4. EXCEPTIONAL ITEMS REPORTED WITHIN OPERATING PROFIT

	2005 £000s	2004 £000s
Reorganisation costs:		
Site closure costs	338	-
Redundancies	113	-
Consultancy	37	-
Other	52	-
	<u>540</u>	<u>-</u>

The costs above relate to a reorganisation of the business following the acquisition of Huntleigh National Care. These costs have reduced the tax charge for the year by £nil (2004: £nil).

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005 £000s	2004 £000s
Profit on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation – owned assets	139	-
Amortisation of goodwill	53	-
Operating lease rentals - property	216	-

Audit fees were paid by another group company.

NOTTINGHAM REHAB LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

6. TAXATION

The tax charge comprises:

	2005 £000s	2004 £000s
UK corporation tax – current year	46	-
UK corporation tax – prior year	-	-
	<u>46</u>	<u>-</u>
Deferred tax – current year	38	-
Deferred tax – prior year	-	-
	<u>84</u>	<u>-</u>

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 / (loss) before tax is as follows:

	2005 £000s	2004 £000s
Profit on ordinary activities before tax	<u>227</u>	<u>-</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2004 – 30%)	68	-
Effects of:		
Expenses not deductible for tax purposes	16	-
Movement on deferred tax	<u>(38)</u>	<u>-</u>
Current tax charge for period	<u>46</u>	<u>-</u>

NOTTINGHAM REHAB LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

7. FIXED ASSETS – INTANGIBLE

	Goodwill £000s
Cost	
At 1 April 2004	-
On acquisitions in the year (note 15)	3,183
On transfer from Group undertaking	800
	<hr/>
At 31 March 2005	3,983
	<hr/>
Amortisation	
At 1 April 2004	-
Provided during the year	53
	<hr/>
At 31 March 2005	53
	<hr/>
Net book value	
At 31 March 2005	3,930
	<hr/>
At 31 March 2004	Nil
	<hr/>

8. FIXED ASSETS - TANGIBLE

	Short leasehold property £000s	Plant and equipment £000s	Total £000s
Cost			
At 1 April 2004	-	-	-
Acquisitions (note 15)	72	1,464	1,536
Additions	86	257	343
Transfer from Group undertaking	8	1,109	1,117
Disposals	-	(170)	(170)
	<hr/>	<hr/>	<hr/>
At 31 March 2005	166	2,660	2,826
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 April 2004	-	-	-
Acquisitions	26	638	664
Charge for the year	2	137	139
Transfer from Group undertaking	-	486	486
Disposals	-	(73)	(73)
	<hr/>	<hr/>	<hr/>
At 31 March 2005	28	1,188	1,216
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2005	138	1,472	1,610
	<hr/>	<hr/>	<hr/>
At 31 March 2004	-	-	-
	<hr/>	<hr/>	<hr/>

NOTTINGHAM REHAB LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

9. STOCKS

	2005 £000s	2004 £000s
Finished goods	6,709	-
	<u>6,709</u>	<u>-</u>

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

10. DEBTORS – DUE WITHIN ONE YEAR

	2005 £000s	2004 £000s
Trade debtors	8,515	-
Prepayments and accrued income	1,837	-
	<u>10,352</u>	<u>-</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £000s	2004 £000s
Trade creditors	449	-
Amounts owed to group companies	19,263	-
Corporation tax	46	-
Other creditors	1,008	-
Accruals and deferred income	1,654	-
	<u>22,420</u>	<u>-</u>

12. DEFERRED TAXATION

	£000s
At 1 April 2004	-
Charged to the profit and loss account	38
At 31 March 2005	<u>38</u>

The deferred tax liability is made up as follows:

	2005 £000s	2004 £000s
Deferred capital allowances	<u>38</u>	<u>-</u>

13. CALLED UP SHARE CAPITAL

	2005 £'000	2004 £'000
Authorised, allotted and called-up and fully paid 2 ordinary shares of £1 each	<u>-</u>	<u>-</u>

NOTTINGHAM REHAB LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

14. RESERVES

Profit and loss reserve:	£000s
At 1 April 2004	-
Retained profit for the year	143
	<hr/>
At 31 March 2005	143
	<hr/>

15. ACQUISITIONS

On 13 November 2004 the group acquired the business and assets of Huntleigh National Care from Huntleigh plc. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the company:

	Book value £000s	Fair value adjustments £000s	Fair value to group £000s
Fixed assets			
Tangible	872	-	872
Current assets			
Stocks	1,650	-	1,650
Debtors	3,725	-	3,725
	<hr/>	<hr/>	<hr/>
Total assets	6,247	-	6,247
	<hr/>	<hr/>	<hr/>
Creditors			
Trade creditors and accruals	(2,242)	(1,685)	(3,927)
	<hr/>	<hr/>	<hr/>
Total liabilities	(2,242)	(1,685)	(3,927)
	<hr/>	<hr/>	<hr/>
Net assets	4,005	(1,685)	2,320
	<hr/>	<hr/>	<hr/>
Goodwill			3,183
			<hr/>
Consideration			5,503
			<hr/>
Satisfied by			
Cash			5,337
Expenses			166
			<hr/>
			5,503
			<hr/>

Fair value adjustments relate to provisions made for onerous contracts. Fair value of certain assets and liabilities have been determined on a provisional basis.

As the acquired business was a division of Huntleigh plc, standalone pre acquisition results are not available.

Inter group transfer of business.

On 31 March 2005 certain assets and liabilities were transferred from Findel Education with a book value of £9,101,000 for a consideration of £9,901,000 which is considered to be fair market value.

NOTTINGHAM REHAB LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2005

15. ACQUISITIONS (CONTINUED)

The assets and liabilities acquired from Findel Education Limited were as follows:

	Book & Fair Value £'000
Fixed assets	632
Debtors	5,014
Stock	4,059
Creditors	(604)
Net Assets Acquired	9,101
Consideration	9,901
Goodwill	800

No pre-acquisition results are available.

16. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

a) 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. The amount of such borrowings by Findel plc at 31 March 2005 was £130,000,000.

b) Capital commitments

The company had no contracted expenditure at 31 March 2005 (2004 - £nil).

c) Annual commitments under operating leases for land and buildings

	2005 £'000	2004 £'000
Annual operating lease commitments expiring:		
Within one year	60,436	-
In the second to fifth year	386,740	-
In more than five years	343,500	-
	<u>790,676</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

17. 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 scheme, 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 2004 was updated to 31 March 2005 by a qualified independent actuary.

NOTTINGHAM REHAB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

17. 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:

	2005		2004		2003	
	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	7.50%	9,655	7.50%	8,378	7.50%	6,455
Bonds	5.00%	4,676	5.00%	4,080	5.00%	3,918
Other	4.50%	43	4.50%	99	4.50%	10
Total market value of Assets		14,374		12,557		10,383
Present value of Schemes' liabilities		(22,502)		(19,165)		(16,987)
Deficit in the schemes		(8,128)		(6,608)		(6,604)
Related deferred tax asset		2,438		1,982		1,981
Net pension liability		<u>(5,690)</u>		<u>(4,626)</u>		<u>(4,623)</u>

18. 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.

19. ULTIMATE PARENT COMPANY

The ultimate parent company is Findel plc, registered in England and Wales. This is the largest and smallest group in to 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.