

**CARE PRINCIPLES GROUP LIMITED**

**Report and Financial Statements**

**30 April 2005**



# **CARE PRINCIPLES GROUP LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2005**

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# CARE PRINCIPLES GROUP LIMITED

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 April 2005.

### ACTIVITY

The principal activity of the group is the provision of assessment and treatment services for adults with learning disabilities who are detained under the Mental Health Act 1983 in medium secure specialist units.

The principal activity of the company is that of a holding company.

### REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

On 29 March 2005 the company's ultimate parent undertaking became Care Principles Topco Limited; this did not affect the company's activities. The company continued to act as a holding company of Care Principles Limited. On 1 April 2005 the group purchased the entire share capital of Ermine Care Limited as set out in note 21 to the accounts.

### DIVIDENDS

The directors do not recommend the payment of a dividend this year (2004 preferred dividend - £2,470,000).

### DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interests in the share capital of the company are as follows:

	'A' ordinary shares		'B' ordinary shares	
	Shares held as at 30 April 2004 (or date of appointment) Number	Shares held as at 30 April 2005 Number	Shares held as at 30 April 2004 (or date of appointment) Number	Shares held as at 30 April 2005 Number
Ian Beard (resigned 29 March 2005)	10,850	-	10,850	-
Joshua Mahadevan (resigned 29 March 2005)	43,400	-	43,400	-
Christopher McKenna (resigned 1 April 2005)	10,850	-	10,850	-
David Roth	-	-	-	-
Amanda Skull	-	-	-	-
Nigel Smith (resigned 29 March 2005)	43,400	-	43,400	-
Andreas Etherington (appointed 1 September 2004, resigned 29 March 2005)	-	-	-	-

### DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### EMPLOYEE CONSULTATION

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings.

# CARE PRINCIPLES GROUP LIMITED

## DIRECTORS' REPORT

### AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



Director

*23 September 2005*

## **CARE PRINCIPLES GROUP LIMITED**

### **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 and the group as at the end of the financial year and of the profit or loss of the group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARE PRINCIPLES GROUP LIMITED**

We have audited the financial statements of Care Principles Group Limited for the year ended 30 April 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheets, the cash flow statement and the related notes 1 to 27. 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 and other members of the group 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 or material inconsistencies with the financial statements.

### **Basis of audit 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 circumstances of the company and the group, 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 affairs of the company and the group as at 30 April 2005 and of the loss of the group 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

Cambridge

*28 September 2005*

# CARE PRINCIPLES GROUP LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 30 April 2005

		Year ended 30 April 2005 £'000	Period from 27 June 2003 to 30 April 2004 As restated (note 8) £'000
<b>TURNOVER</b>		51,703	26,901
Administrative expenses		(48,199)	(25,564)
<b>OPERATING PROFIT</b>	3	3,504	1,337
Finance charges (net)	4	(3,259)	(1,531)
<b>PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		245	(194)
Tax on profit (loss) on ordinary activities	5	(1,402)	41
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(1,157)	(153)
Dividends paid	6	-	(2,470)
<b>RETAINED LOSS FOR THE FINANCIAL PERIOD</b>	19	(1,157)	(2,623)

All activities derive from continuing operations.

# CARE PRINCIPLES GROUP LIMITED

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 30 April 2005

		Year ended 30 April 2005 £'000	Period from 27 June 2003 to 30 April 2004 As restated (note 8) £'000
	Note		
Loss on ordinary activities after taxation		(1,157)	(153)
Profit on disposal of subsidiary undertaking	19	-	34,696
Unrealised surplus on revaluation of properties	19	46,891	-
		<hr/>	<hr/>
Total recognised gains and losses relating to the year		45,734	34,543
		<hr/>	<hr/>
Prior year adjustment	8	286	
		<hr/>	
<b>Total recognised gains and losses recognised since last financial statements</b>		<hr/> 46,020 <hr/>	



# CARE PRINCIPLES GROUP LIMITED

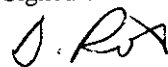
## CONSOLIDATED BALANCE SHEET 30 April 2005

	Note	2005 £'000	2004 As restated (note 8) £'000
<b>FIXED ASSETS</b>			
Intangible assets	9	15,695	13,845
Tangible assets	10	139,144	78,568
		<u>154,839</u>	<u>92,413</u>
<b>CURRENT ASSETS</b>			
Debtors	12	8,839	4,978
Short term investments	13	797	-
Cash at bank and in hand		2,207	1,537
		<u>11,843</u>	<u>6,515</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(31,396)</u>	<u>(8,842)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(19,553)</u>	<u>(2,327)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		135,286	90,086
<b>CREDITORS: amounts falling due after more one year</b>	15	(46,518)	(48,440)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	<u>(1,715)</u>	<u>(497)</u>
<b>NET ASSETS</b>		<u>87,053</u>	<u>41,149</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	4	4
Share premium account	19	9,670	9,500
Other reserve	19	32,226	32,226
Revaluation reserve	19	46,891	-
Profit and loss account	19	<u>(1,738)</u>	<u>(581)</u>
<b>SHAREHOLDERS' FUNDS</b>	20	<u>87,053</u>	<u>41,149</u>
<b>ANALYSED AS:</b>			
Equity interests		80,023	31,649
Non-equity interests		<u>7,030</u>	<u>9,500</u>
		<u>87,053</u>	<u>41,149</u>

These financial statements were approved by the Board of Directors on

23 September 2005

Signed on behalf of the Board of Directors



D Roth

# CARE PRINCIPLES GROUP LIMITED

## BALANCE SHEET 30 April 2005

	Note	2005 £'000	2004 £'000
<b>FIXED ASSETS</b>			
Investments	11	-	-
<b>CURRENT ASSETS</b>			
Debtors	12	57,530	57,530
<b>CREDITORS: amounts falling due within one year</b>	14	(15,630)	(300)
<b>NET CURRENT ASSETS</b>		41,900	57,230
<b>CREDITORS: amounts falling due after more than one year</b>	15	-	(15,500)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		41,900	41,730
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	4	4
Share premium account	19	9,670	9,500
Other reserve	19	32,226	32,226
<b>SHAREHOLDERS' FUNDS</b>		41,900	41,730
<b>ANALYSED AS:</b>			
Equity interests		34,870	32,230
Non-equity interests		7,030	9,500
		41,900	41,730

These financial statements were approved by the Board of Directors on  
Signed on behalf of the Board of Directors

*23 September 2005*

*J. Roth*

D Roth

# CARE PRINCIPLES GROUP LIMITED

## CONSOLIDATED CASH FLOW STATEMENT Year ended 30 April 2005

		Year ended 30 April 2005 £'000	Period from 27 June 2003 to 30 April 2004 As restated (note 8) £'000
<b>Net cash inflow from operating activities</b>	22	5,597	2,708
<b>Returns on investments and servicing of finance</b>			
Interest paid		(1,835)	(1,087)
Non equity dividends paid		-	(2,470)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(1,835)	(3,557)
<b>UK corporation tax paid</b>		(860)	(197)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(2,484)	(2,172)
<b>Net cash outflow from capital expenditure</b>		(2,484)	(2,172)
<b>Acquisitions</b>			
Purchase of subsidiary undertaking		(16,240)	(300)
Cash acquired with subsidiary undertaking		388	244
<b>Net cash outflow from acquisitions</b>		(15,852)	(56)
<b>Net cash outflow before management of liquid resources and financing</b>		(15,434)	(3,274)
<b>Management of liquid resources</b>			
Investment in short term deposits		(797)	-
<b>Financing</b>			
Issue of ordinary share capital		170	-
Proceeds of new loans		32,294	32,811
Redemption of loan notes		(15,500)	(27,572)
Capital element of finance lease rental payments		(63)	-
Redemption of preference shares		-	(428)
<b>Net cash inflow from financing</b>		16,901	4,811
<b>Increase in cash in the year</b>	23	670	1,537

# CARE PRINCIPLES GROUP LIMITED

## CONSOLIDATED CASH FLOW STATEMENT Year ended 30 April 2005

### Reconciliation of net cash flow to movement in net debt (note 23)

	Year ended 30 April 2005 £'000	Period from 27 June 2003 to 30 April 2004 £'000
Increase in cash in the year	670	1,537
Cash inflow from increase in debt and lease financing	(15,666)	(5,239)
Debt arising as result of acquisition	-	(43,072)
Redemption of loan notes	15,500	-
Cash placed on short term deposit	797	-
	<hr/>	<hr/>
Change in net debt resulting from cash flows	1,301	(46,774)
Finance leases acquired with subsidiary	(100)	-
Amortisation of loan finance costs	(206)	(129)
	<hr/>	<hr/>
Movement in net debt in the year	995	(46,903)
Net debt at 1 May 2004	(46,903)	-
	<hr/>	<hr/>
Net debt at 30 April 2005	<u>(45,908)</u>	<u>(46,903)</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 30 April 2005**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year except for the accounting policy on revenue recognition (see note 8).

**Basis of accounting**

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

**Intangible fixed assets**

*Goodwill*

Goodwill arising on the acquisition of subsidiary undertakings, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

**Tangible fixed assets**

Tangible fixed assets acquired by the company as part of the purchase of Care Principles Limited are recorded in the company's balance sheet at cost.

No depreciation is provided on freehold land and assets under the course of construction. On other fixed assets depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold buildings	50 years
Equipment, fixtures and fittings	5 years
Motor vehicles	4 years

Interest costs incurred in bringing assets to a state where they are ready to be used are capitalised as part of the costs of the asset.

**Revaluation of properties**

Individual freehold properties are revalued with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

**Investments**

Fixed asset investments are shown at cost less any provision for impairment.

**NOTES TO THE ACCOUNTS**

**Year ended 30 April 2005**

**1. ACCOUNTING POLICIES (continued)**

**Deferred taxation**

Deferred taxation is provided in full on timing differences which represent an obligation at the balance sheet date to pay more tax, or a right to pay less tax at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax balances are discounted.

**Turnover**

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts. Turnover is derived from the principal activities of the group and arises solely in the UK. During the year the company changed its accounting policy for the recognition of specialising revenue. Further details are provided in note 8.

**Pension costs and other post retirement benefits**

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**Leases**

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful economic lives. The finance leases are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

Operating lease rentals are charged to the profit and loss account as incurred.

**Finance costs**

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

**Debt**

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the year.

# CARE PRINCIPLES GROUP LIMITED

## NOTES TO THE ACCOUNTS Year ended 30 April 2005

### 2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 30 April 2005 £'000	Period from 27 June 2003 to 30 April 2004 £'000
<b>Directors' remuneration</b>		
Fees	949	527
Compensation for loss of office	174	-
Pension contributions	23	12
	<u>1,146</u>	<u>539</u>
Emoluments of highest paid director	<u>277</u>	<u>102</u>
	<b>No</b>	<b>No</b>
Number of directors who were members of money purchase pension schemes	<u>2</u>	<u>2</u>
<b>Average number of persons employed</b>		
Nursing and Care	634	587
Clinical services	178	168
Support services	189	176
	<u>1,001</u>	<u>931</u>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	22,265	12,461
Social security costs	2,195	1,206
Other pension costs and other benefits	501	258
	<u>24,961</u>	<u>13,925</u>

### 3. OPERATING PROFIT

	Year ended 30 April 2005 £'000	Period from 27 June 2003 to 30 April 2004 £'000
<b>Operating profit is after charging (crediting):</b>		
Depreciation		
Owned assets	2,967	1,793
Amortisation of goodwill	723	452
Rentals under operating leases	184	153
Auditors' remuneration		
Audit fees		
Group	52	32
Company	5	3
Other services	474	133

# CARE PRINCIPLES GROUP LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 April 2005

### 4. FINANCE CHARGES (NET)

	Year ended 30 April 2005 £'000	Period from 27 June 2003 to 30 April 2004 £'000
Bank interest payable	3,053	1,402
Amortisation of loan issue expenses	206	129
	<u>3,259</u>	<u>1,531</u>

### 5. TAX ON PROFIT (LOSS) ON ORDINARY ACTIVITIES

	Year ended 30 April 2005 £'000	Period from 27 June 2003 to 30 April 2004 £'000
<b>Current tax</b>		
United Kingdom corporation tax at 30% based on the result for the year	730	(37)
Adjustment in respect of prior years	82	12
<b>Total current taxation</b>	<u>812</u>	<u>(25)</u>
<b>Deferred taxation</b>		
Timing differences, origination and reversal	57	(15)
Increase in discount	51	10
Adjustment to estimated recoverable amounts	-	(8)
Adjustment in respect of prior years	482	(3)
<b>Total deferred tax</b>	<u>590</u>	<u>(16)</u>
<b>Tax on profit (loss) on ordinary activities</b>	<u>1,402</u>	<u>(41)</u>



# CARE PRINCIPLES GROUP LIMITED

## NOTES TO THE ACCOUNTS Year ended 30 April 2005

### 5. TAX ON PROFIT (LOSS) ON ORDINARY ACTIVITIES (continued)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current year and preceding period differs from 30% for the reasons set out in the following reconciliation.

	Year ended 30 April 2005 £'000	Period from 27 June 2003 to 30 April 2004 As restated (note 8) £'000
Profit (loss) on ordinary activities before tax	245	(194)
Tax on loss on ordinary activities at standard rate	74	(58)
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	621	92
Capital allowances in excess of depreciation	(57)	13
Utilisation of tax loss	-	2
Rate differences on deferred tax	4	-
Prior period adjustment	84	12
Prior year adjustment (note 8)	86	(86)
Current tax charge for year	812	(25)

### 6. DIVIDENDS ON NON EQUITY SHARES

	Year ended 30 April 2005 £'000	Period from 27 June 2003 to 30 April 2004 £'000
Preferred share - final paid	-	2,470

### 7. PROFIT ATTRIBUTABLE TO THE COMPANY

The profit for the financial year dealt with in the financial statements of the parent company was £nil (2004: £nil). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the company

# CARE PRINCIPLES GROUP LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 April 2005

### 8. PRIOR YEAR ADJUSTMENT

The group policy for recognising specialising revenue was changed during the year. Previously, the group deferred specialising revenue where receipt of funding was not reasonably assured. The new accounting policy more appropriately recognises revenue in the period the services are provided which the directors believe is a fairer presentation of the results. Provision is made based on a reliable estimate of amounts likely to be non-recoverable. The comparative figures in the primary statements and notes have been restated to reflect the new policy.

The effects of the change in policy on the previous year are summarised below.

	2004 £'000
<b>Profit and loss account</b>	
Revenue	286
	<hr/>
Increase in profit for the financial year	286
	<hr/>
<b>Balance sheet</b>	
Accruals and deferred income	286
	<hr/>
Increase in net assets	286
	<hr/>

### 9. INTANGIBLE FIXED ASSETS

Group	Goodwill £'000
<b>Cost</b>	
At 1 May 2004	14,297
Acquisition in year (note 21)	2,573
	<hr/>
At 30 April 2005	16,870
	<hr/>
<b>Amortisation</b>	
At 1 May 2004	452
Charge for the year	723
	<hr/>
At 30 April 2005	1,175
	<hr/>
<b>Net book value</b>	
At 30 April 2005	15,695
	<hr/>
At 30 April 2004	13,845
	<hr/>

The group acquired the entire issued share capital of Ermine Care Limited on 1 April 2005 for consideration of £15,750,000 (excluding acquisition costs). This gave rise to goodwill of £2,573,000 which is being amortised over a period of 20 years (see note 21).

# CARE PRINCIPLES GROUP LIMITED

## NOTES TO THE ACCOUNTS Year ended 30 April 2005

### 10. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Equipment, fixtures and fittings £'000	Assets under the course of construction £'000	Total £'000
<b>Cost or valuation</b>				
At 1 May 2004	71,638	3,774	4,949	80,361
Acquisition of subsidiary undertaking	14,050	178	-	14,228
Additions	293	976	1,159	2,428
Transfers	(476)	451	25	-
Revaluations	44,305	-	-	44,305
Disposals	-	(8)	-	(8)
At 30 April 2005	129,810	5,371	6,133	141,314
<b>Amortisation</b>				
At 1 May 2004	1,169	624	-	1,793
Charge for the year	1,420	1,547	-	2,967
Disposals	-	(4)	-	(4)
Revaluation adjustment	(2,586)	-	-	(2,586)
At 30 April 2005	3	2,167	-	2,170
<b>Net book value</b>				
At 30 April 2005	129,807	3,204	6,133	139,144
At 30 April 2004	70,469	3,150	4,949	78,568

The net book value of fixed assets includes £91,105 (2004 - £nil) held under finance leases, which relate solely to Ermine Care Limited. Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £nil (2004 - £196,000).

Freehold land and buildings above includes five medium secure specialist units for adults with learning disabilities which are fully operational at or near full capacity.

All five of these specialist properties were valued on 30 June 2005 in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual by King Sturge LLP, independent external valuers, on the basis of open market value for existing use having regard to their trading potential. All other assets are included at cost.

The value attributed to the specialist properties by the independent external valuer is £115,750,000 compared to a cost of these properties of £71,445,000 and net book value of £68,859,000. This excludes the property acquired as part of the purchase of Ermine Care Limited on 1 April 2005 (refer note 21).

The directors consider that there is no material difference between the market value of the properties and their economic value in use.

If land and buildings had not been revalued they would have been included at the following amounts :

	2005 £'000	2004 £'000
Cost	85,505	71,638
Depreciation	(2,589)	(1,169)
Net book value	82,916	70,469

# CARE PRINCIPLES GROUP LIMITED

## NOTES TO THE ACCOUNTS Year ended 30 April 2005

### 11. INVESTMENTS HELD AS FIXED ASSETS

Company	Subsidiaries £'000
Cost	
At 1 May 2004 and 30 April 2005	-

The company's subsidiaries at 30 April 2005 are listed below.

Company name	Business	Country of incorporation	Proportion of ordinary shares held %
Care Principles Holdings Limited*	Holding company	England and Wales	100
Care Principles Development Limited	Dormant	England and Wales	100
Care Principles Limited	Provision of assessment and treatment services for adults with learning disabilities	England and Wales	100
Ermine Care Limited	Provision of complex care community services for people with learning difficulties.	England and Wales	100

\* held directly by company

On 1 April 2005 the group acquired the entire share capital of Ermine Care Limited (refer note 21).

### 12. DEBTORS

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Trade debtors	6,354	3,931	-	-
Amounts owed by subsidiary undertakings	-	-	57,530	57,530
UK corporation tax	74	198	-	-
Other debtors	145	39	-	-
Prepayments and accrued income	2,266	810	-	-
	<u>8,839</u>	<u>4,978</u>	<u>57,530</u>	<u>57,530</u>

### 13. SHORT TERM INVESTMENTS

Short term investments relate to cash held on deposit for a period longer than 24 hours.

# CARE PRINCIPLES GROUP LIMITED

## NOTES TO THE ACCOUNTS Year ended 30 April 2005

### 14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2005	2004	2005	2004
	£'000	As restated (note 8) £'000	£'000	£'000
Bank loans and overdrafts	2,377	-	-	-
Trade creditors	2,434	1,276	-	-
Amounts owed to parent undertaking	16,565	-	15,500	-
Amounts owed to subsidiary undertakings	-	-	130	300
Obligations held under finance leases	17	-	-	-
UK corporation tax	643	668	-	-
Taxation and social security	1,032	1,178	-	-
Other creditors	235	206	-	-
Accruals and deferred income	8,093	5,514	-	-
	<u>31,396</u>	<u>8,842</u>	<u>15,630</u>	<u>300</u>

### 15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Finance lease	20	-	-	-
Loan notes	-	15,500	-	15,500
Bank loans (note 16)	46,498	32,940	-	-
	<u>46,518</u>	<u>48,440</u>	<u>-</u>	<u>15,500</u>

### 16. BORROWINGS

Group	2005	2004
	£'000	£'000
Bank loans and finance leases are repayable as follows:		
More than one year but not more than two years	2,406	4,088
More than two years but not more than five years	10,170	13,056
More than five years	33,942	15,796
	<u>46,518</u>	<u>32,940</u>
On demand or within one year	2,394	-
	<u>48,912</u>	<u>32,940</u>

The bank loans are secured by fixed and floating charges over the assets of the group and by life cover policies on the principal directors of the company. The interest terms for the bank loans are LIBOR plus 1.5%. Finance costs of £1,268,000 (2004 - £1,029,000) have been capitalised into the above.

# CARE PRINCIPLES GROUP LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 April 2005

### 17. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £'000	Dilapidation provision £'000	Total £'000
<b>Group</b>			
At 1 May 2004	497	-	497
Charged to profit and loss account	590	-	590
Amount arising on acquisition of business	353	275	628
	<hr/>	<hr/>	<hr/>
Balance at 30 April 2005	1,440	275	1,715
	<hr/>	<hr/>	<hr/>

	2005 £'000	2004 £'000
<b>Group</b>		
<b>Deferred taxation</b>		
Capital allowances in excess of depreciation	1,809	923
Short term timing differences	(11)	(17)
	<hr/>	<hr/>
Undiscounted provision for deferred tax	1,798	906
<b>Discount</b>		
Discounted provision for deferred tax	(358)	(409)
	<hr/>	<hr/>
	1,440	497
	<hr/>	<hr/>

### 18. CALLED UP SHARE CAPITAL

	2005 £'000	2004 £'000
<b>Authorised</b>		
175,000 'A' ordinary shares of £0.01 each	2	2
236,765 'B' ordinary shares of £0.01 each (2004: 215,000 'B' ordinary shares of £0.01 each).	2	2
1 Preferred share of £1	-	-
	<hr/>	<hr/>
	4	4
	<hr/>	<hr/>
<b>Called up, allotted and fully paid</b>		
175,000 'A' ordinary shares of £0.01 each	2	2
210,000 'B' ordinary shares of £0.01 each	2	2
1 Preferred share of £1	-	-
	<hr/>	<hr/>
	4	4
	<hr/>	<hr/>

The A ordinary shares of £0.01 each, the B ordinary shares of £0.01 each and the preferred share of £1.00 rank pari passu in all respects.

# CARE PRINCIPLES GROUP LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 April 2005

### 19. RESERVES

	Share premium account £'000	Other reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
<b>Group</b>					
At 31 December 2004 as previously stated	9,500	32,226	-	(867)	40,859
Prior year adjustment (note 8)	-	-	-	286	286
At 1 May 2004 as restated	9,500	32,226	-	(581)	41,145
Issue of shares	170	-	-	-	170
Revaluation surplus	-	-	46,891	-	46,891
Retained loss for the year	-	-	-	(1,157)	(1,157)
Balance at 30 April 2005	9,670	32,226	46,891	(1,738)	87,049
	<b>Share premium account £'000</b>	<b>Other reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>	
<b>Company</b>					
Balance at 1 May 2004	9,500	32,226	-	-	41,726
Issue of shares	170	-	-	-	170
Balance at 30 April 2005	9,670	32,226	-	-	41,896

On 12 September 2003, the company acquired the entire issued share capital of Care Principles Limited ('CPL') for consideration of £60,000,000. The investment in CPL was transferred to CPHL on the same date for consideration of £60,000,000. This gave rise to an unrealised profit on disposal of £34,696,000. By 30 April 2004, CPHL had repaid £2,470,000 of the loan amount owed to the company which was incurred on the sale of CPL. This resulted in a transfer to the profit and loss account to recognise realised profit on the sale. CPHL has not repaid any of the loan amount in the 2005 financial year. The other reserve relates to the remaining unrealised profit and will be transferred to the profit and loss account as cash payment is received from CPHL in satisfaction of the loan.

### 20. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2005 £'000	2004 As restated (note 8) £'000
Loss after taxation for the year	(1,157)	(153)
Dividends paid	-	(2,470)
Redemption of preference shares	-	(428)
	(1,157)	(3,051)
Other recognised gains and losses relating to the year	46,891	34,696
New shares issued	170	9,504
Net addition to shareholders' funds	45,904	41,149
Opening shareholders' funds	41,149	-
Closing shareholders' funds	87,053	41,149

# CARE PRINCIPLES GROUP LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 April 2005

### 21. PURCHASE OF SUBSIDIARY UNDERTAKING

On 1 April 2005 Care Principles Holdings Limited acquired the entire issued share capital of Ermine Care Limited. The following table summarises the book values and provisional fair value of the major categories of assets and liabilities acquired which have been included in the consolidated financial statements at the date of acquisition.

The acquisition method of accounting has been used.

	Book value £'000	Revaluation £'000	Other significant items	Fair value to group £'000
<b>Fixed assets</b>				
Tangible	2,404	11,824	-	14,228
<b>Current assets</b>				
Debtors	319	-	-	319
Cash at bank and in hand	388	-	-	388
<b>Total assets</b>	<u>3,111</u>	<u>11,824</u>	<u>-</u>	<u>14,935</u>
<b>Creditors</b>				
Trade creditors	(77)	-	-	(77)
Accruals	(149)	-	-	(149)
Payroll creditors	(168)	-	-	(168)
Finance lease creditor	(100)	-	-	(100)
Corporation tax	(82)	-	(64)	(146)
<b>Provisions</b>				
Dilapidation provision	-	-	(275)	(275)
Deferred taxation	(251)	-	(102)	(353)
<b>Total liabilities</b>	<u>(827)</u>	<u>-</u>	<u>(441)</u>	<u>(1,268)</u>
				<u>13,667</u>
Satisfied by:				
Cash				15,750
Expenses incurred				490
				<u>16,240</u>
Less goodwill arising on acquisition				(2,573)
				<u>13,667</u>



# CARE PRINCIPLES GROUP LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 April 2005

### 21. PURCHASE OF SUBSIDIARY UNDERTAKING (continued)

The summarised consolidated profit and loss of Ermine Care Limited for the period from 1 June 2004 to 31 March 2005 is shown below.

	£'000
Turnover	3,885
Operating profit	677
Profit on ordinary activities before taxation	533
Tax on profit on ordinary activities	(248)
Dividend	(143)
Retained profit for the financial period	142

There were no other recognised gains or losses for Ermine Care Limited for the period from 1 June 2004 to 31 March 2005.

From the date of acquisition to 30 April 2005, Ermine Care Limited contributed £448,000 of revenue and £130,000 of operating profit to the group result. This has been included in continuing operations on the face of the profit and loss account.

### 22. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005 £'000	2004 as restated £'000
Operating profit	3,504	1,337
Depreciation charge	2,971	1,793
Amortisation of goodwill	723	452
(Increase) decrease in debtors	(3,584)	1,390
Increase (decrease) in creditors	1,983	(2,264)
Net cash inflow from operating activities	5,597	2,708

### 23. ANALYSIS OF NET DEBT

	At 1 May 2004 £'000	Cash flow £'000	Acquisi- tions £'000	Other non- cash changes £'000	At 30 April 2005 £'000
Cash and short term investments	1,537	1,467	-	-	3,004
Debt due within one year	-	(2,377)	-	-	(2,377)
Debt due after one year	(48,440)	18,288	(16,140)	(206)	(46,498)
Finance leases	-	63	(100)	-	(37)
Net debt	(46,903)	17,441	(16,240)	(206)	(45,908)

# CARE PRINCIPLES GROUP LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 April 2005

### 24. CAPITAL COMMITMENTS

At 30 April 2005 the group had no capital commitments.

### 25. OPERATING LEASE COMMITMENTS

At 30 April 2005 the group was committed to making the following payments during the next year in respect of operating leases.

	Land and buildings		Plant and machinery	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Leases which expire:				
Within one year	-	-	31	13
Between two and five years	25	-	98	131
After five years	33	58	7	-
	<u>58</u>	<u>58</u>	<u>136</u>	<u>144</u>

### 26. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in Financial Reporting Standard 8, Related Party Transactions, not to disclose transactions with other group members, as the company's financial statements are presented with its consolidated financial statements.

### 27. ULTIMATE PARENT COMPANY

On 29 March 2005, the entire share capital of the company was sold to Care Principles Topco Limited. The directors consider Care Principles Topco Limited to be the ultimate parent company and controlling entity. The registered office of Care Principles Topco Limited is Oaks Lodge, Fordham Road, Newmarket, Suffolk, CB8 7XN.