

Mimosa Healthcare Limited

**Directors' report and financial
statements**

Registered number 03788573

31 December 2008

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Company information

Directors	AGK Massouras MP Butler SE Millar J Redpath
Secretary	SEJ Kaberry
Registered office	1st Floor MMR House Harriman's Lane Dunkirk Nottingham NG7 2SD
Company number	03788573
Auditors	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ

Directors' report *for the year ended 31 December 2008*

The directors present their report together with the audited financial statements for the year ended 31 December 2008.

Results and dividends

The attached profit and loss account shows the result for the year.

The directors do not recommend the payment of the dividend (2007: £nil).

Principal activities, trading review and future developments

The company is part of a group of companies whose primary markets are in the provision of residential care services for the elderly covering the broad spectrum of dependencies. In addition the group is delivering detoxification and rehabilitation services for alcohol dependency. The group's operations also include training and development services for other group companies and organisations in the care sector.

The group is managed as a single operating unit and as such the following represents a review of the group's performance rather than company as the directors believe the performance of the company should not be reviewed in isolation. The performance of the company is discussed as part of the ultimate parent company's directors' report.

Outlook

2008 presented challenges to many organisations with significant changes in the financial and property markets and the wider economic slowdown. Although Mimosa is delivering core essential services these factors have had an impact on both current trading and future developments.

In recognising those changing market conditions Mimosa has worked closely with its bank to restructure its existing bank facilities to ensure that those facilities meet the needs of the group on an on-going basis. The bank remains supportive of the business and we expect to conclude those discussions during 2010 (see note 1).

Fixed assets

As a result of the unprecedented market conditions in the commercial property sector the Directors had commissioned an independent valuation of the company's property portfolio. This review has provided a conservative valuation in an uncertain market and has resulted in significant changes in the value of the company's properties which are summarised in note 7 to the financial statements.

Directors

The directors who served during the year and at the date of this report were as follows:

A G K Massouras
MP Butler
J Redpath
SE Millar

Disclosure of information to auditors

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

Directors' report
for the year ended 31 December 2008 (continued)

Charitable donations

During the year the group paid charitable donations totalling £nil (2007: £nil).

Auditors

goodband viner taylor resigned as auditors during the year and KPMG LLP were appointed in their place. Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



J Redpath
Director

Dated: 29 January 2010

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

St Nicholas House
Park Row
Nottingham NG1 6FQ

Independent auditors' report to the members of Mimosa Healthcare Limited

We have audited the financial statements of Mimosa Healthcare Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 4.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

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 audit opinion

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

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



Independent auditors' report to the members of Mimosa Healthcare Limited
(continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 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.

Emphasis of matter – going concern

The company meets its day to day working capital requirements through inter-company borrowings from other group companies. The group is reliant on overdraft and loan facilities.

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The group breached its banking covenants during the year and is in the process of renegotiating its bank facilities, however the form and terms of the facilities are not currently agreed. The Directors are of the opinion that the bank will continue to provide funding in order for the group and company to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the company's and group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company and group were unable to continue as a going concern.

KPMG LLP

29 January 2010

Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 December 2008

	<i>Note</i>	2008 £000	2007 £000
Turnover	2	6,722	6,249
Cost of sales		(4,396)	(4,424)
Gross profit		2,326	1,825
Administrative expenses		(1,395)	(1,437)
Operating profit	4	931	388
Interest payable and similar charges	5	(823)	(833)
Profit/(loss) on ordinary activities before taxation		108	(445)
Tax on profit/(loss) on ordinary activities	6	-	(23)
Profit/(loss) on ordinary activities after taxation	12	108	(468)

In both the current and preceding year, the company made no material acquisitions and had no discontinued operations.

Statement of total recognised gains and losses
for the year ended 31 December 2008

	<i>Note</i>	2008 £000	2007 £000
Profit/(loss) on ordinary activities after taxation		108	(468)
Unrealised movement on revaluation of tangible fixed assets		(2,486)	3,847
		<hr/>	<hr/>
Total recognised gains and losses since annual report	<i>13</i>	(2,378)	3,379
		<hr/>	<hr/>

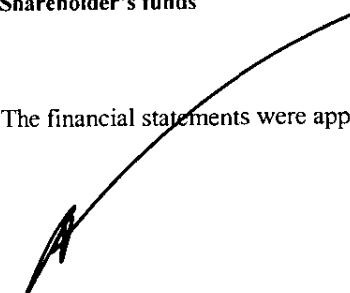
Note of historical cost profits and losses
for the year ended 31 December 2008

	<i>Note</i>	2008 £000	2007 £000
Reported profit/(loss) on ordinary activities before taxation	<i>12</i>	108	(445)
Difference between actual and historical cost depreciation		75	94
		<hr/>	<hr/>
Historical cost profit/(loss) on ordinary activities before taxation		183	(351)
		<hr/>	<hr/>
Retained historical cost profit/(loss) for the year after taxation and dividends		183	(374)
		<hr/>	<hr/>

Balance sheet
 as at 31 December 2008

	Note	2008 £000	2007 £000
Fixed assets			
Tangible assets	7	14,024	16,894
Investments	8	-	-
		<u>14,024</u>	<u>16,894</u>
Current assets			
Debtors	9	556	572
Cash at bank and in hand		100	1,427
		<u>656</u>	<u>1,999</u>
Creditors: amounts falling due within one year	10	<u>(13,602)</u>	<u>(15,437)</u>
Net current liabilities		<u>(12,946)</u>	<u>(13,438)</u>
Net assets		<u>1,078</u>	<u>3,456</u>
Capital and reserves			
Called up share capital	11	-	-
Revaluation reserve	12	1,479	3,965
Profit and loss account	12	(401)	(509)
Shareholder's funds	13	<u>1,078</u>	<u>3,456</u>

The financial statements were approved by the board of directors on 29 January 2010 and were signed on its behalf by:


 AGK Massouras
 Director

Company number : 03788573

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation of financial statements

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

The company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of S228 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Going concern

The financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons. Mimosa Healthcare Limited ('the Company') meets its day to day working capital requirements through inter-company borrowings from other group companies ('the Group'). The Group is reliant on overdraft and loan facilities with the Bank of Scotland ('the Bank'). The facilities are subject to certain performance covenants which were breached at 31 December 2008, and as a consequence the Bank has the option to require the Group to repay the amounts drawn down under the facilities. To date, the Bank has allowed the Group to utilise the facilities and has not indicated that it will withdraw them pending finalisation of new facilities. The Group and its advisers are currently in the process of renegotiating the facilities with the Bank.

The Directors have prepared forecasts including projected cash flows for a period of at least 12 months from the date of their approval of these financial statements. These forecasts indicate that, subject to the agreement of an appropriate capital repayment profile, the Group would have sufficient funding were the existing facilities to continue. The Bank have indicated their willingness to provide appropriate facilities but the form and terms of the facilities is currently under negotiation. On this basis the Directors are of the opinion that they will be able to agree appropriate facilities with the Bank which allow the Group and Company to continue to trade for the foreseeable future.

The Directors consider that the use of the going concern basis is appropriate, but have concluded that the combination of the above circumstances represents a material uncertainty that casts significant doubt over the Group's and the Company's ability to continue as a going concern. The Group and the Company may therefore not be able to continue realising its assets and discharging its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Group and the Company will have adequate resources to continue in operational existence for the foreseeable future. For these reasons the financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments that would result from this basis of preparation being inappropriate.

Cash flow

The company, being a subsidiary company where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of value added tax and trade discounts.

Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	- 2% straight line
Plant and machinery	- 25% straight line
Fixtures, fittings and equipment	- 25% straight line
Motor vehicles	- 25% straight line

No depreciation is provided on freehold land.

Notes (continued)

1 Accounting policies (continued)

Revaluation of tangible fixed assets

FRS 15 requires fixed assets which are carried at revalued amounts to be shown at their current value at the balance sheet date. To achieve this land and buildings are subject to a full valuation every five years. The profit or loss on disposal of revalued properties is calculated by reference to net book value and any realised revaluation surplus is transferred to the profit and loss through reserves.

Investments

Investments in subsidiaries are valued at cost less provision for impairment.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation because of timing differences between the treatment of certain items for taxation and accounting purposes.

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

Related party transactions

As the company is a wholly owned subsidiary, the company has taken advantage of the exemption contained within FRS 8 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Mimosa Healthcare Holdings Limited, within which the company is included, can be obtained from the address given in note 15.

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

2 Turnover

Turnover arose entirely within the United Kingdom and represents fees charged to customers at invoiced amounts in accordance with the principal activity. To the extent that invoices are raised in advance of the services being performed the income is deferred and the amounts are treated as payments received on account within creditors.

3 Staff numbers and costs

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

	2008 Number	2007 Number
Administrative and care home staff	329	374

Notes (continued)

3 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2008 £000	2007 £000
<i>Staff costs consist of:</i>		
Wages and salaries	3,458	3,809
Social security costs	240	278
Other pension costs	-	1
	<u>3,698</u>	<u>4,088</u>

The directors received no remuneration from the company in the year (2007: £nil). The directors were remunerated by other group companies.

4 Operating profit

	2008 £000	2007 £000
<i>Operating profit is stated after charging:</i>		
Depreciation	604	577
<i>Auditors' remuneration:</i>		
– audit of these financial statements	-	-
	<u>-</u>	<u>-</u>

In both the current and prior year the auditors were remunerated by other group companies.

5 Interest payable and similar charges

	2008 £000	2007 £000
On inter-company loans	823	127
On bank loans and overdrafts	-	706
	<u>823</u>	<u>833</u>

6 Taxation on profit from ordinary activities

Analysis of charge in the year

	2008 £000	2007 £000
<i>UK corporation tax:</i>		
Adjustments in respect of prior periods	-	23
	<u>-</u>	<u>23</u>
Tax on profit/(loss) on ordinary activities	-	23
	<u>-</u>	<u>23</u>

Notes (continued)

6 Tax on loss on ordinary activities (continued)

Factors affecting the tax charge for the year

The current tax charge for the year is lower (2007: higher) than the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are explained below:

	2008 £000	2007 £000
Profit/(loss) on ordinary activities before taxation	108	(445)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	31	(134)
Expenses not deductible for tax purposes	-	7
Capital allowances in advance of depreciation	171	85
Utilisation of tax losses	(180)	-
Group relief claimed	(22)	-
Losses available to carry forward	-	42
Adjustments in respect of prior periods	-	23
	-	23

Deferred tax

Deferred tax assets of £170,000 and £nil (2007: £93,000 and £177,000) relating to accelerated capital allowances and trade losses carried forward respectively have not been recognised as the directors do not consider it more likely than not that there will be suitable taxable profits against which they can be relieved.

7 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Furniture, fittings and equipment £000	Total £000
<i>Cost or valuation:</i>					
At 1 January 2008	16,670	140	9	827	17,646
Additions	63	31	-	127	221
Disposals	-	-	-	(5)	(5)
At 31 December 2008	16,733	171	9	949	17,862
<i>Accumulated depreciation:</i>					
At 1 January 2008	333	42	5	372	752
Charge for the year	330	38	2	234	604
Disposals	-	-	-	(4)	(4)
Revaluation loss	2,486	-	-	-	2,486
At 31 December 2008	3,149	80	7	602	3,838
<i>Net book value:</i>					
At 31 December 2008	13,584	91	2	347	14,024
At 31 December 2007	16,337	98	4	455	16,894

Notes (continued)

7 Tangible fixed assets (continued)

As at 28 July 2009, external qualified valuers, Jones Lang LaSalle, members of the Royal Institute of Chartered Surveyors, performed a full valuation of the company's freehold land and buildings portfolio. The valuations are in accordance with the RICS' Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors on the basis of market value, which the directors believe to be a fair approximation of existing use value. The valuation is accounted for in the financial statements as at 31 December 2008 as the directors believe the valuation of freehold land and buildings is conservative and fully reflects the economic uncertainty and the consequential impact on property values. There is no significant difference between the July valuation and that at 31 December 2008.

On the historic cost basis, freehold land and buildings would have been included within the financial statements as follows:

	2008 £000	2007 £000
Cost	12,724	12,661
Depreciation	(765)	(510)
Net book value	<u>11,959</u>	<u>12,151</u>

8 Fixed asset investments

	£
<i>Cost or valuation:</i>	
At 1 January 2008	301
Additions	-
At 31 December 2008	<u>301</u>

The Good Shepherd Limited is a wholly owned subsidiary undertaking. The aggregate of the share capital and reserves as at 31 December 2008 and of the profit or loss for the year then ended on that date for the subsidiary was:

Subsidiary undertakings

Name	Aggregate of share capital and reserves £	Profit/(loss) £
Good Shepherd Limited	<u>300</u>	<u>-</u>

9 Debtors

	2008 £000	2007 £000
Trade debtors	441	511
Other debtors	71	13
Prepayments and accrued income	44	48
	<u>556</u>	<u>572</u>

Notes (continued)

10 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Bank loans and overdrafts	-	717
Trade creditors	100	202
Amounts owed to group undertakings	12,899	13,920
Other taxes and social security costs	62	72
Other creditors	29	69
Accruals and deferred income	512	457
	<u>13,602</u>	<u>15,437</u>

11 Share capital

	2008 £	2007 £
<i>Authorised:</i>		
1,000 Ordinary shares of 1p each	10	10
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid:</i>		
2 Ordinary shares of 1p each	-	-
	<u> </u>	<u> </u>

12 Reserves

	Revaluation reserve £000	Profit and loss account £000
At 1 January 2008	3,965	(509)
Revaluation loss in the year	(2,486)	-
Profit for the year	-	108
	<u>1,479</u>	<u>401</u>
At 31 December 2008		

13 Reconciliation of movements in shareholder's funds

	2008 £000	2007 £000
Profit/(loss) for the year	108	(468)
Revaluation (loss)/gain in the year	(2,486)	3,847
Inter group transfer	-	(284)
	<u>(2,378)</u>	<u>3,095</u>
Net movement in shareholder's funds	(2,378)	3,095
Opening shareholder's funds	3,456	361
	<u>1,078</u>	<u>3,456</u>
Closing shareholder's funds		

Notes (continued)

14 Contingent liabilities

The company is party to facilities offered by its bankers to the group in respect of an overdraft and bankers guarantee. It has jointly and severally with other companies given a guarantee, by right of set-off, in favour of the bank. At the year end, the group's net overdraft and loan balance was £29.3 million (2007: £24.6 million).

15 Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking is Mimosa Healthcare Holdings Limited.

The largest group in which the results of the company are consolidated is that headed by Mimosa Healthcare Holdings Limited. The consolidated financial statements of Mimosa Healthcare Holdings Limited may be obtained from Mimosa Healthcare Holdings Limited, 1st Floor, MMR House, Harriman's Lane, Dunkirk, Nottingham NG7 2SD.

The company is ultimately controlled by Mr AGK Massouras by virtue of his majority shareholding in Mimosa Healthcare Holdings Limited.