

**Grove Investments UK Limited**

**Directors' report and financial  
statements**

**Registered number 5120722**

**31 December 2006**

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

### Principal activity

The principal activity of the company is that of an intermediate holding company

### Business review

Given the company's role as an intermediate holding company, the directors are satisfied with the result for the period. Details of the result for the period are set out in the profit and loss account on page 5

### Proposed dividend

The directors do not recommend the payment of a dividend (2005 £nil)

### Directors and directors' interests

The directors who held office during the period were as follows

Denis Brosnan  
David Duncan  
Owen McGartoll  
Michael Parsons


### 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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### Auditors

A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



Jon Hather  
Secretary

Suite 201  
The Chambers  
Chelsea Harbour  
London  
SW10 0XF

2007

## **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 the directors 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 judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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

Plym House  
3 Longbridge Road  
Plymouth  
PL6 8LT  
United Kingdom

## **Independent auditors' report to the members of Grove Investments UK Limited**

We have audited the financial statements of Grove Investments UK Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of movements in equity shareholders' funds 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 2.

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 Grove Investments UK 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 2006 and of its loss 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

*KPMG LLP*

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

2007

## Profit and loss account

for the year ended 31 December 2006

|   |   | Year ended<br>31 December<br>2006<br>£000 | Year ended<br>31 December<br>2005<br>£000 |
|---|---|---|---|
| Turnover                                    |   | -   | -   |
| Cost of sales                               |   | -   | -   |
|   |   | <hr/>                                     | <hr/>                                     |
| Gross profit                                |   | -   | -   |
| Administrative expenses                     |   | (617)                                     | (526)                                     |
|   |   | <hr/>                                     | <hr/>                                     |
| Operating loss                              | 2 | (617)                                     | (526)                                     |
| Interest payable and similar charges        | 3 | (1,457)                                   | (1,521)                                   |
|   |   | <hr/>                                     | <hr/>                                     |
| Loss on ordinary activities before taxation |   | (2,074)                                   | (2,047)                                   |
| Tax on loss on ordinary activities          | 6 | 363                                       | 458                                       |
|   |   | <hr/>                                     | <hr/>                                     |
| Loss for the financial period               |   | (1,711)                                   | (1,589)                                   |
|   |   | <hr/>                                     | <hr/>                                     |

There were no acquisitions or discontinued activities in either period

There were no recognised gains or losses other than those shown above

## Reconciliation of movements in equity shareholders' funds

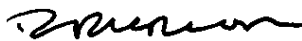
for the year ended 31 December 2006

|                               | 2006<br>£000 | 2005<br>£000 |
|-------------------------------|--------------|--------------|
| Loss for the financial year   | (1,711)      | (1,589)      |
| Opening shareholders' deficit | (2,167)      | (578)        |
|                               | <hr/>        | <hr/>        |
| Closing shareholders' deficit | (3,878)      | (2,167)      |
|                               | <hr/>        | <hr/>        |

**Balance sheet**  
*at 31 December 2006*

|  | <i>Note</i> | <b>2006</b>     | <b>2005</b>     |
|--|-------------|-----------------|-----------------|
|  |             | <b>£000</b>     | <b>£000</b>     |
| <b>Fixed assets</b>  |             |                 |                 |
| Investments  | 7           | 30,150          | 30,150          |
| <b>Current assets</b>  |             |                 |                 |
| Debtors  | 8           | 2,669           | 433             |
| <b>Creditors' amounts falling due within one year</b>          | 9           | <u>(24,404)</u> | <u>(32,750)</u> |
| <b>Net current liabilities</b>                                 |             | <u>(21,735)</u> | <u>(32,317)</u> |
| <b>Total assets less current liabilities</b>                   |             | <u>8,415</u>    | <u>(2,167)</u>  |
| <b>Creditors' amounts falling due after more than one year</b> |             | <u>(12,293)</u> | <u>-</u>        |
| <b>Net liabilities</b>   |             | <u>(3,878)</u>  | <u>(2,167)</u>  |
| <b>Capital and reserves</b>                                    |             |                 |                 |
| Called up share capital  | 11          | -               | -               |
| Profit and loss account  | 12          | <u>(3,878)</u>  | <u>(2,167)</u>  |
| <b>Equity shareholders' deficit</b>                            |             | <u>(3,878)</u>  | <u>(2,167)</u>  |

These financial statements were approved by the board of directors on 29 June 2007 and were signed on its behalf by



**David Duncan**  
 Director



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as noted below

#### ***Basis of preparation***

The financial statements have been prepared in accordance with United Kingdom accounting standards and under the historical cost accounting rules

Under FRS 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size

As the company is a wholly owned subsidiary of Grove Limited the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Grove Limited, within which this company is included, can be obtained from the address given in note 14

The Company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group financial statements These financial statements present information about the Company as an individual undertaking and not about its group

The ultimate parent undertaking, Grove Limited, has confirmed that it will continue to support the company, and the directors consider it appropriate, therefore, to prepare the accounts on a going concern basis

#### ***Taxation***

The charge for taxation is based on the profit for the period and takes into account taxation deferred 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

#### ***Investments***

Investments in associates are stated at cost

#### ***Post-retirement benefits***

The company pays amounts directly to certain employees for contribution into their own pension funds The amount charged to the profit and loss account represents the contributions payable to the employees in respect of the accounting period

## Notes (continued)

### 2 Operating loss

#### Auditors' remuneration

|       | 2006<br>£000 | 2005<br>£000 |
|-------|--------------|--------------|
| Audit | 4            | 4            |

The remuneration of the auditors in the current and prior financial years was borne by another group company  
 The amount above is management's best estimate of the proportion relating to this company

### 3 Interest payable and similar charges

|                                      | Year ended 31<br>December 2006<br>£000 | Year ended 31<br>December 2005<br>£000 |
|--------------------------------------|--|--|
| On bank loans and overdrafts         | 1,409                                  | 1,473                                  |
| Amortisation of loan arrangement fee | 48                                     | 48                                     |
|                                      | <u>1,457</u>                           | <u>1,521</u>                           |

### 4 Remuneration of directors

|                      | Year ended 31<br>December 2006<br>£000 | Year ended 31<br>December 2005<br>£000 |
|----------------------|--|--|
| Aggregate emoluments | 968                                    | 179                                    |
| Pension costs        | 177                                    | 37                                     |
|                      | <u>1,145</u>                           | <u>216</u>                             |

Retirement benefits are accruing to 4 (2005 4) directors under defined contribution schemes

The aggregate emoluments of the highest paid director were £967,000 (2005 £379,000) including company pension contributions of £157,000 (2005 £28,000) which were made payable to a money pension scheme on his behalf

### 5 Staff numbers and costs

The average number of persons employed during the period was 6 (2005 6) including the directors

|                        | Year ended 31<br>December 2006<br>£000 | Year ended 31<br>December 2005<br>£000 |
|------------------------|--|--|
| Wages and salary costs | 1,173                                  | 352                                    |
| Social security costs  | 147                                    | 34                                     |
| Pension costs          | 192                                    | 50                                     |
|                        | <u>1,512</u>                           | <u>436</u>                             |

## Notes (continued)

### 6 Taxation

|   | Year ended 31<br>December 2006<br>£000 | Year ended 31<br>December 2005<br>£000 |
|---|--|--|
| <i>UK Corporation tax</i>               |  |  |
| Current tax on loss for the period      | (363)                                  | (450)                                  |
| Adjustments in respect of prior periods | -                                      | (8)                                    |
|   | <u>(363)</u>                           | <u>(458)</u>                           |

#### *Factors affecting the tax charge for the current period*

The current tax credit for the period varies from the standard rate of corporation tax in the UK of 30% (2005 30%) The differences are explained below

|  | Year ended 31<br>December 2006<br>£000 | Year ended 31<br>December 2005<br>£000 |
|--|--|--|
| <i>Current tax reconciliation</i>        |  |  |
| Loss on ordinary activities before tax   | (2,074)                                | (2,047)                                |
| Current tax at 30%                       | (622)                                  | (614)                                  |
| <i>Effects of</i>                        |  |  |
| Expenses not deductible for tax purposes | 881                                    | 164                                    |
| Tax losses carried forward / back        | (84)                                   | -                                      |
| Transfer pricing                         | (404)                                  | -                                      |
| Group relief not payable                 | (134)                                  | -                                      |
| Adjustments in respect of prior periods  | -                                      | (8)                                    |
| Total current tax credit (see above)     | <u>(363)</u>                           | <u>(458)</u>                           |

### 7 Fixed asset investments

The company holds 25.7% (2005 26.0%) of the share capital of Cygnet 2002 Limited, which heads a group primarily engaged in the ownership and management of psychiatric care hospitals

| Company                        | Shares in associate<br>£000 |
|--------------------------------|-----------------------------|
| <i>Cost and net book value</i> |                             |
| At beginning and end of period | <u>30,150</u>               |

### 8 Debtors

|                                    | 2006<br>£000 | 2005<br>£000 |
|------------------------------------|--------------|--------------|
| <b>Due within one year</b>         |              |              |
| Amounts owed by group undertakings | 1,552        | 433          |
| Other debtors                      | 296          | -            |
| Group relief payable               | 821          | -            |
|                                    | <u>2,669</u> | <u>433</u>   |

The amounts owed by group undertakings are unsecured, interest free and not subject to any fixed repayment date

## Notes (continued)

### 9 Creditors: amounts falling due within one year

|  | 2006<br>£000  | 2005<br>£000  |
|--|---------------|---------------|
| Bank loans (net of £24,000 (2005 £72,000) unamortised issue costs) | 22,976        | 22,928        |
| Amounts owed to parent undertaking                                 | -             | 8,857         |
| Other creditors including taxation and social security             | 41            | 28            |
| Accruals and deferred income                                       | 1,387         | 937           |
|  | <u>24,404</u> | <u>32,750</u> |

The bank loan represents a fixed term loan which was renewed on 30 June 2005 and is repayable in full on 30 June 2007. The loan bears interest at a margin of 1.5% over LIBOR and is secured over the company's investment in Cygnet 2002 Limited.

Although the bank loan is scheduled to be repaid in full on 30 June 2007, the company was, at 31 December 2005, in breach of a covenant within the terms of the loan. As a result, the full balance outstanding may be called in by AIB plc with immediate effect and has therefore been disclosed as falling due within one year. The directors do not believe that AIB plc will call in the outstanding balance before 30 June 2007 and no such call had been made at the date on which these financial statements were approved by the Board of Directors.

The amounts owed to the parent undertaking are unsecured, interest free and not subject to any fixed repayment date. The amounts owed are not expected to be called in within the foreseeable future.

### 10 Creditors: amounts falling due after more than one year

|                                   | 2006<br>£000 | 2005<br>£000 |
|-----------------------------------|--------------|--------------|
| Amounts due to group undertakings | 12,293       | -            |

The amounts due to group undertakings fall due after more than five years and are interest free.

### 11 Called up share capital

|   | 2006<br>£ | 2005<br>£ |
|---|-----------|-----------|
| <i>Authorised</i>                         |           |           |
| 1,000 ordinary shares of £1 each          | 1,000     | 1,000     |
| <i>Allotted, called up and fully paid</i> |           |           |
| 1 ordinary share of £1                    | 1         | 1         |

## Notes (continued)

### 12 Reserves

|                        | Profit and<br>loss account<br>£000 |
|------------------------|------------------------------------|
| At beginning of period | (2,167)                            |
| Loss for period        | (1,711)                            |
|                        | <hr/>                              |
| At end of period       | (3,878)                            |
|                        | <hr/>                              |

### 13 Pension scheme

The company pays amounts directly to employees for contribution into their own pension funds. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £192,000 (2005 £50,000). A further £nil (2005 £32,000) was paid by Grove Investments UK on behalf of other group companies.

At the year end there were £198,000 (2005 £78,000) of outstanding contributions.

### 14 Ultimate parent undertaking

The company's ultimate parent undertaking is Grove Limited incorporated and registered in Jersey. The largest company in which the results of the company are consolidated is that headed by Grove Limited. The consolidated financial statements of Grove Limited are available to the public and may be obtained from,

22 Grenville Street  
 St Helier  
 Jersey  
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