

**Company Registration No. 6173337**

**Regard Holdings Limited**

**Report and Financial Statements**

**25 March 2011**



# **Regard Holdings Limited**

## **Report and financial statements 2011**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>5</b>
<b>Independent auditor's report</b>	<b>6</b>
<b>Consolidated profit and loss account</b>	<b>8</b>
<b>Balance sheets</b>	<b>9</b>
<b>Consolidated cash flow statement</b>	<b>10</b>
<b>Notes to the financial statements</b>	<b>11</b>

# **Regard Holdings Limited**

## **Report and financial statements 2011**

### **Officers and professional advisers**

#### **Directors**

J Farragher  
J S Webster  
R Storey  
M Hawkes  
B Johal  
M Neill

#### **Secretary**

J S Webster

#### **Registered Office**

Ground Floor Unit 1 Princeton Mews  
167 - 169 London Road  
Kingston Upon Thames  
Surrey  
KT2 6PT

#### **Bankers**

Bank of Scotland  
Telford House  
3 Mid New Cultins  
Edinburgh  
EH11 4DH

#### **Solicitors**

DLA Piper UK LLP  
Victoria Square House  
Victoria Square  
Birmingham  
B2 4DL

#### **Auditors**

Deloitte LLP  
Chartered Accountants  
London

# Regard Holdings Limited

## Directors' report

The Directors present their annual report and the audited consolidated financial statements for the year ended 25 March 2011

### Business review and principal activities

The principal activity of the Group in the year under review was the provision of care for adults with a learning disability

The Group also provides residential care homes for individuals with acquired brain injury and mental health issues and also children with learning difficulties

The key Group financial highlights are as follows

	2011 £	2010 £
Turnover	40,437,628	39,356,465
Operating profit margin	20.8%	20.8%
Profit before tax	1,975,718	2,344,675

The balance sheet on page 9 of the financial statements shows the Group and Company financial position at the end of the year

The Directors expect to increase future profitability by improving the occupancy rates within the homes and continued cost control. In addition to the key financial metrics above, the key non-financial performance indicators monitored and managed by the Directors are occupancy rate, fee levels and Care Quality Commission ratings

### Description of principal risks and uncertainties

The principal risks associated with the Group include the continuing need to monitor and maintain quality of service provision for its service users. As a provider of specialist healthcare services the Group is reliant upon the policies of the current and future governments

#### Financial instruments

The Group's activities expose it to a number of financial risks including credit risk, interest rate, cash flow risk and liquidity risk. The Group's principal financial instruments comprise mezzanine debt loans, bank balances, bank loans and finance lease agreements. The main purpose of these instruments is to raise funds for the Group's operations and to finance the Group's operations

The Group's approach to managing risks applicable to financial instruments is shown below

In respect of loans these comprise loans from financial institutions. The interest rate on the loans from financial institutions is variable. The Group manages the interest rate risk by entering into hedging arrangements. The Group manages the liquidity risk by ensuring there are sufficient funds to meet the payments. The use of hedging instruments is governed by the Group's policies approved by the board of directors. The Group does not use derivative financial instruments for speculative purposes

#### Credit risk

The Group's principal financial assets are bank balances and cash, 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

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to purchasing authorities and the regular monitoring of amounts outstanding for both time and credit limits

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due

# **Regard Holdings Limited**

## **Directors' report**

### **Description of principal risks and uncertainties (continued)**

#### *Liquidity risk*

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance. Under the current senior bank facilities and subordinated loan notes, the Group is required to comply with various financial covenants which are tested on a quarterly basis. The Group's liquidity is monitored closely and actively managed to reduce the risk of breach of these covenants.

The current senior bank facilities are due for repayment in March 2012. The Directors believe that due to the economic situation there is some risk associated with securing financing however given the progress of the current negotiations with lenders this is not considered a significant risk.

#### **Going concern**

A description of the Group's current borrowing facilities and its hedging strategy for interest is included in note 14 to the accounts.

As described in note 14 to the accounts, the Group's borrowings include senior bank facilities, subordinated loan notes from the Group's shareholders and a working capital facility. These senior bank facilities are due for renewal on 31 March 2012 which is less than 12 months from the date of signing of these accounts.

The refinancing of these facilities is already well progressed and the lead lender has confirmed that they expect the new facilities to be signed within the next six weeks, eight months ahead of the expiry of the existing facilities.

Under the current senior bank facilities and subordinated loan notes, the Group is required to comply with various financial covenants which are tested on a quarterly basis. Under the proposed terms of the new financing the Group will also be required to be comply with various financial covenants which will be tested on a quarterly basis.

The Directors' forecasts show that the Group should be able to operate within the level of its current facilities and within the level of proposed new facilities which the directors are confident will be forthcoming. These forecasts also show that the Group will comply with its current and new financial covenants through the forecast period. Accordingly, the Directors consider that there is no material uncertainty regarding the Group's ability to continue to adopt the going concern basis in preparing the annual report and accounts.

#### **Results and dividends**

The consolidated profit and loss account for the year is set out on page 8.

The Directors do not recommend payment of an ordinary dividend (2010: £nil).

#### **Directors**

The following directors have served throughout the year:

J Farragher  
J S Webster  
B Johal  
R Storey  
M Hawkes  
M Neill

#### **Directors' indemnities**

The Company has made qualifying third party indemnity provisions for the benefit of the directors which were made during the year and remain in force at the date of this report.

# **Regard Holdings Limited**

## **Directors' report**

### **Employee involvement**

The Group's policy is to consult and discuss with employees, through unions, staff councils or at meetings, matters likely to affect employees' interests

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance

### **Disabled person**

The Group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

### **Charitable and political contributions**

The Company made no charitable or political donations during the year (2010: £nil)

### **Statement of disclosure to auditors**

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself 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.

### **Auditor**

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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



M Hawkes  
Director

7<sup>th</sup> July 2011

## **Regard Holdings Limited**

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group and company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditor's report to the members of Regard Holdings Limited**

We have audited the financial statements of Regard Holdings Limited for the year ended 25 March 2011 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 26. 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 auditors**

As more fully explained in the Directors' Responsibilities Statements, 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 Practice Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of 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 parent 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**

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 25 March 2011 and of the group's profit 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 matters prescribed in the Companies Act 2006**

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



## **Independent auditor's report to the members of Regard Holdings Limited (continued)**

### **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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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



Emma Cox (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom

7 July 2011

## Regard Holdings Limited

### Consolidated profit and loss account Year ended 25 March 2011

	Notes	2011 £	2010 £
<b>Turnover</b>	2	40,437,628	39,356,465
Cost of sales		(22,707,103)	(22,887,758)
<b>Gross profit</b>		17,730,525	16,468,707
Administrative expenses		(10,702,388)	(9,517,026)
Other operating income		1,376,097	1,273,956
<b>Operating profit</b>	3	8,404,234	8,225,637
Loss on disposal of tangible fixed assets		(304,718)	(175,611)
<b>Profit on ordinary activities before finance charges</b>		8,099,516	8,050,026
Interest receivable and similar income - bank		32,021	12,744
Interest payable and similar charges	4	(6,155,818)	(5,718,095)
<b>Profit on ordinary activities before taxation</b>		1,975,719	2,344,675
Tax on profit on ordinary activities	7	(1,336,906)	(777,275)
<b>Profit on ordinary activities after taxation</b>	18,19	638,813	1,567,400

All activities in the year derive from continuing operations

There are no recognised gains and losses other than those recognised in the profit and loss account, and, accordingly no statement of total recognised gains and losses has been presented

**Regard Holdings Limited**  
**Company Registration No. 6173337**

**Balance sheets**  
**As at 25 March 2011**

	Notes	Group		Company	
		2011 £	2010 £	2011 £	2010 £
<b>Fixed assets</b>					
Intangible assets	9	12,252,554	13,191,847	-	-
Tangible assets	10	69,645,811	69,919,982	-	-
Investments	11	-	-	75,059,903	75,059,903
		<u>81,898,365</u>	<u>83,111,829</u>	<u>75,059,903</u>	<u>75,059,903</u>
<b>Current assets</b>					
Debtors	12	3,273,363	2,781,304	124,150	1,373,592
Cash at bank and in hand		<u>12,154,628</u>	<u>9,958,669</u>	<u>-</u>	<u>32,574</u>
		15,427,991	12,739,973	124,150	1,406,166
<b>Creditors' amounts falling due within one year</b>	13	<u>(9,495,805)</u>	<u>(8,716,339)</u>	<u>(6,058,243)</u>	<u>(2,830,213)</u>
<b>Net current assets/(liabilities)</b>		<u>5,932,186</u>	<u>4,023,634</u>	<u>(5,934,093)</u>	<u>(1,424,047)</u>
<b>Total assets less current liabilities</b>		<u>87,830,551</u>	<u>87,135,463</u>	<u>69,125,810</u>	<u>73,635,856</u>
<b>Creditors' amounts falling due after more than one year</b>	14	<u>(88,777,939)</u>	<u>(88,095,674)</u>	<u>(88,777,936)</u>	<u>(88,095,674)</u>
<b>Provisions for liabilities</b>	15	<u>(43,205)</u>	<u>(669,195)</u>	<u>-</u>	<u>-</u>
<b>Net liabilities</b>		<u>(990,593)</u>	<u>(1,629,406)</u>	<u>(19,652,126)</u>	<u>(14,459,818)</u>
<b>Capital and reserves</b>					
Called up share capital	17	1,000	1,000	1,000	1,000
ESOP Reserve	18	(199,994)	(199,994)	-	-
Profit and loss account	18	<u>(791,599)</u>	<u>(1,430,412)</u>	<u>(19,653,126)</u>	<u>(14,460,818)</u>
<b>Shareholders' deficit</b>	19	<u>(990,593)</u>	<u>(1,629,406)</u>	<u>(19,652,126)</u>	<u>(14,459,818)</u>

The financial statements of Regard Holdings Limited (registered number 6173337) were approved by the Board of Directors on 7<sup>th</sup> May 2011

Signed on behalf of the Board of Directors

J Farragher  
Director

M Hawkes  
Director

# Regard Holdings Limited

## Consolidated cash flow statement Year ended 25 March 2011

	Notes	2011 £	2010 £
<b>Net cash inflow from operating activities</b>	23	<u>9,908,898</u>	<u>11,129,143</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		32,021	12,745
Interest paid		<u>(3,795,346)</u>	<u>(3,537,298)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(3,763,325)</u>	<u>(3,524,553)</u>
<b>Taxation</b>		<u>(548,783)</u>	<u>(496,166)</u>
<b>Capital expenditure</b>			
Payments to acquire tangible and intangible fixed assets		(2,290,005)	(2,593,430)
Receipts from disposal of tangible and intangible fixed assets		<u>635,032</u>	<u>9,323</u>
<b>Net cash outflow from capital expenditure</b>		<u>(1,654,973)</u>	<u>(2,584,107)</u>
<b>Net cash outflow before management of liquid resources and financing</b>		3,941,817	4,524,317
<b>Financing</b>			
Payment for acquisition of shares for the Share trust		-	-
Repayment of bank loans		(1,745,330)	(606,079)
Repayment of capital obligations under finance leases		<u>(528)</u>	<u>(21,604)</u>
<b>Net cash outflow from financing</b>		<u>(1,745,858)</u>	<u>(627,683)</u>
<b>Increase in cash in the year</b>	25	<u><u>2,195,959</u></u>	<u><u>3,896,634</u></u>

# **Regard Holdings Limited**

## **Notes to the financial statements Year ended 25 March 2011**

### **1 Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

The financial years of all Group companies are the 52 or 53 weeks up to the Friday before, or falling on the accounting reference date 31 March. The current year's financial statements are therefore drawn up for the 52 weeks ended Friday 25 March 2011 and next year's financial statements will be drawn up for the 53 weeks ending 30 March 2012.

#### **Going concern**

A review of business performance, together with a description of the Group's principal risks and uncertainties is set out on pages 2 and 3 in the Directors' report. A description of the Group's borrowing facilities and its hedging strategy for interest is included in note 14 to the accounts.

As described in note 14 to the accounts, the Group's borrowings include senior bank facilities, subordinated loan notes from the Group's shareholders and a working capital facility. These senior bank facilities are due for renewal on 31 March 2012 which is less than 12 months from the date of signing of these accounts.

As described on page 3 in the Directors' Report, the Directors' forecasts show that the Group should be able to operate within the level of its current facilities and within the level of proposed new facilities which the directors are confident will be forthcoming. These forecasts also show that the Group will comply with its current and new financial covenants through the forecast period. Accordingly, the Directors consider that there is no material uncertainty regarding the Group's ability to continue to adopt the going concern basis in preparing the annual report and accounts.

#### **Basis of consolidation**

The consolidated profit and loss account and balance sheets include the financial statements of the Company and its subsidiary undertakings made up to 25 March 2011. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Acquisitions are accounted for under the acquisition method. Intra-group sales and profits are eliminated fully on consolidation.

#### **Turnover**

Turnover represents amounts receivable for services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

#### **Goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of 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.

#### **Investments**

Fixed asset investments are stated at cost less provision for impairment.

# Regard Holdings Limited

## Notes to the financial statements Year ended 25 March 2011

### 1 Accounting policies (continued)

#### Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Freehold property	2% straight-line on buildings
Property improvements	2% straight-line
Plant and machinery	20% straight-line
Fixtures, fittings and equipment	20% to 33 1/3% straight-line
Motor vehicles	25% straight-line

Freehold property consists of freehold land and buildings

No depreciation is provided on freehold land

Loan interest costs up until the occupation by the first tenant have been capitalised in accordance with the provisions of FRS 15 "Tangible fixed assets"

The Group took advantage of the transitional provisions of FRS 15 and retained the book amounts of certain freehold properties which were revalued prior to implementation of that standard

#### Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term.

#### Client monies

Client monies are recorded within cash at bank and in hand with a corresponding creditor included within current liabilities.

#### Government Grants

Government grants relating to staff training are credited to the profit and loss account as the related expenditure is incurred.

#### 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 tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

# **Regard Holdings Limited**

## **Notes to the financial statements** **Year ended 25 March 2011**

### **1 Accounting policies (continued)**

#### **Taxation (continued)**

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### **Finance costs**

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

#### **Bank borrowings**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including the premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in 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.

#### **Pensions**

The Group operates three pension schemes, two of which are defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge includes contributions payable by the Group.

In addition, the Group operates a defined benefit pension scheme where a third party has agreed to indemnify the Group over time for any funding deficits. As permitted by FRS 17, on the basis that employer contributions are set in relation to the current service period only, the Group has accounted for the contributions to the scheme as if it were a defined contribution pension scheme. The pension cost charge includes contributions payable by the Group.

#### **Financial instruments**

The fair value of the interest rate swaps have been determined by reference to prices available from the markets on which the instruments involved are traded.

Neither the Group nor the Company are required to adopt FRS 26 Financial Instruments: Recognition and Measurement. The fair values of interest rate swaps and therefore not recognised on the balance sheet.

### **2 Turnover**

The total turnover of the Group for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

# Regard Holdings Limited

## Notes to the financial statements Year ended 25 March 2011

### 3 Operating profit

Operating profit is stated after charging

	2011 £	2010 £
Amortisation of intangible assets	836,719	784,420
Depreciation of tangible assets		
- owned assets	1,767,999	1,650,401
- assets held under finance leases	12,598	57,722
Operating lease rentals	420,604	431,026
Auditor's remuneration	82,400	80,000
Remuneration of auditor for non-audit work	75,225	145,000
Directors' emoluments	875,221	850,667

The analysis of auditor's remuneration is as follows

	2011 £	2010 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	41,400	41,125
<i>Fees payable to the Company's auditor for other services to the Group</i>		
- The audit of the Company's subsidiaries pursuant to legislation	41,000	38,875
Total audit fees	82,400	80,000
- Tax services	67,500	28,000
- Other	7,725	117,000
Total non-audit fees	75,225	145,000



# Regard Holdings Limited

## Notes to the financial statements Year ended 25 March 2011

### 4. Interest payable and similar charges

	2011 £	2010 £
On bank loans and overdrafts	3,771,928	3,808,862
Amortised loan costs	647,842	647,842
Hire purchase interest	528	2,659
Other interest	1,779,752	1,314,255
	<u>6,200,050</u>	<u>5,773,618</u>
Finance costs capitalised	(44,232)	(55,523)
	<u>6,155,818</u>	<u>5,718,095</u>

During the year the company held the financial instruments as below

Financial instrument	Rate	Maturity	Notional amount £	Fair value 25 March 2011 £
Interest rate swap	4.3575%	30 March 2012	59,600,000	(1,925,369)

Neither the Group nor the Company are required to adopt FRS 26 Financial Instruments Recognition and Measurement. The fair value of this instrument has therefore not been recognised on the balance sheet in either the current or the prior year.

### 5. Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was

	2011 £	2010 £
Administration	76	72
Care staff	1,190	1,029
	<u>1,266</u>	<u>1,101</u>
<b>Employment costs</b>	<b>£</b>	<b>£</b>
Wages and salaries	22,279,692	21,000,459
Social security costs	1,771,004	1,720,302
Other pension costs	80,783	93,115
	<u>24,131,479</u>	<u>22,813,876</u>

# Regard Holdings Limited

## Notes to the financial statements Year ended 25 March 2011

### 6 Directors' emoluments

	2011 £	2010 £
Emoluments for qualifying services	836,774	812,868
Sums paid to third parties for directors' services	38,447	37,799
	<u>875,221</u>	<u>850,667</u>
Emoluments disclosed above include the following amounts paid to the highest paid director	£	£
Emoluments for qualifying services	<u>283,396</u>	<u>235,254</u>

### Loans to Directors

An unsecured loan of £8,000 (2010 £8,000) payable by M Hawkes was outstanding throughout the year. The loan is interest free.

### 7 Taxation

	2011 £	2010 £
<b>Domestic current year tax</b>		
UK corporation tax	1,339,054	1,102,783
Prior year adjustment	67,001	(282,929)
<b>Current tax charge</b>	<u>1,406,055</u>	<u>819,854</u>
<b>Deferred tax</b>		
Deferred tax (debit)/credit current year	(38,202)	45,575
Effect of tax rate change	2,371	-
Prior year adjustment	(33,318)	(88,154)
Total deferred tax credit	<u>(69,149)</u>	<u>(42,579)</u>
Total tax on profit/(loss) on ordinary activities	<u>1,336,906</u>	<u>777,275</u>
<b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	<u>1,975,719</u>	<u>2,344,675</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28% (2010 28%)	553,201	656,509
Effects of		
Expenses non deductible for tax purposes	785,821	491,850
Capital allowances for the year in excess of depreciation	17,075	(42,168)
Movement in short term timing differences	(5,676)	11,856
Utilisation of brought forward losses	(11,367)	(15,264)
Rate differences	-	-
Prior year adjustment	67,001	(282,929)
<b>Current tax charge</b>	<u>1,406,055</u>	<u>819,854</u>

## Regard Holdings Limited

### Notes to the financial statements Year ended 25 March 2011

#### 7 Taxation (continued)

On 28 March 2011, the UK corporation tax rate change from 27% to 26% was substantively enacted with effect from April 2011. As this was after the balance sheet date the effect of the previously substantively enacted change from 28% to 27% with effect from April 2011 was applied to reduce the deferred tax balance on UK timing differences. The effective tax rate for the year to 30 March 2012 is expected to reduce to 26%.

The UK Government has also announced their intention to subsequently reduce the UK corporation tax rate by 1% per annum to 23% with effect from April 2014. This is likely to have the effect of reducing the effective rate in future years.

#### 8 Loss for the financial year

As permitted by section 408 of the Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The loss for the financial year is £5,192,308 (2010: £4,662,704).

The Company has no employees (2010: none), and did not pay any directors' emoluments (2010: £nil).

#### 9. Intangible fixed assets

Group	Goodwill £
<b>Cost</b>	
At 26 March 2010	15,515,693
Disposals	(102,574)
At 25 March 2011	<u>15,413,119</u>
<b>Amortisation</b>	
At 26 March 2010	2,323,846
Charge for the year	836,719
Disposals	-
At 25 March 2011	<u>3,160,565</u>
<b>Net book value</b>	
At 25 March 2011	<u>12,252,554</u>
At 26 March 2010	<u>13,191,847</u>

# Regard Holdings Limited

## Notes to the financial statements Year ended 25 March 2011

### 10. Tangible fixed assets

Group	Freehold property £	Plant and machinery £	Property improvement £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<b>Cost</b>						
At 26 March 2010	64,323,060	452,411	7,567,939	1,750,862	621,463	74,715,735
Additions	392,239	113,119	1,280,012	440,897	63,738	2,290,005
Disposals	(782,526)	(30,268)	-	-	(150,238)	(963,032)
At 25 March 2011	63,932,773	535,262	8,847,951	2,191,759	534,963	76,042,708
<b>Depreciation</b>						
At 26 March 2010	2,704,350	235,914	432,732	1,109,836	312,921	4,795,753
Charge for the Year	935,367	99,044	178,582	452,037	115,567	1,780,597
Disposals	(23,877)	(16,220)	-	-	(139,356)	(179,453)
At 25 March 2011	3,615,840	318,738	611,314	1,561,873	289,132	6,396,897
<b>Net book value</b>						
At 25 March 2011	60,316,933	216,524	8,236,637	629,886	245,831	69,645,811
At 26 March 2010	61,618,710	216,497	7,135,207	641,026	308,542	69,919,982

If the Group's properties were sold for their revalued amounts it would be necessary to replace them with similar property, and rollover relief would be available to defer any tax liability. Accordingly, no timing differences arise and no provision has been made for the potential deferred tax.

Included in land and buildings net book value are loan interest costs of £582,513 (2010 £538,281). The total that was capitalised during the year was £44,232 (2010 £55,523). The capitalisation rate is based on loan interest costs incurred prior to registration.

Included above are assets held under finance leases or hire purchase contracts as follows:

Group	Motor vehicles £
<b>Net book value</b>	
At 25 March 2011	-
At 26 March 2010	12,598
<b>Depreciation charge for the year</b>	
At 25 March 2011	12,598
At 26 March 2010	57,722

# Regard Holdings Limited

## Notes to the financial statements Year ended 25 March 2011

### 11. Fixed asset investments

	Company £
<b>Cost or valuation</b>	
At 26 March 2010	75,059,033
At 25 March 2011	<u>75,059,033</u>

In the opinion of the Directors, the aggregate value of the Company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

The Company holds investments in the share capital of the following companies

Company	Country of incorporation	Class	Shares held %
<b>Subsidiary undertakings</b>			
<b>Direct holding</b>			
The Regard Partnership Limited	Great Britain	Ordinary	100
<b>Indirect holding</b>			
Cerrig Camu Limited	Great Britain	Ordinary	100
Oscarvale Limited	Great Britain	Ordinary	100
Southfields Care Homes Limited	Great Britain	Ordinary	100
Venesta Agencies Limited	Great Britain	Ordinary	100
Adapt Care Homes Limited	Great Britain	Ordinary	100
Adapt Care Group Limited	Great Britain	Ordinary	100
Arcadia Limited	Great Britain	Ordinary	100
Highdowns Residential Homes Limited	Great Britain	Ordinary	100
Community Support Homes Limited	Great Britain	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows

	<b>Principal activity</b>
The Regard Partnership Limited	Providers of care for people with learning difficulties
Cerrig Camu Limited	Providers of care for people with learning difficulties
Oscarvale Limited	Providers of counselling and support services
Southfields Care Homes Limited	Providers of residential care
Venesta Agencies Limited	Providers of domiciliary care services
Adapt Care Homes Limited	Dormant company
Adapt Care Group Limited	Dormant company
Arcadia Limited	Providers of residential care
Highdowns Residential Homes Limited	Providers of residential care
Community Support Homes Limited	Providers of residential care

Cerrig Camu Limited, Arcadia Limited, Highdowns Residential Homes Limited, Adapt Care Group Limited, Venesta Agencies Limited and Community Support Homes Limited are 100% subsidiaries of The Regard Partnership Limited. Adapt Care Homes Limited and Oscarvale Limited are 100% subsidiaries of Adapt Care Group Limited, and Southfields Care Homes Limited is a 100% subsidiary of Adapt Care Homes Limited

## Regard Holdings Limited

### Notes to the financial statements Year ended 25 March 2011

#### 12. Debtors

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade debtors	2,774,136	2,240,778	-	-
Amounts owed by group undertakings	-	-	-	1,143,857
Other debtors	251,059	366,123	124,150	229,735
Prepayments and accrued income	184,155	174,403	-	-
Deferred tax asset	64,013	-	-	-
16				
	<u>3,273,363</u>	<u>2,781,304</u>	<u>124,150</u>	<u>1,373,592</u>

#### 13 Creditors amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Current part of long term borrowings	1,198,636	1,212,158	1,198,636	1,212,158
Net obligations under finance lease and HP contracts	-	528	-	-
Trade creditors	344,047	375,257	-	-
Corporation tax	2,487,709	1,664,297	-	-
Amounts owed to group undertakings	-	-	4,851,844	1,618,055
Other taxes and social security costs	539,847	502,930	-	-
Other creditors	2,166,913	2,024,378	7,763	-
Accruals and deferred income	2,758,653	2,936,791	-	-
	<u>9,495,805</u>	<u>8,716,339</u>	<u>6,058,243</u>	<u>2,830,213</u>

Other creditors include £1,176,194 (2010 £1,215,400) in relation to client monies where cash of an equal amount is included in the cash balance

## Regard Holdings Limited

### Notes to the financial statements Year ended 25 March 2011

#### 14. Creditors' amounts falling due after more than one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Bank loans	64,057,466	65,802,799	64,057,466	65,802,799
Capitalised issue costs	(686,797)	(1,334,639)	(686,797)	(1,334,639)
	<u>63,370,669</u>	<u>64,468,160</u>	<u>63,370,669</u>	<u>64,468,160</u>
Other loans – Mezzanine debt	18,000,000	18,000,000	18,000,000	18,000,000
Accrued interest on loan	7,407,267	5,627,514	7,407,267	5,627,514
	<u>25,407,267</u>	<u>23,627,514</u>	<u>25,407,267</u>	<u>23,627,514</u>
	<u>88,777,939</u>	<u>88,095,674</u>	<u>88,777,936</u>	<u>88,095,674</u>
<b>Bank loan maturity analysis</b>				
Within one year	1,198,636	1,212,158	1,198,636	1,212,158
Between one and two years	64,057,466	64,590,641	64,057,466	64,590,641

The bank loans, the aggregate of which amounts to £64,057,466 (2010 £65,802,799), are repayable in six monthly installments of £599,318 with a final payment of the remaining balance due on 31 March 2012. Interest is payable at LIBOR plus between 1.45% and 2.00% on the debt.

The aggregate of the mezzanine debt amounted to £25,407,267. The debt is repayable within four years and interest is accrued at LIBOR plus 9.5%.

The bank holds a fixed and floating charge over the Group's assets.

The hire purchase amounts are secured on the assets to which they relate.

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
<b>Net obligations under finance leases and hire purchase contracts</b>				
Repayable within one year	-	528	-	-
Repayable between one and five years	-	-	-	-
	<u>-</u>	<u>528</u>	<u>-</u>	<u>-</u>

## Regard Holdings Limited

### Notes to the financial statements Year ended 25 March 2011

#### 15 Provisions for liabilities

Group	Deferred tax £	Other provisions £	Total £
Balance at 26 March 2010	5,137	664,058	669,195
Profit and loss account	-	-	-
Additions	-	-	-
Released during the year	-	(135,799)	-
Utilised during the year	(5,137)	(485,054)	(625,990)
Balance at 25 March 2011	-	43,205	43,205

Other provisions relate to settlement of contractual obligations. The provisions are expected to be utilised within one year.

#### 16 Deferred tax asset

The deferred tax asset is made up as follows

	2011 £	2010 £
Accelerated capital allowances	(44,606)	(144,741)
Other short term timing differences	108,619	118,317
Deferred tax not provided	(352,773)	(93,323)
Tax Losses	352,773	114,610
	<u>64,013</u>	<u>(5,137)</u>

The group did not recognise a deferred tax asset of £352,753 (2010 £89,990) in respect of capital losses. This will be recognised when future profits against which the asset will be recovered can be foreseen with sufficient certainty.

#### 17 Called up share capital

	2011 £	2010 £
<b>Called up, allotted and fully paid</b>		
100,000 ordinary shares of 1p each	1,000	1,000
16 ordinary 'A' shares of 1p each	-	-
	<u>1,000</u>	<u>1,000</u>



# Regard Holdings Limited

## Notes to the financial statements Year ended 25 March 2011

### 18. Reserves

Group	Profit and loss account £	ESOP reserve £	Total £
Balance at 26 March 2010	(1,430,412)	(199,994)	(1,630,406)
Profit for the year	638,813	-	638,813
Balance at 25 March 2011	<u>(791,599)</u>	<u>(199,994)</u>	<u>(991,593)</u>
<b>Company</b>			<b>£</b>
Balance at 26 March 2010			(14,459,818)
Loss for the year (note 8)			<u>(5,192,308)</u>
Balance at 25 March 2011			<u>(19,652,126)</u>

The ESOP reserve arises in connection with the Employee Share Ownership Plan ('ESOP') trust, a discretionary trust established to facilitate the operation of the Group's long term incentive scheme for senior management. The amounts represent the deduction in arriving at shareholders' funds for the consideration paid for the Company's shares purchased by the trust which had not vested unconditionally in employees at the balance sheet date.

The numbers and book value of the ordinary shares held by the ESOP trust at 26 March 2010 and 25 March 2011 was 3,000 shares with a book value of £30. None of these shares were under option to employees or had been unconditionally gifted to them at the balance sheet date.

### 19 Reconciliation of movements in shareholders' deficit

Group	2011 £	2010 £
Profit for the financial year	638,813	1,567,400
ESOP reserve	-	-
Net increase in shareholders' funds	<u>638,813</u>	<u>1,567,400</u>
Opening shareholders' deficit	<u>(1,629,406)</u>	<u>(3,196,806)</u>
Closing shareholders' deficit	<u>(990,593)</u>	<u>(1,629,406)</u>
<b>Company</b>		
Loss for the year	<u>(5,192,308)</u>	<u>(4,662,704)</u>
Net reduction in shareholders' funds	<u>(5,192,308)</u>	<u>(4,662,704)</u>
Opening shareholders' deficit	<u>(14,460,818)</u>	<u>(9,798,114)</u>
Closing shareholders' deficit	<u>(19,653,126)</u>	<u>(14,460,818)</u>

# Regard Holdings Limited

## Notes to the financial statements Year ended 25 March 2011

### 20 Financial commitments

At 25 March 2011 the Group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2011	2010	2011	2010
	£	£	£	£
Expiry date				
Within one year	226,658	157,584	-	9,479
Between two and five years	29,600	10,772	-	59,520
After five years	164,346	164,306	-	-
	<u>420,604</u>	<u>332,662</u>	<u>-</u>	<u>68,999</u>

### 21 Related party transactions

#### Group

Rent of £165,048 (2010 £137,952) was paid to The Right Investment Partnership, together with rent receivable of £1,252,019 (2010 £1,158,096) from that partnership. Two of the Directors of the Company are partners in The Right Investment Partnership. At the year end, the sum of £316,769 (2010 £99,750) was due from The Right Investment Partnership.

### 22 Pension costs

The Group operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered pension funds. The pension cost charge includes contributions payable by the Group of £69,134 (2010 £64,271).

A defined benefit scheme is operated for the employees who were transferred to the Group's payroll as part of the purchase of care contracts for people with a learning disability. As part of the purchase agreement, Eastbourne Downs PCT has agreed to indemnify the Group over time for any funding deficits, and consequently the Group is not responsible for making good the deficit.

As permitted by FRS 17, on the basis that employer contributions are set in relation to the current service period only, the Group has accounted for the contributions to the scheme as if it were a defined contribution pension scheme. The pension cost charge includes contributions payable by the Group of £22,964 (2010 £36,971).

#### Defined contribution

	2011	2010
	£	£
Contributions payable by the Group for the year	<u>92,098</u>	<u>101,242</u>

# Regard Holdings Limited

## Notes to the financial statements Year ended 25 March 2011

### 23 Reconciliation of operating profit to net cash inflow from operating activities

	2011 £	2010 £
Operating profit	8,404,234	8,225,637
Depreciation of tangible assets	1,780,597	1,708,123
Amortisation of intangible assets	836,719	784,420
Decrease/(increase) in debtors	(428,046)	46,331
Decrease in creditors and provisions	(684,606)	364,632
<b>Net cash inflow from operating activities</b>	<b>9,908,898</b>	<b>11,129,143</b>

### 24 Analysis of net debt

	2011 £	Net cash flow £	2010 £
Net cash			
Cash at bank and in hand	12,154,628	2,195,959	9,958,669
	<u>12,154,628</u>	<u>2,195,959</u>	<u>9,958,669</u>
Finance leases	-	528	(528)
Debts	(89,464,736)	(34,423)	(89,430,313)
<b>Net debt</b>	<b>(77,310,108)</b>	<b>2,162,064</b>	<b>(79,472,172)</b>

### 25 Reconciliation of net cash flow to movement in net debt

	2011 £	2010 £
Increase in cash in the year	2,195,959	3,896,634
Net cash (outflow)/inflow from increase in debt	(34,423)	(964,716)
Net decrease in finance lease liability	528	21,604
<b>Movement in net debt in the year</b>	<b>2,162,064</b>	<b>2,953,522</b>
Opening net debt	(79,472,172)	(82,425,694)
<b>Closing net debt</b>	<b>(77,310,108)</b>	<b>(79,472,172)</b>

### 26. Ultimate parent and control

The Group and Company are jointly controlled by J Webster and J Farragher