

ACE HOMECARE SERVICES LIMITED

FINANCIAL STATEMENTS FOR THE PERIOD

1 APRIL 2005 TO 31 JULY 2006

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Directors

M G Rogers
J P Coleman
D A Neill

Company Secretary

J P Coleman

Business Address

Osprey House
Pnmett Road
Stevenage
Hertfordshire SG6 1NY

Registered Office

Ground Floor
Saffron Ground
Ditchmore Lane
Stevenage
Hertfordshire SG1 3LJ

Auditors

CLB Littlejohn Frazer
Chartered Accountants
and Registered Auditors
1 Park Place
Canary Wharf
London E14 4HJ

Company Number

3739470

The Directors have pleasure in presenting their report and the Financial Statements of the Company for the 16 month period ended 31 July 2006. During the period the Company changed its accounting reference date from 31 March to 31 July. Consequently, these Financial Statements are for the 16 months ended 31 July 2006.

Principal Activities and Business Review

The principal activity of the Company continued to be that of the provision of domiciliary care.

Results and Dividends

The trading results for the period and the Company's financial position at the end of the period are shown in the attached Financial Statements.

The Company paid dividends of £10,000 in the period (2005 - £239,000). The Directors propose a final dividend of £350,000. In accordance with the requirements of Financial Reporting Standard No 21 and the Companies Act 1985, the final proposed dividend is not provided for in these Financial Statements.

The Directors

The Directors who served the Company during the period were as follows:

C Adams (resigned 9 August 2005)
M G Rogers (appointed 9 August 2005)
J P Coleman (appointed 9 August 2005)
D A Neill (appointed 10 September 2005)

The Company is a wholly owned subsidiary and the interests of the group Directors are disclosed in the Financial Statements of the parent company.

Relevant Audit Information

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that they ought reasonably to have taken as a Director to make themselves aware of that information.

Auditors

CLB Littlejohn Frazer were appointed as auditors during the period. A resolution to re-appoint CLB Littlejohn Frazer as auditors for the ensuing year will be proposed at the Annual General Meeting.

On behalf of the Board



J P Coleman

Company Secretary

18 APRIL 2007

The Directors are responsible for preparing the Annual 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 the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and 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 judgements 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 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' report to the shareholders of Ace Homecare Services Limited

We have audited the Financial Statements of Ace Homecare Services Limited for the period 1 April 2005 to 31 July 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Accounting Policies 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 shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is not consistent with the Financial Statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

Basis of 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 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 July 2006 and of its profit for the period 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.


CLB Littlejohn Frazer

Chartered Accountants
and Registered Auditors

18 April 2007

1 Park Place
Canary Wharf
London E14 4HJ

ACE HOMECARE SERVICES LIMITED**PROFIT AND LOSS ACCOUNT**
Period ended 31 July 2006

	Note	16 months ended 31 July 2006	Year ended 31 March 2005
Turnover	1	2,953,027	2,246,032
Cost of sales		(1,770,785)	(1,285,176)
Gross Profit		<u>1,182,242</u>	<u>960,856</u>
Administrative expenses		(919,234)	(651,503)
Operating Profit	2	<u>263,008</u>	<u>309,353</u>
Interest receivable and similar income	4	11,158	3,471
Interest payable and similar charges	5	(251)	-
Profit on Ordinary Activities before Taxation		<u>273,915</u>	<u>312,824</u>
Tax on profit on ordinary activities	6	(65,325)	(64,224)
Profit for the Financial Year		<u><u>£208,590</u></u>	<u><u>£248,600</u></u>

All of the activities of the Company are classed as continuing

The Company has no recognised gains or losses other than the results for the periods as set out above

The Accounting Policies and Notes on pages 8 to 13 form part of these Financial Statements

ACE HOMECARE SERVICES LIMITED
BALANCE SHEET
As at 31 July 2006

	Note	2006	2005
Fixed Assets			
Tangible assets	8	5,082	13,146
Current Assets			
Stocks		-	6,833
Debtors	9	584,139	290,985
Cash at bank and in hand		82,874	121,906
		<u>667,013</u>	<u>419,724</u>
Creditors: due within one year	10	<u>(250,369)</u>	<u>(209,734)</u>
Net Current Assets		<u>416,644</u>	<u>209,990</u>
Total Assets less Current Liabilities		<u>£421,726</u>	<u>£223,136</u>
Capital and Reserves			
Called-up share capital	12	2	2
Profit and loss account	13	421,724	223,134
		<u>£421,726</u>	<u>£223,136</u>
Equity Shareholders' Funds	14	<u>£421,726</u>	<u>£223,136</u>

Approved by the Board on



J P Coleman

Director

18 APRIL 2007

The Accounting Policies and Notes on pages 8 to 13 form part of these Financial Statements

Basis of Accounting

The Financial Statements have been prepared under the historical cost convention

Cash Flow Statement

The Directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised) from including a cashflow statement in the Financial Statements on the grounds that it is a wholly owned subsidiary and its ultimate parent company publishes a consolidated cashflow statement

Turnover

Turnover comprises the value of services supplied by the Company during the period, exclusive of Value Added Tax. Turnover is recognised when the individual item of service has been completed. Turnover relating to the completed items of service uninvoiced at the period end is accrued and disclosed under prepayments as accrued income.

All turnover is attributable to the one principal activity of the Company, and totally derived in the United Kingdom.

Fixed Assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures, fitting and computer equipment - 25% on cost

Operating Lease Agreements

Rentals applicable under operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred Taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company. An analysis of turnover is given below.

	16 months ended 31 July 2006	Year ended 31 March 2005
United Kingdom	£2,953,027	£2,246,032

2 Operating Profit

Operating profit is stated after charging

Depreciation of tangible assets	£ 10,553	£ 10,498
Auditors' remuneration – audit	£ -	£ 5,500
Director's emoluments and pension contributions	£ 27,642	£ 117,688

3 Employees**Staff Costs** (including Directors)

Wages and salaries	2,133,199	1,527,063
Social security costs	135,879	93,394
Pension costs	5,600	62,000
	<u>£2,274,678</u>	<u>£1,682,457</u>

Average monthly number of employees during the period

Care staff	175
Administrative staff	16

191

Directors' Emoluments

Aggregate emoluments	22,042	55,688
Pension contributions	5,600	62,000
	<u>£27,642</u>	<u>£117,688</u>

At the period end no benefits were accruing to Directors under money purchase pension schemes (2005 – 1)

4 Interest Receivable	16 months ended 31 July 2006	Year ended 31 March 2005
Bank interest receivable	6,276	3,471
Interest receivable from group entities	4,882	-
	<u>£11,158</u>	<u>£3,471</u>
5 Interest Payable		
Interest on late payment of tax	<u>£251</u>	<u>£ -</u>
6 Taxation		
Analysis of the charge in the Period		
Current tax		
UK Corporation Tax based on the results for the period	<u>65,325</u>	<u>64,224</u>
Total current tax	<u>£65,325</u>	<u>£64,224</u>
Factors Affecting Current Tax Charge		
The tax assessed on the profit on ordinary activities for the period is lower (2005 – higher) than the standard rate of corporation tax in the UK of 30% (2005 - 19%)		
Profit on ordinary activities before taxation	<u>£273,915</u>	<u>£312,824</u>
Profit on ordinary activities by rate of tax	82,174	59,437
Expenses not deductible for tax	238	2,577
Depreciation in excess of capital allowances for period	2,862	2,210
Utilisation of group relief	(18,847)	-
Marginal rate relief	<u>(1,102)</u>	-
Total current tax	<u>£65,325</u>	<u>£64,224</u>

7 Intangible Fixed Assets

	Goodwill
Cost	
At 1 April 2005 and 31 July 2006	1
	<u> </u>
Amortisation	
At 1 April 2005 and 31 July 2006	1
	<u> </u>
Net Book Value	
At 31 July 2006	£ -
	<u> </u>
At 31 March 2005	£ -
	<u> </u>

8 Tangible Fixed Assets

	Land and buildings	Fixtures, fittings and computer equipment	Total
Cost			
At 31 March 2005	1	35,112	35,113
Additions	-	2,792	2,792
Disposals	-	(889)	(889)
	<u> </u>	<u> </u>	<u> </u>
At 31 July 2006	1	37,015	37,016
	<u> </u>	<u> </u>	<u> </u>
Depreciation			
At 31 March 2005	-	21,967	21,967
Charge for the period	-	10,553	10,553
Disposals	-	(586)	(586)
	<u> </u>	<u> </u>	<u> </u>
At 31 July 2006	-	31,934	31,934
	<u> </u>	<u> </u>	<u> </u>
Net Book Value			
At 31 July 2006	£1	£5,081	£5,082
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2005	£1	£13,145	£13,146
	<u> </u>	<u> </u>	<u> </u>

9 Debtors	2006	2005
Trade debtors	319,632	270,977
Amounts owed by group undertakings	238,450	-
Other debtors, prepayments and accrued income	26,057	20,008
	<u>584,139</u>	<u>290,985</u>

The debtors above include the following amounts falling due after more than one year

Amounts owed by group undertakings	<u>£238,450</u>	<u>£ -</u>
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10 Creditors due within one year

Bank loans and overdrafts	-	3,164
Trade creditors	13,999	17,629
Corporation tax	65,233	64,224
Other taxation and social security	61,235	66,680
Other creditors, accruals and deferred income	109,902	58,037
	<u>250,369</u>	<u>209,734</u>

11 Pension Costs

The Company contributes towards a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £5,600 (2005 - £62,000)

12 Share Capital	2006	2005	2006	2005
	Allotted, called-up and fully paid		Authorised	
Ordinary shares of £1 each	<u>£2</u>	<u>£2</u>	<u>£1,000</u>	<u>£1,000</u>

13 Profit and Loss Account

	2006	2005
Balance brought forward	223,134	213,534
Profit for the financial year	208,590	248,600
Dividends paid	(10,000)	(239,000)
	<hr/>	<hr/>
Balance carried forward	£421,724	£223,134
	<hr/>	<hr/>

The aggregate amount of dividends proposed before the date of approval of these Financial Statements, which have not been provided for in accordance with the requirements of Financial Reporting Standard No 21 and the Companies Act 1985, is £350,000

14 Reconciliation of Movements in Shareholders' Funds

Profit for the financial period	208,590	248,600
Dividends paid	(10,000)	(239,000)
	<hr/>	<hr/>
	198,590	9,600
Opening equity shareholders' funds	223,136	213,536
	<hr/>	<hr/>
Closing shareholders' equity funds	£421,726	£223,136
	<hr/>	<hr/>

15 Related Party Transactions

No details are shown of related party transactions with companies in which the ultimate parent company holds 90% or more of the voting rights in accordance with the exemption stated in Financial Reporting Standard No 8

16 Commitments under Operating Leases

At 31 July 2006 the Company had annual commitments under operating leases expiring as follows

	2006	
	Land and buildings	Other
Between two and five years	-	8,487
After more than five years	21,500	-
	<hr/>	<hr/>
	£21,500	£8,487
	<hr/>	<hr/>

17 Ultimate Parent Company

The immediate and ultimate parent company is Careforce Group plc, a company incorporated in England and Wales. Group Financial Statements are prepared and are available from Companies House. On 4 April 2007 Mears Group PLC acquired the entire share capital of Careforce Group plc