

**Company Registration Number 5653534**

**SOLOR CARE GROUP HOLDINGS LIMITED**

**Report and Consolidated Financial Statements**

**30 June 2011**

**TUESDAY**



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**COMPANIES HOUSE**

# **SOLOR CARE GROUP HOLDINGS LIMITED**

## **REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2011**

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# **SOLOR CARE GROUP HOLDINGS LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

CF Doleman  
KF Ford  
RRJ Perry  
J Murphy

### **SECRETARY**

CF Doleman

### **REGISTERED OFFICE**

Carriage Court  
25 Circus Mews  
Bath  
BA1 2PW

### **BANKERS**

Barclays Bank Plc  
Level 28  
1 Churchill Place  
London  
E14 5HP

### **SOLICITORS**

Pinsent Masons LLP  
3 Colmore Circus  
Birmingham  
B4 6BH

### **AUDITOR**

Deloitte LLP  
Bristol

## **SOLOR CARE GROUP HOLDINGS LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2011

### **PRINCIPAL ACTIVITY**

The principal activity of the group is the provision of outreach, community support, educational and occupational training, supported living, residential and nursing services for people with complex needs and in particular learning disabilities. The principal activity of the company is that of a holding company for the group.

### **REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The Group has continued to make positive progress in difficult market conditions. After a period of rapid change two years ago we have now had the core senior management team in place for long enough to ensure stable long term progression. The quality of our service provision as assessed by our own internal QA processes and by CQC showed excellent progress. Investment in staff training and recruitment has resulted in greater consistency of service quality with significantly reduced levels of agency staff and greater service specific training and support.

We have introduced new Specialist Service Standards as part of our evolving QA processes. These have focussed on our core service strengths in

- Autistic Spectrum Conditions (including Aspergers)
- Behaviours that Challenge
- Mental Health in Learning Disabilities
- Complex Healthcare

Local Authority and PCT purchasers have expended considerable effort on ensuring fees for their Service Users represent value for money. Whilst we have not accepted any requests for generic fee reductions as requested by some purchasers, we have worked positively with other purchasers in this process and have demonstrated good value for money and fee levels in line with the Nationally accepted "Care Funding Calculator".

Even in this financially constrained market we have continued to invest in our existing services where we have invested a further £2.6m million during the year. Our own Maintenance team also provide day to day support to all our services to ensure they remain a safe and positive environment to live and work in. Whilst a number of our peer group in the sector have outsourced this function, we do not believe this would be in the best interests of our service users, staff and our focus on quality provision. Similarly, we continue to invest in our own Human Resource, Recruitment and Staff Training teams in order to provide more proactive support for our services and greater control over the quality of these important support services.

We have opened new services in Kent, Hertfordshire and Surrey as a consequence of strong demand from local authorities for our services. This has partly been achieved by investing proceeds from the sales of a number of properties that were either surplus or where the service no longer met local needs. Whilst turnover has therefore fallen by 4.8% this year, gross profit has improved from 29.4% to 31.8%.

Local Authority and Primary Care Trust funding constraints have been well publicised and the market outlook remains challenging. However, our financial results clearly show a strong re-investment back into the organisation and what the Board considers is a fair return on its trading activities. Once again, the Group traded in line with our expectations and within our banking facilities.

Our staff continue to provide the backbone to our services and the Board would like to thank them for their continued support.

## **SOLOR CARE GROUP HOLDINGS LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **RESULTS AND DIVIDENDS**

The loss after taxation for the year ended 30 June 2011 was £123,423 (2010 loss of £676,773) The directors cannot recommend the payment of a dividend (2010 £nil)

#### **GOING CONCERN**

The group underwent a significant restructure of its external debt in March 2009 Further details are included within the accounting policies section of the financial statements After making due enquiries and based on the new debt structure in place, the directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

#### **FINANCIAL RISK MANAGEMENT**

The group's activities expose it to a number of financial risks including credit risk, liquidity risk and interest rate risk All transactions are entered into and settled in local currency and therefore the group is not exposed to movements in foreign currencies

##### **Credit risk**

The group's principal financial assets are bank balances, and trade and other receivables

The group's credit risk is primarily attributable to its trade receivables The amounts presented in the balance sheet are net of allowances for doubtful receivables An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows

##### **Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the group uses a mixture of long-term and short-term debt finance

##### **Interest rate risk**

The group uses derivatives to manage its exposure to interest rate movements on its bank borrowings The board of directors monitor the use of derivative transactions, and the movement on interest rates, affecting its borrowings on a ongoing basis Further details of the derivative transactions entered into are disclosed in note 22 to the financial statements

#### **POLICY ON THE PAYMENT OF CREDITORS**

It is and will continue to be the policy of the group to negotiate with suppliers so as to obtain the best available terms taking account of quality, delivery, price and period of settlement and, having agreed those terms, to abide by them

Creditor days at 30 June 2011 were 36 days (2010 20 days)

#### **DIRECTORS**

The directors serving during the year ended 30 June 2011 and subsequently were as follows

CF Doleman  
KF Ford  
RRJ Perry  
J Murphy

## **SOLOR CARE GROUP HOLDINGS LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **DISABLED EMPLOYEES**

The group has comprehensive and robust policies promoting equality and diversity in all areas of its operations. The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under the normal terms and conditions and to provide training, career development and promotion to disabled employees where appropriate.

#### **EMPLOYEE CONSULTATION**

The Board would like to thank our staff for their ongoing commitment and hard work. Retention of our staff as well as strong recruitment remains vital for us and we have a number of projects underway to improve the support and training we offer our staff and ensure they feel valued. The group continued with its Investors in People status, recognising that there is a strong commitment to developing its employees and ensuring they understand the business and their role in contributing to the organisation's aims and objectives. The care sector is a growing sector and we are able to offer very rewarding careers to people with the right attitude and skills.

#### **AUDITOR**

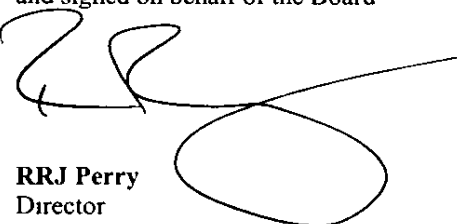
Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- (2) each of the directors has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

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

  
**RRJ Perry**  
Director

## **SOLOR CARE GROUP HOLDINGS LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting 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 group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLOR CARE GROUP HOLDINGS LIMITED**

We have audited the financial statements of Solor Care Group Holdings Limited for the year ended 30 June 2011 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the company's affairs as at 30 June 2011 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

*David Hedditch*

**David Hedditch (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Bristol, United Kingdom

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# SOLOR CARE GROUP HOLDINGS LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 June 2011

	Note	2011 £	2010 £
<b>TURNOVER</b>	1	37,382,258	39,249,874
Cost of sales		(25,509,344)	(27,705,276)
<b>GROSS PROFIT</b>		11,872,914	11,544,598
Other administrative expenses		(10,030,786)	(10,328,457)
Corporate restructuring costs		(167,679)	(309,113)
Total administrative expenses		(10,198,465)	(10,637,570)
Operating profit / (loss) before restructuring		1,842,128	1,216,141
Corporate restructuring costs		(167,679)	(309,113)
<b>Operating profit</b>	3	1,674,449	907,028
Interest receivable and similar income		8,550	17,235
Interest payable and similar charges	4	(1,806,422)	(1,601,036)
Loss on ordinary activities before taxation		(123,423)	(676,773)
Tax on loss on ordinary activities	5	-	-
<b>Loss for the financial year</b>	15	(123,423)	(676,773)

All amounts relate to continuing activities

There were no recognised gains or losses in either period, other than the results above. Accordingly, no separate statement of total recognised gains and losses is presented.

**SOLOR CARE GROUP HOLDINGS LIMITED**

**CONSOLIDATED BALANCE SHEET**  
At 30 June 2011

	Note	2011		2010	
		£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	6		6,512,211		6,945,435
Tangible assets	7		21,805,998		22,288,666
			<u>28,318,209</u>		<u>29,234,101</u>
<b>CURRENT ASSETS</b>					
Debtors	9	2,168,970		2,870,357	
Cash at bank and in hand	10	2,773,998		738,839	
		<u>4,942,968</u>		<u>3,609,196</u>	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	11	<u>(4,995,395)</u>		<u>(5,625,684)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(52,427)</u>		<u>(2,016,488)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			28,265,782		27,217,613
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	12		<u>(31,097,644)</u>		<u>(29,926,052)</u>
<b>NET LIABILITIES</b>			<u>(2,831,862)</u>		<u>(2,708,439)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		1,960		1,960
Share premium account			77,974,305		77,974,305
Profit and loss account	15		<u>(80,808,127)</u>		<u>(80,684,704)</u>
<b>SHAREHOLDERS' DEFICIT</b>	16		<u>(2,831,862)</u>		<u>(2,708,439)</u>

The financial statements of Solor Care Group Holdings Limited, registered number 5653534, were approved by the Board of Directors and authorised for issue on 24.05.11

Signed on behalf of the Board of Directors

  
RRJ Perry  
Director

# SOLOR CARE GROUP HOLDINGS LIMITED

## COMPANY BALANCE SHEET

At 30 June 2011

	Note	2011	2010
		£	£
<b>FIXED ASSETS</b>			
Investments	8	33,500,300	33,500,300
<b>CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	11	(771,718)	(132,380)
<b>NET CURRENT LIABILITIES</b>		(771,718)	(132,380)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		32,728,582	33,367,920
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	12	(31,060,870)	(29,792,029)
<b>NET ASSETS</b>		1,667,712	3,575,891
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	1,960	1,960
Share premium account		77,974,305	77,974,305
Profit and loss account	15	(76,308,553)	(74,400,374)
<b>SHAREHOLDERS' FUNDS</b>	16	1,667,712	3,575,891

The financial statements of Solor Care Group Holdings Limited, registered number 5653534, were approved by the Board of Directors and authorised for issue on 24.06.11

Signed on behalf of the Board of Directors



RRJ Perry  
Director

**SOLOR CARE GROUP HOLDINGS LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 30 June 2011**

	Note	2011	2010
		£	£
<b>Net cash inflow from operating activities</b>	17	3,517,041	2,053,040
<b>Returns on investments and servicing of finance</b>			
Interest received	8,550	17,235	
Interest paid	(1,742,818)	(1,689,951)	
Interest element of finance lease payments	(9,240)	(17,324)	
<b>Net cash outflow from returns on investments and servicing of finance</b>		(1,743,508)	(1,690,040)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets	(2,603,596)	(1,805,229)	
Disposal of tangible fixed assets	1,817,293	1,821,612	
<b>Net cash (outflow) / inflow from capital expenditure and financial investment</b>		(786,303)	16,383
<b>Net cash inflow before management of liquid resources and financing</b>		987,230	379,383
<b>Financing</b>			
Net proceeds from new loans	1,150,000	-	
Loan repayments	-	(1,200,000)	
Capital element of finance lease payments	(102,071)	(144,335)	
<b>Net cash inflow / (outflow) from financing</b>		1,047,929	(1,344,335)
<b>Increase/(decrease) in cash in the year</b>	18, 19	2,035,159	(964,952)
<b>Cash balance at beginning of year</b>		738,839	1,703,791
<b>Cash balance at end of year</b>		2,773,998	738,839

## **SOLOR CARE GROUP HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Year ended 30 June 2011**

#### **1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

##### **Accounting convention**

The financial statements are prepared under the historical cost convention.

##### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. Acquisitions are accounted for under the acquisition method and assets and liabilities are recognised at fair value on acquisition, with any goodwill on consolidation being capitalised and written off over the useful economic life from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

##### **Going concern**

The group's business activities, together with factors likely to affect its future development, performance and position, are set out in the Review of Developments and Future Prospects section of the Directors' Report. The financial position of the group and its financial risk management with respect to credit risk, liquidity risk and interest rate risk are also described in the Directors' Report. In addition, the notes to the Financial Statements include the details of the group's financial instrument and hedging activities.

On 31 March 2009 the group underwent a substantial restructuring in terms of share capital, shareholders and group debt. Group share capital was increased to 196,000 1p ordinary shares and group debt was significantly reduced via a number of measures, one of them being debt for equity swaps. In total, approximately £70 million of debt was removed from the group's balance sheet. The new debt structure now primarily consists of a £30 million term loan and a £4 million revolving credit facility. The term loan is not repayable until March 2013 and the revolving credit facility is also available until the same date. New terms for these facilities and related covenants have been set, the group is now trading within these facilities and the directors have a reasonable expectation based on detailed trading forecasts that they will continue to do so. The going concern assumption therefore continues to be applied for the foreseeable future.

##### **Turnover**

Turnover is the total amount receivable by the company for services provided in respect of residential and domiciliary care in the United Kingdom and is stated net of sales discounts. Residential and domiciliary care homes are geographically spread throughout England and income is predominantly received from local councils and authorities. Deferred and accrued income arises whenever invoices are raised for periods that do not coincide with financial reporting periods. Fee income is recognised as turnover on a daily basis as services are provided. It is not necessary to adopt segmental analysis as the group has only one class of business and operates solely in the United Kingdom.

##### **Intangible 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.

## **SOLOR CARE GROUP HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** **Year ended 30 June 2011**

#### **1 ACCOUNTING POLICIES (continued)**

##### **Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over the expected useful life as follows

Freehold buildings	2% per annum
Leasehold improvements	3% - 20% per annum
Plant and machinery	15% per annum
Motor vehicles	25% per annum

##### **Impairment**

At each balance sheet date, the group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash generating unit to which the asset belongs. An intangible asset with an indefinite life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

##### **Taxation**

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

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, 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 the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

##### **Pension costs**

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they fall due.

##### **Investments held by parent company**

In the company balance sheet, investments are in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief. Cost is measured by reference to the original cost of purchase of shares.

##### **Bank borrowings**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges including direct issue costs are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

# SOLOR CARE GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2011

### 1. ACCOUNTING POLICIES (continued)

#### Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

#### Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes.

### 2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2011 £	2010 £
<b>Directors' emoluments:</b>		
Emoluments	459,300	412,633
Defined contribution pension scheme contributions	34,000	33,583
	<u>493,300</u>	<u>446,216</u>
	No.	No.
The number of directors who were members of a defined contribution pension scheme	<u>3</u>	<u>3</u>
<b>Remuneration of the highest paid director:</b>	£	£
Emoluments	154,650	138,400
Pension contributions	13,000	13,000
	<u>167,650</u>	<u>151,400</u>
<b>Employee costs during the year (including directors):</b>	£	£
Wages and salaries	22,276,106	22,994,640
Social security costs	1,977,254	2,078,205
Other pension costs	83,879	106,057
	<u>24,337,239</u>	<u>25,178,902</u>

# SOLOR CARE GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2011

2.	INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)	2011 No.	2010 No.
	Average number of persons employed.		
	Nursing and care workers	1,169	1,149
	Administration	108	114
		<u>1,277</u>	<u>1,263</u>

The above disclosures relate to the group only. The company does not employ any staff directly, other than a director, and therefore there are no applicable amounts to disclose. Only one director is remunerated by the company, emoluments in the year totalling £54,000 (2010: £54,000) and social security costs totalling £5,523 (2010: £6,180). There were no pension contributions paid on behalf of this director in either year.

3.	OPERATING PROFIT	2011 £	2010 £
	Operating profit is stated after charging		
	Rentals under operating leases		
	- plant and machinery	210,275	317,645
	- other	3,441,603	3,409,781
	Depreciation and other amounts written off tangible fixed assets		
	- owned assets	965,700	853,952
	- assets held under finance leases and hire purchase contracts	76,900	160,274
	Amortisation of goodwill	433,224	433,224
	Loss on sale of fixed assets	238,284	66,891

The analysis of auditor's remuneration is as follows:

### Fees payable to the company's auditor for the audit of the company's annual accounts

Audit fees – parent company	9,000	9,000
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### Fees payable to the company's auditor and their associates for other services to the group

The audit of the company's subsidiaries pursuant to legislation	63,000	63,000
<b>Total audit fees</b>	<u>72,000</u>	<u>72,000</u>

Tax services		
- Tax compliance	18,000	18,000
- Other services	61,931	45,230
<b>Total non-audit fees</b>	<u>79,931</u>	<u>63,230</u>



# SOLOR CARE GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2011

4.	INTEREST PAYABLE AND SIMILAR CHARGES	2011 £	2010 £
	Bank loans and overdrafts	1,678,341	1,649,270
	Loan notes – refund of tax on interest	-	(184,399)
	Finance charges - finance leases and hire purchase contracts	9,240	17,324
	Recognition of FRS 4 issue costs	118,841	118,841
		<u>1,806,422</u>	<u>1,601,036</u>

5.	TAX CHARGE ON LOSS ON ORDINARY ACTIVITIES	2011 £	2010 £
	(a) Analysis of charge in year		
	Current tax		
	UK corporation tax credit at 27.5%	-	-
	Adjustment in respect of prior years	-	-
	Current corporation tax charge for the year (note 5(b))		-
	Deferred taxation		
	Adjustment in respect of prior years	-	-
	Tax charge on loss on ordinary activities	-	-

### (b) Factors affecting tax charge in year

The tax assessed for the year differs from that resulting from applying the blended rate of corporation tax in the UK of 27.5%. The blended corporation tax rate of 27.5% has been applied for the year (the main corporation tax rate was 28% for the nine months to 31 March 2011 and 26% for the three months from 1 April 2011). The differences are as follows

	£	£
Loss on ordinary activities before tax	<u>(123,423)</u>	<u>(676,773)</u>
	£	£
Tax on loss on ordinary activities at blended rate of 27.5% (2010 28%)	33,941	189,496
Factors affecting the charge		
Expenses not deductible for tax purposes	(223,012)	(246,632)
Differences between capital allowances and depreciation	180,418	57,136
Short term timing differences	9,722	-
Loss on disposal of fixed assets	(65,528)	-
Current year unutilised tax losses for which no deferred tax asset recognised	64,459	-
Current tax charge for the year (note 5(a))	<u>-</u>	<u>-</u>

# SOLOR CARE GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2011

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

A deferred tax asset has not been provided in respect of fixed asset timing differences and tax losses carried forward, as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is

	2011 £	2010 £
Losses	3,462,155	4,442,954
Fixed asset timing differences	371,392	581,851
Movement in short term timing differences	11,984	21,883
<b>Deferred tax asset not recognised</b>	<u>3,845,531</u>	<u>5,046,688</u>

The forthcoming changes in the corporation tax rate from 26% to 25% in future years will not materially affect the future tax charge

### 6. INTANGIBLE FIXED ASSETS

Group	Goodwill £
<b>Cost</b>	
At 1 July 2010 and 30 June 2011	<u>8,664,496</u>
<b>Amortisation</b>	
At 1 July 2010	(1,719,061)
Charge for the year	(433,224)
At 30 June 2011	<u>(2,152,285)</u>
<b>Net book value</b>	
At 30 June 2011	<u>6,512,211</u>
At 30 June 2010	<u>6,945,435</u>

**SOLOR CARE GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 30 June 2011**

**7. TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Freehold land and buildings £</b>	<b>Leasehold improve- ments £</b>	<b>Plant and machinery £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 July 2010	73,563,929	1,742,083	5,549,114	1,243,464	82,098,590
Additions	1,095,291	187,881	1,256,025	64,399	2,603,596
Disposals	(7,338,299)	(2,208)	(47,042)	(8,881)	(7,396,430)
At 30 June 2011	67,320,921	1,927,756	6,758,097	1,298,982	77,305,756
<b>Accumulated depreciation</b>					
At 1 July 2010	54,447,866	963,933	3,390,588	1,007,537	59,809,924
Charge for the year	104,099	200,691	618,661	119,149	1,042,600
Disposals	(5,307,145)	(2,208)	(34,531)	(8,882)	(5,352,766)
At 30 June 2011	49,244,820	1,162,416	3,974,718	1,117,804	55,499,758
<b>Net book value</b>					
At 30 June 2011	18,076,101	765,340	2,783,379	181,178	21,805,998
At 30 June 2010	19,116,063	778,150	2,158,526	235,927	22,288,666

Included within tangible fixed assets are assets with a total net book value of £63,539 (2010 £144,505) relating to assets held under finance lease and hire purchase agreements. The depreciation charged in the year in respect of such assets amounted to £76,900 (2010 £160,274). Also included in tangible fixed assets is land not being depreciated of £14,067,325 (2010 £15,488,270).

# SOLOR CARE GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 30 June 2011

### 8. INVESTMENTS

Company	£
Cost at the beginning and end of the year	86,268,300
Provision for impairment at the beginning and end of the year	(52,768,000)
Net Book Value at the beginning and end of the year	<u>33,500,300</u>

At 30 June 2011 the company held 100% of the allotted share capital of the following subsidiary undertakings  
All subsidiaries are incorporated in the United Kingdom

Subsidiary	Shares held by	Nature of business
Life Links Limited	The Group	Specialist domiciliary and residential services
Solor Care East Midlands Limited	The Group	Specialist care and support services
Solor Care Homes Limited	The Group	Specialist care and support services
Solor Care Limited	The Group	Specialist care and support services
Solor Care London (3) Limited	The Group	Specialist care and support services
Solor Care London Limited	The Group	Specialist care and support services
Solor Care South East (2) Limited	The Group	Specialist care and support services
Solor Care South East Limited	The Group	Specialist care and support services
Solor Care Group Limited	The Group	Specialist care and support services
Solor Care South West Limited	The Group	Specialist care and support services
Solor Employees Trustees Limited	The Group	Dormant
Graphite Estates Limited	The Group	Property services
Solor Care Holdings (2) Limited	The Group	Intermediate holding company
Solor Care West Midlands Limited	The Group	Specialist care and support services
Solor Care Holdings (3) Limited	The Group	Intermediate holding company
Solor Care Holdings Limited	The Company	Intermediate holding company

**SOLOR CARE GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Year ended 30 June 2011**

<b>9. DEBTORS</b>	<b>2011 Group £</b>	<b>2010 Group £</b>
Trade debtors	1,456,908	2,255,755
Other debtors	212,432	178,474
Prepayments and accrued income	499,630	436,128
	<u>2,168,970</u>	<u>2,870,357</u>

**10. CASH AT BANK AND IN HAND**

The cash at bank and in hand includes a restricted cash balance of £1,827,986 (2010 £270,487) Restricted cash of £270,845 is held, on deposit, for the purposes of rent guarantees and the remainder is proceeds from the sale of properties for the purpose of re-investment

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group £</b>	<b>2011 Company £</b>	<b>Group £</b>	<b>2010 Company £</b>
Obligations under finance leases and hire purchase contracts	114,010	-	118,832	-
Trade creditors	953,656	-	650,076	-
Amounts owed to group undertakings	-	842,571	-	138,756
Other taxation and social security	553,559	-	587,400	-
Other creditors	2,031,256	-	2,399,846	-
Accruals and deferred income	1,342,914	(70,853)	1,869,530	(6,376)
	<u>4,995,395</u>	<u>771,718</u>	<u>5,625,684</u>	<u>132,380</u>

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group £</b>	<b>2011 Company £</b>	<b>Group £</b>	<b>2010 Company £</b>
Bank loans	31,060,870	31,060,870	29,792,029	29,792,029
Obligations under finance leases and hire purchase contracts	36,774	-	134,023	-
	<u>31,097,644</u>	<u>31,060,870</u>	<u>29,926,052</u>	<u>29,792,029</u>

**SOLOR CARE GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 30 June 2011**

**13. BORROWINGS**

	<b>Group £</b>	<b>2011 Company £</b>	<b>Group £</b>	<b>2010 Company £</b>
Bank loans and accrued interest	30,990,017	30,990,017	29,785,653	29,785,653
Obligations under finance leases and hire purchase contracts	150,784	-	252,855	-
	<u>31,140,801</u>	<u>30,990,017</u>	<u>30,038,508</u>	<u>29,785,653</u>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Due within one year	43,157	(70,853)	112,456	(6,376)
Due after more than one year	31,097,644	31,060,870	29,926,052	29,792,029
	<u>31,140,801</u>	<u>30,990,017</u>	<u>30,038,508</u>	<u>29,785,653</u>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Analysis of loan and interest repayments</b>	<b>Group £</b>	<b>2011 Company £</b>	<b>Group £</b>	<b>2010 Company £</b>
Bank loans and loan notes				
- within one year or on demand	(70,853)	(70,853)	(6,376)	(6,376)
- between one and two years	31,060,870	31,060,870	-	-
- between two to five years	-	-	29,792,029	29,792,029
	<u>30,990,017</u>	<u>30,990,017</u>	<u>29,785,653</u>	<u>29,785,653</u>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Finance leases and hire purchase contracts				
- within one year	114,010	-	118,832	-
- between one and two years	36,774	-	134,023	-
	<u>150,784</u>	<u>-</u>	<u>252,855</u>	<u>-</u>

A cross-guarantee exists between group companies in respect of bank facilities totalling £30,990,017 (2010 £29,785,653) Barclays Bank has a fixed and floating charge over the assets and undertakings of all group companies

Bank loans have interest rates ranging from 1.63% to 2.94%, under the set repayment schedules the majority of loans will be fully repaid in March 2013

Finance leases and hire purchase contracts are secured over the assets to which they relate

# SOLOR CARE GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 30 June 2011

<b>14. CALLED UP SHARE CAPITAL</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
39,200 Ordinary 'A' shares of £0 01	392	393
91,263 Ordinary 'B' shares of £0 01	913	912
65,537 Ordinary 'C' shares of £0 01	655	655
	<u>1,960</u>	<u>1,960</u>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
39,200 Ordinary 'A' shares of £0 01	392	393
91,263 Ordinary 'B' shares of £0 01	913	912
65,537 Ordinary 'C' shares of £0 01	655	655
	<u>1,960</u>	<u>1,960</u>

'A' ordinary, 'B' ordinary and 'C' ordinary shares rank pari passu in all respects

## 15. PROFIT AND LOSS ACCOUNT

<b>Group</b>	<b>£</b>
At 1 July 2010	(80,684,704)
Loss for the financial year	<u>(123,423)</u>
<b>At 30 June 2011</b>	<b><u>(80,808,127)</u></b>
<b>Company</b>	<b>£</b>
At 1 July 2010	(74,400,374)
Loss for the financial year	<u>(1,908,179)</u>
<b>At 30 June 2011</b>	<b><u>(76,308,553)</u></b>

**SOLOR CARE GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Year ended 30 June 2011**

<b>16. RECONCILIATION OF SHAREHOLDERS' FUNDS</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Loss for the financial year	(123,423)	(676,773)
Net increase in shareholders' deficit	(123,423)	(676,773)
Opening shareholders' deficit	(2,708,439)	(2,031,666)
<b>Closing shareholders' deficit</b>	<b>(2,831,862)</b>	<b>(2,708,439)</b>
<b>Company</b>	<b>£</b>	<b>£</b>
Loss for the financial year	(1,908,179)	(53,011,249)
Net decrease in shareholders' funds	(1,908,179)	(53,011,249)
Opening shareholders' funds	3,575,891	56,587,140
<b>Closing shareholders' funds</b>	<b>1,667,712</b>	<b>3,575,891</b>
<b>17. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Operating profit	1,674,449	907,028
Depreciation and amortisation	1,475,824	1,447,450
Loss on disposal of tangible fixed assets	238,284	66,891
Decrease/(increase) in debtors	701,387	(603,707)
(Decrease)/increase in creditors	(572,903)	235,378
<b>Net cash inflow from operating activities</b>	<b>3,517,041</b>	<b>2,053,040</b>
<b>18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Increase/(decrease) in cash in the year	2,035,159	(964,952)
Loan repayments (drawn down)	(1,150,000)	1,200,000
(Decrease)/increase in long-term interest accrual	(54,364)	106,238
Change in net debt	830,795	341,286
Finance lease movement	102,071	133,340
Movement in net debt in the year	932,866	474,626
Net debt at beginning of the year	(29,299,669)	(29,774,295)
<b>Net debt at end of the year</b>	<b>(28,366,803)</b>	<b>(29,299,669)</b>



# SOLOR CARE GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2011

### 19. ANALYSIS OF NET DEBT

	At 1 July 2010 £	Cash flow £	Other non-cash changes £	At 30 June 2011 £
Restricted cash	270,487	1,557,499	-	1,827,986
Cash at bank and in hand	468,352	477,660	-	946,012
Total cash	738,839	2,035,159	-	2,773,998
Bank and other loans	(29,785,653)	(1,150,000)	(54,364)	(30,990,017)
Obligations under finance leases	(252,855)	102,071	-	(150,784)
	<u>(29,299,669)</u>	<u>987,230</u>	<u>(54,364)</u>	<u>(28,366,803)</u>

### 20. OPERATING LEASE COMMITMENTS

At 30 June 2011 and 2010 the group was committed to making the following payments during the next year in respect of operating leases

	2011		2010	
	Land and buildings £	Other £	Land and buildings £	Other £
Leases which expire				
- within one year	205,145	22,684	61,188	37,979
- between one and two years	-	4,437	17,701	17,030
- between two and five years	50,280	28,643	76,704	-
- after five years	3,078,170	12,672	3,098,704	61,370
	<u>3,333,595</u>	<u>68,436</u>	<u>3,254,297</u>	<u>116,379</u>

### 21. PENSION SCHEMES

The group operates a defined contribution pension scheme for all qualified employees. The assets of the scheme are held in separate trustee administered funds. Contributions paid during the year amounted to £83,879 (2010 £106,057) and £61,327 (2010 £78,154) is included in creditors, in respect of unpaid contributions.

## **SOLOR CARE GROUP HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Year ended 30 June 2011**

#### **22. DERIVATIVES NOT INCLUDED AT FAIR VALUE**

The group has derivatives which are not included at fair value in the financial statements as follows

	<b>Notional amount</b>	<b>Fair value</b>
	<b>£</b>	<b>£</b>
Interest rate swap	30,000,000	(460,185)

The group uses the derivative to manage its exposure to interest rate movements on its bank borrowings. The fair value of the liability is based on market values of equivalent instruments at the balance sheet date. The fair value of the above instrument has been determined using a discounted future cash flow approach in line with standard industry practice.

The interest rate swap contract has a fixed strike rate of 2.94% and the contract matures in March 2013. The contract has an accreting notional profile to maturity, with the above quoted notional amount applicable as at 30 June 2011.

#### **23. RELATED PARTIES**

Advantage has been taken of the exemption contained within Financial Reporting Standard 8 'Related Party Disclosures' which does not require the company to disclose transactions with other group companies.

#### **24. ULTIMATE CONTROLLING PARTY**

In the directors' opinion there were no controlling parties during the year, following financial restructure, Barclays Bank and The Royal Bank of Scotland have become the principal shareholders, although neither party controls over 50% of the share capital of the company.