



**Shaw healthcare Limited**

**Registered Number : 5133946**

## **Financial Statements**

**Year Ended 31 March 2008**

**1 Links Court, Links Business Park, St Mellons, CARDIFF CF3 0LT**

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**Shaw healthcare Limited**  
**Financial Statements**  
**Year Ended 31 March 2008**

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**Shaw healthcare Limited**  
**Officers and Professional Advisors**  
**Year Ended 31 March 2008**

Directors	M Knott, BSc H Webber, BSc, ACA M Bagnall, BSc, RMN, NEBOSH I Rudge
Secretary	W J P Witter, MA (Oxon), Solicitor
Registered Office	1 Links Court Links Business Park St. Mellons Cardiff CF3 0LT
Auditors	Deloitte & Touche LLP Cardiff, UK
Bankers	Allied Irish Bank 2 Callaghan Square Cardiff CF10 5AZ
Solicitors	Eversheds Solicitors 1 Callaghan Square Cardiff CF10 5BT  Morgan Cole Solicitors Bradley Court Park Place Cardiff CF10 3DP

**Directors' Report to the members of  
Shaw healthcare Limited  
Year Ended 31 March 2008**

The directors present their annual report on the affairs of the company, together with the audited financial statements, for the year ended 31 March 2008. Shaw healthcare Limited is a wholly owned subsidiary of Shaw healthcare (Group) Limited and the directors draw your attention to the Business Review located within the annual report of Shaw healthcare (Group) Limited.

**Principal activities**

The principal activity of the company is that of the provision of care services.

The profit and loss account for the year is set out on page 6. The loss for the year before taxation was £1,054,790 (2007: profit £1,443,571).

**Dividends**

The directors cannot recommend a dividend for the financial year (2007: £550,000).

**Directors' responsibilities**

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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; 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 the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Financial risks**

Most of the company's income derives from long-term contracts (20–30 years) with the public sector (NHS and local authorities) and the balance from selling care home places and services on the open market. Any shortcoming in the quality of care services places this income at risk: either because contracted income reduces if key performance indicator targets are not met or because a home with a failing reputation is unlikely to get new customers.

The main threat to quality is not being able to recruit and retain staff of sufficient calibre. This risk is managed by intensive training of all staff at every level.

**Directors' Report to the members of  
Shaw healthcare Limited (continued)  
Year Ended 31 March 2008**

**Directors**

The directors who held office during the year are as shown on page 1.

**Taxation status**

The company is a close company under the provisions of the Taxes Act.

**Disabled employees**

The company operates a policy of equal opportunities for employment which includes disabled employees. This policy gives full and fair consideration to applications for employment to the company made by disabled persons, having regard to their particular aptitude and abilities, for continuing the employment of, and for arranging appropriate training for, employees of the company who have become disabled persons during the period when they were employed by the company and otherwise for the training, career development and promotion of disabled persons employed by the company.

**Employee involvement**

During the financial year the company continued the arrangements aimed at:

1. providing employees systematically with information on matters of concern to them as employees;
2. consulting employees or their representatives on a regular basis so that the views of the employees can be taken into account in making decisions which are likely to affect their interests;
3. achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company.

**Auditors**

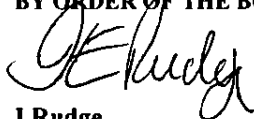
In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have indicated their willingness to continue in office as the company's auditors and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

**BY ORDER OF THE BOARD**



**I Rudge  
Director**

**Date:** 30/10/08

**Shaw healthcare Limited**  
**Independent Auditors' Report to the members**  
**Year Ended 31 March 2008**

We have audited the financial statements of Shaw healthcare Limited for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 18. 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 judgements 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.

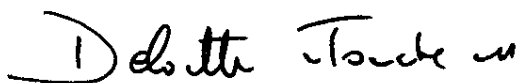
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**Shaw healthcare Limited**  
**Independent Auditors' Report to the members (continued)**  
**Year Ended 31 March 2008**

**Opinion**

In our opinion:

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



Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Cardiff, United Kingdom  
Date **31 Oct 2008**

**Shaw healthcare Limited**  
**Profit and Loss Account**  
**Year Ended 31 March 2008**

	Notes	Year ended 31 March 2008		Year ended 31 March 2007	
		Before exceptional item £	Exceptional item (note 3) £	Total £	Total £
Turnover	2	26,385,084		26,385,084	27,088,488
Administration costs		(27,508,686)	(226,002)	(27,734,688)	(25,775,237)
<b>Operating (loss)/profit</b>	4	(1,123,602)	(226,002)	(1,349,604)	1,313,251
Interest receivable	6			303,553	138,981
Interest payable	7			(8,739)	(8,661)
<b>(Loss)/profit for the year before taxation</b>				(1,054,790)	1,443,571
Taxation	8			316,437	(433,071)
<b>(Loss)/profit for the financial year</b>	14			(738,353)	1,010,500

All amounts relate to continuing activities. There were no exceptional items in the prior year.

**Statement of total recognised gains and losses**

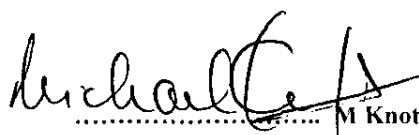
		2008 £	2007 £
(Loss)/profit for the financial year		(738,353)	938,500
Actuarial gains	18	169,600	335,000
Deferred tax related to actuarial gain	18	(50,880)	(100,500)
<b>Total losses and gains recognised since last report</b>		(619,633)	1,173,000



**Shaw healthcare Limited**  
**Balance Sheet**  
**As at 31 March 2008**

	Notes	£	2008	£	2007	£
<b>Fixed assets</b>						
Tangible assets	9			45,654		45,654
				45,654		45,654
<b>Current assets</b>						
Debtors	10	1,554,113			853,696	
Cash at bank and in hand		184,893			2,410,330	
		1,739,006			3,264,026	
<b>Creditors: Amounts falling due within one year</b>	11	(1,492,966)			(2,467,935)	
<b>Net current assets</b>				246,040		796,091
<b>Creditors: Amounts falling due after more than one year</b>	12			(250,000)		(250,000)
Pension (liability)/asset	18			(42,282)		27,300
<b>Net (liabilities)/assets</b>				(588)		619,045
<b>Capital and reserves</b>						
Share capital	13			1		1
Profit and loss account	14			(589)		619,044
<b>Shareholders' (deficit)/funds</b>	15			(588)		619,045

These financial statements were approved by the directors on 30 October 2008 and were signed on their behalf by:

  
..... M Knott (Director)

  
..... I Rudge (Director)

The notes on pages 8 to 15 form part of these financial statements.

**Shaw healthcare Limited**  
**Notes to the Financial Statements**  
**Year ended 31 March 2008**

**1. Principal Accounting Policies**

**a) Basis of accounting**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 1985. The accounting policies, which have been applied consistently throughout the current and the prior financial year, are set out below.

The financial statements are prepared in accordance with the historical cost convention.

**b) Tangible fixed assets**

Tangible fixed assets are stated at cost or valuation. No depreciation is provided on fixed assets as the annual depreciation rate used for freehold land is nil.

**c) Taxation**

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred is accounted for in respect of all material timing differences.

**d) Pension costs**

For defined benefit schemes the amounts charged to operating (loss)/profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

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 contribution 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.

**e) Liability for maintenance costs**

The liability for the cost of maintenance is recognised in the accounting period in which the work is carried out.

**Shaw healthcare Limited**  
**Notes to the Financial Statements (continued)**  
**Year ended 31 March 2008**

**1. Principal Accounting Policies (continued)**

**f) Revenue recognition**

The company recognises income as care is provided for market beds, and as care is made available for block beds. It also recognises income as it is earned for care services provided to other companies in the group.

**g) Cash flow statement**

The company has taken advantage of the exemption under FRS1 (revised) from preparing a cash flow statement. The company is a subsidiary of Shaw healthcare (Group) Limited which prepares consolidated financial statements which include a consolidated cash flow statement. These financial statements are publicly available. The company's cash flows are included in the consolidated cash flow statement of Shaw healthcare (Group) Limited.

**2. Turnover**

The turnover shown in the profit and loss account represents amounts earned during the period, exclusive of Value Added Tax.

	2008 £	2007 £
Turnover represents:		
Care home residential fees	25,966,188	26,332,935
Other income	418,896	755,553
	26,385,084	27,088,488

**3. Exceptional item**

The charge relates to a change in estimate of pension liability at 1 April 2007 in one of the pension funds to which the company contributes. The liability was not recognised at 31 March 2007 because the deficit identified could not, at the time, be accurately allocated to each employer. Subsequent to the approval of the 2007 financial statements, an actuarial valuation was carried out which has determined a deficit of assets compared with the valuation of liabilities at 1 April 2007 of £226,002. The scheme affected is the Worcestershire County Council Pension Fund.

**4. Operating (loss)/profit**

	2008 £	2007 £
Operating (loss)/profit is stated after charging:		
Auditors' remuneration	6,435	3,690

**Shaw healthcare Limited**  
**Notes to the Financial Statements (continued)**  
**Year Ended 31 March 2008**

**5. Staff costs**

	2008 £	2007 £
Salaries	18,233,883	16,893,791
Social security costs	1,227,350	1,103,659
Other pension costs	865,045	986,793
	<u>20,326,278</u>	<u>18,984,243</u>

The average monthly number of persons employed by the company analysed by function was:

	No.	No.
Administration	78	85
Care home staff	1,313	1,416

Directors are remunerated by Shaw healthcare (Group) Limited for their services to the group as a whole. It is not practicable to allocate their remuneration between their services to this company and other group companies.

**6. Interest receivable**

	2008 £	2007 £
Interest receivable and similar income	69,553	66,981
Other finance income relating to defined benefit pension scheme	234,000	72,000
	<u>303,553</u>	<u>138,981</u>

**7. Interest payable**

	2008 £	2007 £
On bank and other loans	8,739	8,661

**Shaw healthcare Limited**  
**Notes to the Financial Statements (continued)**  
**Year Ended 31 March 2008**

**8. Taxation**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>Current tax:</b>		
Group relief	(235,737)	447,771
<b>Deferred tax:</b>		
Current year	(80,700)	(14,700)
	<u>(316,437)</u>	<u>433,071</u>
Factors affecting the current tax charge for the year:		
(Loss)/profit on ordinary activities before taxation	<u>(1,054,790)</u>	<u>1,443,571</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2007: 30%)	(316,437)	433,071
Other timing differences	80,700	14,700
	<u>(235,737)</u>	<u>447,771</u>

The reduction in the corporation tax rate to 28% is not anticipated to materially affect the future tax charge.

**9. Tangible fixed assets**

	<b>Freehold land and buildings £</b>
<b>Cost and net book value</b>	
At 1 April 2007 and 31 March 2008	<u>45,654</u>

**10. Debtors: amounts falling due within one year**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Trade debtors	674,860	407,590
Amounts due from group undertakings	812,764	358,834
Other debtors and prepayments	66,489	87,272
	<u>1,554,113</u>	<u>853,696</u>

**Shaw healthcare Limited**  
**Notes to the Financial Statements (continued)**  
**Year Ended 31 March 2008**

**11. Creditors: Amounts falling due within one year**

	2008 £	2007 £
Trade creditors	565,509	498,467
Amounts due to group undertakings	29,314	994,582
Taxation and social security	448,031	400,005
Other creditors	450,112	574,881
	<u>1,492,966</u>	<u>2,467,935</u>

**12. Creditors: Amounts falling due after more than one year**

	2008 £	2007 £
Other creditors	250,000	250,000

Amounts included above relate to monies due to the London Borough of Bromley on expiry of the care services contract between the London Borough of Bromley and Shaw healthcare Limited.

**13. Share capital**

	2008 £	2007 £
Authorised: 1,000 Ordinary shares of £1 each	1,000	1,000
Alotted, called-up and fully paid: 1 Ordinary share of £1	<u>1</u>	<u>1</u>

**14. Profit and loss account**

	2008 £	2007 £
At 1 April	619,044	(75,956)
(Loss)/profit for the financial year	(738,353)	1,010,500
Actuarial gains	118,720	234,500
Dividends payable	-	(550,000)
At 31 March	<u>(589)</u>	<u>619,044</u>

No dividend to the ultimate parent company, Shaw healthcare (Group) Limited, was proposed in the year (2007: £550,000).

**Shaw healthcare Limited**  
**Notes to the Financial Statements (continued)**  
**Year Ended 31 March 2008**

**15. Reconciliation of movement in shareholders' (deficit)/funds**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
At 1 April	619,045	(75,955)
(Loss)/profit for the financial year	(738,353)	1,010,500
Actuarial gains net of deferred tax	118,720	234,500
Dividends payable	-	(550,000)
At 31 March	(588)	619,045

**16. Related party transactions**

The company takes exemption from the reporting of related party transactions under FRS 8 'Reporting of related party transactions' as a wholly owned subsidiary of Shaw healthcare (Group) Limited, whose financial statements are available from the Company Secretary, 1 Links Court, Links Business Park, St Mellons, Cardiff.

**17. Parent company**

The parent company and ultimate controlling party is Shaw healthcare (Group) Limited, a company incorporated and registered in England and Wales. The smallest and largest group for which consolidated financial statements are prepared which include the results of the company is headed by Shaw healthcare (Group) Limited.

**18. Defined benefit pension schemes**

Shaw healthcare Limited participates in the following defined benefit (final salary) pension schemes:

Northamptonshire County Council Pension Fund;  
Worcestershire County Council Pension Fund; and  
West Sussex County Council Pension Fund.

A full actuarial valuation was carried out at 31 March 2008 by a qualified actuary. The major assumptions used for the actuarial valuation were:

	<b>2008</b>	<b>2007</b>
	<b>% p.a.</b>	<b>% p.a.</b>
Rate of increase in salaries	4.40%	4.70%
Rate of increase in pensions in payment	3.40%	3.20%
Discount rate	6.40%	5.40%
Inflation assumption	3.40%	3.20%

**Shaw healthcare Limited**  
**Notes to the Financial Statements (continued)**  
**Year Ended 31 March 2008**

**18. Defined benefit pension schemes (continued)**

The fair value of the assets in the schemes, the present value of the liabilities in the scheme and the expected rate of return at each balance sheet date were:

		2008		2007
	%	£	%	£
Equities	74.75%	12,117,000	77.00%	3,881,570
Bonds	14.94%	2,422,000	13.00%	655,330
Property	5.83%	945,000	8.00%	403,280
Cash	2.57%	417,000	2.00%	100,820
Other	1.91%	309,000	0.00%	-
Total fair value of assets		16,210,000		5,041,000
Present value of scheme liabilities		(16,199,000)		(5,002,000)
Total pension asset in schemes		11,000		39,000
Assets not recognised in respect of schemes in surplus		(71,403)		-
Gross pension (liability)/asset recognised in financial statements		(60,403)		39,000
Related deferred tax asset/(liability)		18,121		(11,700)
Net pension (liability)/asset		(42,282)		27,300

The contribution rates for 2008 for the three defined benefit schemes ranged from 14.0%-18.0% of pensionable earnings and this included a past service adjustment of 6.9% of pensionable pay.

**Analysis of the amount charged to operating (loss)/profit**

	2008	2007
	£	£
Current service cost (net of employee contributions)	145,000	691,000
Past service cost	132,000	-
Change in estimate of pension liability (note 3)	226,002	-
	<u>503,002</u>	<u>691,000</u>

**Analysis of the amount included as other finance income**

	2008	2007
	£	£
Expected return on pension scheme assets	1,129,000	308,000
Interest on pension scheme liabilities	(895,000)	(236,000)
	<u>234,000</u>	<u>72,000</u>

**Analysis of the actuarial gain in the statement of total recognised gains and losses**

	2008	2007
	£	£
Actual return less expected return on pension scheme assets	(2,008,000)	(88,000)
Experience gains and losses arising on the scheme liabilities	(964,000)	(1,000)
Changes in assumptions underlying the present value of the scheme liabilities	3,141,600	424,000
	<u>169,600</u>	<u>335,000</u>



**Shaw healthcare Limited**  
**Notes to the Financial Statements (continued)**  
**Year Ended 31 March 2008**

**18. Defined benefit pension schemes (continued)**

**Movement in scheme surplus during the year**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
At 1 April	39,000	(247,000)
Change in estimate of pension liability (note 3)	(226,002)	-
Current service cost	(986,000)	(691,000)
Contributions	841,000	570,000
Past service cost	(132,000)	-
Net return on assets	234,000	72,000
Actuarial gain	169,600	335,000
Gross pension (liability)/asset recognised	(60,402)	39,000
Deferred tax asset/(liability)	18,120	(11,700)
Net pension (liability)/asset	<u>(42,282)</u>	<u>27,300</u>

**History of experience gains and losses**

	<b>2008</b>	<b>2007</b>
<b>Difference between the expected and actual return on scheme assets</b>		
Amount (£)	(2,008,000)	(88,000)
Percentage of scheme assets	12.39%	1.75%
<b>Experience gains/(losses) on scheme liabilities</b>		
Amount (£)	(964,000)	(1,000)
Percentage of present value of scheme liabilities	5.95%	0.02%
<b>Total actuarial gain in the statement of total recognised gains and losses:</b>		
Amount (£)	169,600	335,000
Percentage of present value of scheme liabilities	1.05%	6.70%

**Defined contribution pension scheme**

The group also operates a defined contribution scheme for which the pension cost charge for the year amounted to £6,900 (2007: £7,938).