

Careforce Services Limited

Financial statements

For the year ended 31 December 2010

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Company No. 3764590

Company information

Company registration number	3764590
Registered office	1390 Montpellier Court Gloucester Business Park Brockworth Gloucester GL3 4AH
Directors	A M Long B R Westran Mears Group PLC
Bankers	Barclays Bank PLC PO Box 119 Park House Newbrick Road Stoke Gifford Bristol BS34 8TN
Solicitors	BPE St James's House St James' Square Cheltenham Gloucestershire GL50 3PR
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors Hartwell House 55 - 61 Victoria Street Bristol BS1 6FT

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Report of the Directors

The Directors present their report and the financial statements of the Company for the year ended 31 December 2010

Principal activities

The principal activity of the Company during the year was the provision of domiciliary care

Results and dividends

On the 31 December 2010, the trading business of the Company was transferred to Mears Care Limited

The loss for the year, after taxation, amounted to £3,438,323 (2009 profit - £514,521) The Directors have not recommended a dividend for 2010 (2009 - £nil)

The Company is expected to remain dormant for the foreseeable future

Business Review

The acquisition of Supporta plc by our ultimate parent company, Mears Group PLC, in February 2010, provided significant opportunity for margin enhancements through operating and system improvements, synergies and further economies of scale. The acquisition gives the company excellent geographic spread and the ability to bid for work in virtually all key areas of the UK

On 1 June 2010 Mears Group PLC combined both the Supporta Care and Careforce businesses and rebranded them as Mears Care. On 31 December 2010, the trading business of Careforce Services Limited was transferred to Mears Care Limited

The enlarged Group, that Careforce Services is a part of, continues to build a presence across a growing geographical area and is well placed to take a leading position in the consolidation of the Domiciliary Care market. Investment in infrastructure and people continues as we grow the business

The Domiciliary Market is going through significant change, which will present more opportunities for Companies such as Mears Care who are able to

- Adapt to changing regulation and the impact of personalisation,
- Offer a broad range of services, including for more complex needs, particularly given the greater role for the NHS within Community Care,
- Present innovative added value solutions to Local Authorities which reduce long term cost

In 2010 we have taken significant steps to prepare the Company to maximise these opportunities

- The revision of policies, procedures and training to put greater focus upon outcome based delivery,
- The development of a greater range of services, including a series of pilots integrating care for people with care for the homes in which they live,
- The expansion of our business, including significant investment in IT systems and training

Key Performance Indicators (KPI's)

Debtor days KPI

We operate a number of different billing cycles which vary according to our customers' specific requirements. As a consequence, in order to measure the effectiveness of our cash collections, we now use a measurement based on both aged debt outstanding and the total of unbilled sales. Use of this measurement avoids fluctuations caused by the timing of the billing cycles. Following the transferral of trading business to Mears Care Limited, our measure of debtor days at the end of the year was nil (2009 - 42.3)

Hours delivered KPI

	2010 000's	2009 000's
Homecare	777	796
Live-in	611	217
Totals	<u>1,388</u>	<u>1,013</u>

Report of the Directors - continued

Directors

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

A M Long	
B R Westran	
Mears Group PLC	(corporate director appointed 1 June 2010)
J P Coleman	(resigned 28 May 2010)

Risks and uncertainties

Computer Risk

Our branches use sophisticated scheduling software to manage the activities of the carers. Failure of these systems would cause serious disruption. Back-ups of all systems are taken on a regular basis and the Company has developed a disaster recovery programme to use in the event of our major software product (CareManager3) failing.

Contract Risks

In order to retain our contracts, the Company must ensure that it continues to operate to high standards of quality and meeting the needs of our customers. When contracts reach their normal termination dates, we re-tender for new contracts with the relevant Local Authority. There is a risk that they will not be re-awarded.

Credit Risk

The majority of our turnover is conducted with government agencies and councils. It is not considered that there is material credit risk associated with these customers. The balance of the turnover is with private individuals. For these customers we require that they either sign up to a direct debit mandate or pay for one month's care in advance. The majority opt to do the former for which our bad debt risk is limited for one month's transactions only.

Employment Legislation Risk

In recent years the National Minimum Wage ("NMW") has increased at rates which have exceeded inflation. This has pushed up our labour costs in low wage rate areas. It has now been stated that it is expected that in the future the NMW will only increase in line with inflation. In addition, moves to increase paid holiday entitlement and for businesses to contribute to pension plans for all staff represent a risk that labour costs will rise. We will usually work with our customers to attempt to negotiate additional payments to cover such costs should they arise.

Interest Rate Risk

The Group has funded its acquisition programme through intra group borrowings from its parent undertaking, Mears Group PLC.

Labour Supply Risks

Low unemployment rates will in some areas make it hard for us to recruit carers. We continually work on initiatives to recruit effectively and retain our workforce. New EU accession countries may provide an additional source of labour.

Local Authority Funding Risks

The majority of our business is conducted with Local Authorities who receive funding for the provision of care from the Government. Our ability to grow is affected by the amount of funds which our Local Authority customers commit to spending on care for the elderly.

Reputational Risk

Each week we have to carry out about 35,000 care visits usually to fairly vulnerable elderly people. Whilst we try to have policies and procedures to cover every eventuality, there is always the possibility that something will go wrong and a call will be missed. In the event that a call is missed and a service user suffers as a result, there is a risk of bad publicity and some reputational damage. This would tend to be local to the incident.

Report of the Directors - continued

Policy on the payment of creditors

It is the Company's policy to settle terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them

Donations

During the year the Company made charitable donations of £20 (2009 - £1,568)

Disabled Employees

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person

Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate

Employee Involvement

The Company is an equal opportunities employer. Applications for employment are always fully considered irrespective of gender, ethnic origin, race, religion or sexual orientation. It is also the Company's policy that applications for employment by disabled persons are given full and fair consideration in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Company may continue.

The Company operates a culture which encourages staff to integrate into the business to encourage a sense of involvement at all levels. This is achieved through formal and informal meetings, dissemination of written communications directly or via notice boards and the Company website. The Company aims to ensure that each employee has a Personal Development Plan and access to the Workforce Development Programme. Staff are positively encouraged to further their careers within the Careforce Group.

The Company operates a stakeholder pension scheme available to all employees.

Directors' responsibilities

The directors are responsible for preparing the Report of the directors 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 laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and 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 accounting 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,

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Report of the Directors - continued

Directors' responsibilities - continued

In so far as the Directors are aware

- there is no relevant audit information of which the Company's auditors are unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern consideration

Mears Group PLC, the ultimate parent company, has a centralised treasury arrangement and so shares banking arrangements with its subsidiaries.

After making enquiries, the directors believe that the Group and company have adequate resources to continue in operational existence for the foreseeable future, and they have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the group to continue as a going concern or its ability to continue with the current banking arrangements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with s489 of the Companies Act 2006.

This report was approved by the board on 15 April 2011 and signed on its behalf



B R Westran
Director

Report of the independent auditor to the member of Careforce Services Limited

We have audited the financial statements of Careforce Services Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member, as a body, in accordance with Chapter 3 Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member 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 member as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Geraint Davies

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Bristol

15 April 2011

Principal accounting policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards. The accounting policies are unchanged from the previous year.

Consolidation

The Company was, at the end of the year, a wholly-owned subsidiary of another whose accounts are publicly available and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts. Consequently, these accounts present information about the individual undertaking.

Cash Flow Statement

The Directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that 100% of the voting rights of the Company are controlled by its ultimate parent Company, which publishes a consolidated cash flow statement.

Related parties transactions

The Company is a wholly owned subsidiary of Mears Group PLC, the consolidated accounts of which are publicly available. Accordingly, the Company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of Mears Group PLC group.

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 completed items of service un invoiced at the period end is accrued and disclosed under prepayments and accrued income.

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

Goodwill

Purchased goodwill, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life. The period of amortisation is assessed on an acquisition by acquisition basis and is set based on the expected period that the assets acquired will contribute to the Company's results. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable. The rate applicable to goodwill currently included in the balance sheet is 5% per annum.

Principal accounting policies - continued

Fixed assets

Tangible fixed assets are stated at historical cost less 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. The rates generally applicable are as follows:

Improvements to leasehold property	-	Over the period of the lease, straight line
Fixtures and office equipment	-	25% reducing balance
Computer equipment and software	-	25% reducing balance
Motor vehicles	-	25% reducing balance
Assets under construction	-	nil

Operating Lease Agreements

Rentals applicable to 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.

Retirement Benefits

Defined contribution pension scheme

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the profit and loss account.

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.

Deferred tax assets are recognised only where it is considered 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.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Profit and loss account

	Note	2010 £	2009 £
Turnover	1	13,418,894	13,952,324
Cost of sales		(9,215,606)	(8,956,391)
Gross profit		4,203,289	4,995,933
Administrative expenses			
Staff costs		2,435,167	3,805,840
Depreciation and amortisation		3,543,631	287,502
Other operating charges		1,720,353	709,043
Total administrative expenses		(7,699,151)	(4,802,385)
Operating (loss)/profit	2	(3,495,862)	193,548
Income from other fixed asset investments	5	59,024	328,101
Interest payable and similar charges	6	(1,485)	(10,635)
(Loss)/profit on ordinary activities before taxation		(3,438,323)	511,014
Tax on (loss)/profit on ordinary activities	7	–	3,507
(Loss)/profit for the financial year	18	(3,438,323)	514,521

On the 31 December 2010, the trading business of the Company was transferred to Mears Care Limited and the Company ceased to trade. All of the activities of the Company are classed as discontinued.

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

Balance sheet

	Note	2010 £	£	2009 £	£
Fixed assets					
Intangible assets	8		-		2,510,218
Tangible assets	9		-		2,474,429
Investments	10		-		287,503
			-		5,272,150
Current assets					
Debtors	11	-		1,768,259	
Cash at bank and in hand		-		15,913	
			-	1,784,172	
Creditors, amounts due within one year	12	-		(1,389,873)	
Net current assets			-		394,299
Total assets less current liabilities			-		5,666,449
Creditors' amounts due after one year	13		(4,770,796)		(6,998,922)
			(4,770,796)		(1,332,473)
Capital and reserves					
Share capital	17		17,690		17,690
Profit and loss account	18		(4,788,486)		(1,350,163)
Shareholders' deficit	19		(4,770,796)		(1,332,473)

The financial statements were approved and authorised for issue by the Directors and are signed on their behalf on 15 April 2011



B R Westran
 Director

Notes to the financial statements

1 Turnover

The turnover and (loss)/profit before tax are attributable to the one principal activity of the Company. All turnover is derived from within the United Kingdom.

2 Operating (loss)/profit

Operating (loss)/profit is stated after charging

	2010 £	2009 £
Amortisation	2,908,637	150,523
Depreciation of tangible fixed assets owned by the Company	634,994	136,979
Loss on disposal of fixed assets	86,728	–
Operating lease rentals		
– land and buildings	288,999	234,084
– plant and equipment	46,758	53,917
– motor vehicles	125,184	184,748

3 Auditor's remuneration

Fees payable to the auditors for the period

	2010 £	2009 £
For the audit of the Company's financial statements	27,000	26,500
For taxation compliance fees	8,000	7,750

4 Employees

The average number of staff employed by the Company during the financial year amounted to

	2010 No	2009 No
Administrative staff	105	116
Carers	909	904
	1,014	1,020

The aggregate payroll costs of the above were

	£	£
Wages and salaries	9,992,726	11,110,193
Social security costs	779,528	900,377
Pension	90,950	79,086
	10,863,204	12,089,656

The Directors' aggregate emoluments in respect of qualifying services were

	£	£
Directors' emoluments	156,795	101,305
Company contributions to money purchase pension schemes	4,682	9,225
	161,477	110,530
Highest paid director emoluments	156,795	101,305

Notes to the financial statements

5 Income from Shares in Group undertakings

	2010 £	2009 £
Dividend income from group undertakings	140,293	339,498
Share of loss from limited liability partnership undertaking	(81,269)	(11,397)
	<u>59,024</u>	<u>328,101</u>

6 Interest payable and similar charges

	2010 £	2009 £
Interest payable on bank borrowing	<u>1,485</u>	<u>10,635</u>

7 Taxation on ordinary activities

	2010 £	2009 £
Analysis of charge in the year		
Current tax (see note below).		
UK Corporation tax based on the results for the year	-	-
Adjustment in respect of prior periods	-	(3,507)
	<u>-</u>	<u>(3,507)</u>
Total current tax	-	(3,507)
Origination and reversal of timing differences	-	-
	<u>-</u>	<u>-</u>
Tax on profit / (loss) on ordinary activities	<u>-</u>	<u>(3,507)</u>

Factors affecting tax charge for the year

The tax assessed on the (loss)/profit on ordinary activities for the year is different from the standard rate of corporation tax in the UK of 28% (2009 - 28%)

	2010 £	2009 £
(Loss)/profit on ordinary activities before taxation	<u>(3,438,323)</u>	<u>511,014</u>
(Loss)/profit on ordinary activities multiplied by standard rate of tax	<u>(962,730)</u>	<u>143,084</u>
Effects of:		
Expenses not deductible for tax purposes	5,320	53,866
Depreciation for period in excess of capital allowances	92,425	(101,096)
Income not deductible for tax purposes	(16,527)	(91,868)
Losses brought forward and utilised	-	(3,986)
Group relief utilised	881,512	-
Adjustment in respect of prior periods	-	(3,507)
	<u>-</u>	<u>(3,507)</u>
Total current tax charge for the year	<u>-</u>	<u>(3,507)</u>

Notes to the financial statements

8 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2010	3,559,613
Transfer from group undertaking	676,876
At 31 December 2010	<u>4,236,489</u>
Amortisation	
At 1 January 2010	1,049,395
Transfer from group undertaking	278,457
Charge for the year	2,908,637
At 31 December 2010	<u>4,236,489</u>
Net book value	
At 31 December 2010	<u>-</u>
At 31 December 2009	<u>2,510,218</u>

Transfer of goodwill from other group undertakings were in respect of the hive up of the trade and assets of Cambridge Careforce Limited as at 1 January 2010

9 Tangible fixed assets

	Leasehold property improvements £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
Cost				
At 1 January 2010	48,924	4,150	3,042,662	3,095,736
Additions	2,937	-	114,758	117,695
Disposals	(45,363)	(4,150)	(118,242)	(167,755)
Transfers to other group companies	(6,498)	-	(3,039,178)	(3,045,676)
At 31 December 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation				
At 1 January 2010	6,346	2,805	612,156	621,307
Charge for the year	5,628	336	629,030	634,994
Disposals	(10,736)	(3,141)	(107,090)	(120,967)
Transfers	(1,238)	-	(1,134,096)	(1,135,334)
At 31 December 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value				
At 31 December 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2009	<u>42,578</u>	<u>1,345</u>	<u>2,430,506</u>	<u>2,474,429</u>

Notes to the financial statements

10 Investments

	Shares in subsidiary undertakings £	Loan £	Total £
Cost			
At 1 January 2010	3	287,500	287,503
Repayment of debt	–	(287,500)	(287,500)
At 31 December 2010	3	–	3
Net book value			
At 31 December 2010	3	–	3
At 31 December 2009	3	287,500	287,503

Subsidiary Undertakings

Name of Company	Holding	% held	Business
Cambridge Careforce Limited	Ordinary	100%	Provision of domiciliary care
Chase Careforce Limited	Ordinary	100%	Dormant
Colne Careforce LLP	Partnership capital	50%	Provision of domiciliary care
Leicester Careforce Limited	Ordinary	100%	Provision of domiciliary care
Nurseforce Limited	Ordinary	100%	Provision of nursing services

All the Companies are incorporated in England and Wales

The Company was, at the end of the year, a wholly-owned subsidiary of another whose accounts are publicly available and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts. Consequently, these accounts present information about the individual undertaking

11 Debtors

	2010 £	2009 £
Trade debtors	–	1,165,368
Other debtors	–	111,405
Prepayments and accrued income	–	491,486
	–	1,768,259

12 Creditors, amounts falling due within one year

	2010 £	2009 £
Bank and bank overdrafts	–	–
Trade creditors	–	566,810
Other taxation and social security	–	412,631
Other creditors	–	295,806
Accruals and deferred income	–	114,626
	–	1,389,873

Notes to the financial statements

13 Creditors, amounts falling due after more than one year

	2010 £	2009 £
Amounts owed to group undertakings	<u>4,770,796</u>	<u>6,998,922</u>

14 Financial instruments

The Company uses financial instruments, other than derivatives, comprising borrowings, cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance the Company's operations.

The main risks arising from the Company's financial instruments are liquidity risk and credit risk.

The Company seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Company has no overdraft.

Trade debtors are normally due within 30 to 60 days. All trade debtors are subject to credit risk exposure. However there is no specific concentration of credit risk as the amounts recognised represent a large number of receivables from various customers.

The Company has no interests in the trade of financial instruments, interest rate swaps or forward interest rate agreements.

15 Leasing commitments

At 31 December 2010 the Company had annual commitments under non-cancellable operating leases as set out below:

	2010		2009	
	Land and buildings £	Other items £	Land and Buildings £	Other items £
Operating leases which expire				
Within 1 year	–	–	4,189	258
Within 2 to 5 years	–	–	126,728	125,943

16 Related party transactions

As a wholly owned subsidiary of Mears Group PLC, the Company is exempt from the requirement of Financial Reporting Standard 8 Related Party Disclosures to disclose transactions with other members of the Group headed by Mears Group PLC on the grounds that Group accounts are publicly available.

17 Share capital

Authorised

	2010 £	2009 £
2,000,000 ordinary shares of 1p each	<u>20,000</u>	<u>20,000</u>

Allotted, called up and fully paid share capital

	2010 £	2009 £
1,769,000 ordinary shares of 1p each	<u>17,690</u>	<u>17,690</u>

Notes to the financial statements

18 Reserves

	Profit and loss account £
At 1 January 2010	(1,350,163)
Loss for the year	(3,438,323)
	<hr/>
At 31 December 2010	(4,788,486)

19 Reconciliation of movements in shareholders' funds

	2010 £	2009 £
(Loss)/profit for the financial period	(3,438,323)	514,521
Opening shareholders' deficit	(1,332,473)	(1,846,994)
	<hr/>	<hr/>
Closing shareholders' deficit	(4,770,796)	(1,332,473)

20 Going concern

Despite a capital and reserves deficit at 31 December 2010 of £4,770,796, (2009 - £1,332,473) the Directors have prepared the financial statements on a going concern basis. The Directors consider this to be appropriate as the Company has received confirmation from its ultimate parent undertaking, Mears Group PLC, that it intends to continue to support the Company to enable it to meet its day to day expenses for the foreseeable future.

21 Ultimate Parent Company

The Directors consider that the ultimate parent undertaking and controlling related party of this Company is Mears Group PLC by virtue of its 100% shareholding.

The largest, and smallest, group of undertakings for which Group accounts have been drawn up is that headed by Mears Group PLC. These accounts are available from The Company Secretary Mears Group PLC, 1390 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester GL3 4AH.