

Grove Investments UK Limited

**Directors' report and financial
statements**

Registered number 5120722

31 December 2008

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Directors' report

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

Principal activity

The principal activity of the Company is that of an intermediate holding company and was used for the remuneration of directors for Grove Limited and related undertakings. From 2008, the Directors were remunerated from a company outside of the Grove group.

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 6.

During the year, the Cygnet group carried out a refinancing and restructuring. As part of the Cygnet restructuring, Grove Investments UK (GIUK) Limited, exchanged some of its shares in Cygnet 2002 Limited for shares in Cygnet 2008 Limited (the new parent company of the Cygnet group) and disposed of its remaining shares in Cygnet 2002 Limited for cash of £13.064m. The sale of shares generated a profit of £6.864m. As a result of the restructuring, at the 31 December 2008 Grove owns 25% of the share capital of Cygnet.

GIUK also received dividend income in respect of its Cygnet shareholding of £6.971m (2007: £nil).

Proposed dividend

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

Directors and directors' interests

The directors who held office during the period were as follows:

Denis Brosnan
David Duncan
Michael Parsons
Anna King (resigned 23/01/2009)

Employees

The directors recognise the importance of human resources. Practices to provide good communications and relations with employees include providing them with information on matters of concern to them as employees.

The company continues to give full and fair consideration to applications from disabled persons. If an employee becomes disabled the company endeavours to continue their employment if this is practical and in appropriate cases training is given.

Future Prospects

The Directors' remuneration is to be borne by a Company outside of the Group and the element relating to the Grove group will be recharged back. Due to this, Grove Investments UK Limited will be dormant going forward.

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.

Directors' report *(continued)*

Auditors

Pursuant to a Shareholders' resolution, the Company is not obliged to reappoint its auditor annually and KPMG LLP will therefore continue in office.

By order of the board.



Jon Hather
Secretary

Suite 201
The Chambers
Chelsea Harbour
London
SW10 0XF

30 June 2009

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 2008 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 3.

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 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.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

25 September 2009

Profit and loss account
for the year ended 31 December 2008

		2008 £000	2007 £000
Turnover		-	-
Cost of sales		-	-
		<hr/>	<hr/>
Gross profit/(loss)		-	-
Administrative expenses		18	(612)
		<hr/>	<hr/>
Operating profit/(loss)		18	(612)
Interest payable and similar charges	3	(1,078)	(1,724)
Interest receivable and similar income	4	9	-
Profit on sale of shares in associate	9	6,864	-
Income from other fixed asset investments	8	6,971	-
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	2	12,784	(2,336)
Tax on profit/(loss) on ordinary activities	7	-	-
		<hr/>	<hr/>
Profit/(loss) for the financial period	13	12,784	(2,336)
		<hr/>	<hr/>

There were no acquisitions or discontinued activities in either period.

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

There is no difference between the results as stated above and the results on a historical cost basis.

Reconciliation of movements in equity shareholders' funds/(deficit)
for the year ended 31 December 2008

	2008 £000	2007 £000
Profit/(loss) for the financial year	12,784	(2,336)
Opening shareholders' deficit	(6,214)	(3,878)
	<hr/>	<hr/>
Closing shareholders' funds/(deficit)	6,570	(6,214)
	<hr/>	<hr/>

Balance sheet
at 31 December 2008

	<i>Note</i>	2008 £000	2007 £000
Fixed assets			
Investments	9	23,950	30,150
Current assets			
Debtors	10	1,738	2,678
Cash		165	-
Creditors: amounts falling due within one year	11	(19,283)	(39,042)
Net current liabilities		(17,380)	(36,364)
Total assets less current liabilities		6,570	(6,214)
Net assets/(liabilities)		6,570	(6,214)
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	6,570	(6,214)
Equity shareholders' funds/(deficit)		6,570	(6,214)

These financial statements were approved by the board of directors on 30 June 2009 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 applicable 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 15.

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.

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 less any provision for impairment.

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 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging:

Auditors' remuneration

	2008 £000	2007 £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

	2008 £000	2007 £000
On bank loans and overdrafts	1,078	1,701
Amortisation of loan arrangement fee	-	23
	<u>1,078</u>	<u>1,724</u>

4 Interest receivable and similar income

	2008 £000	2007 £000
Interest receivable on bank deposits	9	-
	<u>9</u>	<u>-</u>

5 Remuneration of directors

	2008 £000	2007 £000
Aggregate emoluments	-	712
Pension costs	-	158
	<u>-</u>	<u>870</u>

Retirement benefits are accruing to no (2007: 4) directors under defined contribution schemes.

The aggregate emoluments of the highest paid director were £nil (2007: £769,000) including company pension contributions of £nil (2007: £158,000) which were made payable to a money pension scheme on his behalf.

Notes (continued)

6 Staff numbers and costs

The average number of persons employed during the period was nil (2007:9) including the directors.

	2008 £000	2007 £000
Wages and salary costs	-	852
Social security costs	-	140
Pension costs	-	158
	<u>-</u>	<u>1,150</u>

Included in the above figures are £nil (2007: £802,000) of staff costs that were subsequently recharged to related group undertakings.

7 Taxation

	2008 £000	2007 £000
<i>UK Corporation tax</i>		
Current tax on profit/(loss) for the period	-	-
Adjustments in respect of prior periods	-	-
	<u>-</u>	<u>-</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 28.5% (2007: 30%). The differences are explained below.

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	12,784	(2,336)
	<u>3,643</u>	<u>(701)</u>
Current tax at 28.5% (2007:30%)		
<i>Effects of:</i>		
Non taxable income	(1,986)	-
Transfer pricing	(39)	(21)
Group relief not payable	336	722
Non taxable profit on the sale of shares in associate	(1,956)	-
	<u>-</u>	<u>-</u>
Total current tax credit (see above)	-	-

Notes (continued)

8 Dividends

	2008 £000	2007 £000
Dividend received in respect of the current year	6,971	-

9 Fixed asset investments

The company holds 25.2% (2007: 25.7%) of the ordinary share capital of Cygnet 2008 Limited (2007: *Cygnet 2002 Limited*), which heads a group primarily engaged in the ownership and management of psychiatric care hospitals.

Company	Shares in associate £000
<i>Cost and net book value</i>	
At beginning of year	30,150
Disposal	(6,200)
At end of year	23,950

During the year, the Cygnet group carried out a refinancing and restructuring. As part of the Cygnet restructuring, Grove Investments UK (GIUK) Limited, exchanged some of its shares in Cygnet 2002 Limited for shares in Cygnet 2008 Limited (the new parent company of the Cygnet group) and disposed of its remaining shares in Cygnet 2002 Limited for cash of £13.064m. The sale of shares generated a profit of £6.864m. As a result of the restructuring, at the 31 December 2008 Grove owns 25% of the share capital of Cygnet.

10 Debtors

	2008 £000	2007 £000
Due within one year:		
Amounts owed by group undertakings	818	1,758
Other debtors	99	99
Group relief receivable	821	821
	1,738	2,678

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

Notes (continued)

11 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Bank loans (net of £nil (2007: £23,000) unamortised issue costs)	13,108	22,976
Amounts owed to parent undertaking	5,734	15,110
Other creditors including taxation and social security	-	57
Accruals and deferred income	441	899
	<u>19,283</u>	<u>39,042</u>

The bank loan represents a fixed term loan which was renewed on 30 June 2006 and is repayable on demand, although it is not expected to be repayable in the imminent future. The loan bears interest at a margin of 1.5% over LIBOR and is secured over the Company's investment in Cygnet 2002 Limited.

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.

12 Called up share capital

	2008 £	2007 £
<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)*

13 Reserves

	Profit and loss account £000
At beginning of period	(6,214)
Profit for period	12,784
	<hr/>
At end of period	6,570
	<hr/>

14 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 £nil (2007: £158,000).

At the year end there were £nil (2007: £nil) of outstanding contributions.

15 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
 JE4 8PX
 Channel Islands