

Company Registration No. 2230827 (England and Wales)

ST CLOUD CARE PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

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ST CLOUD CARE PLC

COMPANY INFORMATION

Directors

L D J Connell
P M Connell

Secretary

D C Connell

Company number

2230827

Registered office

The Boynes, Upper Hook Road
Upton on Severn
Worcestershire
WR8 0SB

Auditors

Elman Wall Limited
5 - 7 John Prince's Street
London
W1G 0JN

ST CLOUD CARE PLC

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ST CLOUD CARE PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2009

The directors present their report and financial statements for the year ended 31 March 2009.

Principal activities and review of the business

The principal activity of the company continued to be that of the provision of residential and nursing care, day care services and associated domiciliary services.

Fair review of the business

Sales

As expected, turnover has increased by over 6% due the completion of new nursing care capacity which has been combined with a material improvement in the fixed asset stock, through continued property investment.

Profitability

Profitability has continued to improve reflecting the annualised benefit of trading from enhanced fixed assets and cost savings deduced in part from lower interest rates.

Tangible Fixed Assets

The company continues to follow its philosophy of investing in its Land & Buildings and Fixtures & Fittings, with new investment into chattels of a significantly higher quality, to further enhance the overall service experience offered to our customers. The company invested more than £1.3m in fixed assets and a further refurbishment and extension is underway to one of the company's trading premises with another extension to an existing trading asset commenced, since the year end.

Key Risks

The directors have a well established process of identifying business risks, evaluating controls and establishing and executing action plans. In the directors' opinion the key risks are:

Human Resources. It is essential the company continues to recruit, retain and motivate high calibre personnel, particularly those appointed to senior positions.

Management of Operations. The company has made strides in managing its clinical and other services consistently and continues to meet and exceed the expectations of external agencies. Since the year end, statutory inspection outcomes have progressed satisfactorily.

Strategic Review of Operations. The company's range of trading activities continues to diversify with greater dementia care capacity combined with an attractive geographical spread of trading.

Key Performance Indicators

The key performance measures that the directors use to monitor the progress of the company's objectives are:
Occupancy rates - These have exceeded 90%, at 75% of the company's trading Care Homes through the trading period.

Fee levels - These have reflected an upward curve as trade grows from more expensive trading environments.

EBITDA per bed - Earnings by this key measure have grown over the year, with further growth since the year end.

Margin - The fractional slippage in margin of less than 1% is considered by the directors to be acceptable in the more demanding financial climate which took affect in the second half of the trading year.

Staff and agency costs - The Company continues to recruit the vast majority of its staff directly and focuses on containing the use of agency staff

Ratings by the Care Quality Commission - Trading assets have in the main retained "good" Ratings from the Commission For Social Care Inspection (since renamed the Care Quality Commission) during the trading year. One reduced inspection rating around the year end has since been improved with a "good" rating reinstated.

Results and dividends

The results for the year are set out on page 6.

ST CLOUD CARE PLC

DIRECTORS' REPORT (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2009**

Directors

The following directors have held office since 1 April 2008:

L D J Connell
P M Connell

Employee involvement

The company's policy is to consult and discuss with employees, through regular meetings and group liason, matters likely to affect employees' interests.

Disabled persons

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. 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.

Creditor payment policy

It is the company's policy to pay trade creditors according to agreed terms and conditions.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Elman Wall Limited be reappointed as auditors of the company will be put to the Annual General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ST CLOUD CARE PLC

DIRECTORS' REPORT (CONTINUED)

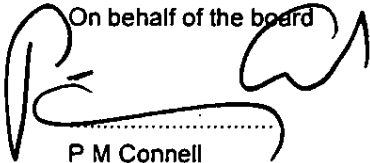
FOR THE YEAR ENDED 31 MARCH 2009

Statement of disclosure to auditors

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



P M Connell

Director

30th Oct 2009

ST CLOUD CARE PLC

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ST CLOUD CARE PLC

We have audited the financial statements of St Cloud Care Plc on pages 6 to 19 for the year ended 31 March 2009. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

ST CLOUD CARE PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF ST CLOUD CARE PLC

Opinion

In our opinion the financial statements:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Elman Wall Limited

Elman Wall Limited

**Chartered Accountants
Registered Auditor**

30/10/09
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5 - 7 John Prince's Street
London
W1G 0JN

ST CLOUD CARE PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 £	2008 £
Turnover	2	6,646,112	6,227,643
Cost of sales		(3,817,734)	(3,557,026)
Gross profit		2,828,378	2,670,617
Administrative expenses		(2,189,517)	(2,037,063)
Other operating income		25,450	29,400
Operating profit	3	664,311	662,954
Other interest receivable and similar income	4	5,715	36,353
Interest payable and similar charges	5	(385,935)	(450,265)
Profit on ordinary activities before taxation		284,091	249,042
Tax on profit on ordinary activities	6	86,195	(221,224)
Profit for the year	16	370,286	27,818

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

ST CLOUD CARE PLC

BALANCE SHEET

AS AT 31 MARCH 2009

	Notes	2009 £	2008 £
Fixed assets			
Tangible assets	8	11,427,595	10,089,975
Current assets			
Stocks	9	12,597	13,564
Debtors	10	276,801	521,972
Cash at bank and in hand		202,394	214,674
		<u>491,792</u>	<u>750,210</u>
Creditors: amounts falling due within one year	11	<u>(1,396,569)</u>	<u>(949,094)</u>
Net current liabilities		<u>(904,777)</u>	<u>(198,884)</u>
Total assets less current liabilities		10,522,818	9,891,091
Creditors: amounts falling due after more than one year	12	(7,897,341)	(7,324,266)
Provisions for liabilities	13	<u>(434,739)</u>	<u>(536,293)</u>
		<u>2,190,738</u>	<u>2,030,532</u>
Capital and reserves			
Called up share capital	15	50,000	50,000
Revaluation reserve	16	1,335,504	1,335,504
Profit and loss account	16	805,234	645,028
Shareholders' funds	17	<u>2,190,738</u>	<u>2,030,532</u>

Approved by the Board and authorised for issue on

P M Connell
Director

30 Oct 2009

Company Registration No. 2230827

ST CLOUD CARE PLC

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

	£	2009 £	£	2008 £
Net cash inflow from operating activities		1,269,278		873,229
Returns on investments and servicing of finance				
Interest received	5,715		36,353	
Interest paid	(385,935)		(450,265)	
Net cash outflow for returns on investments and servicing of finance		(380,220)		(413,912)
Taxation		16,641		(38,469)
Capital expenditure				
Payments to acquire tangible assets	(1,367,224)		(1,419,367)	
Net cash outflow for capital expenditure		(1,367,224)		(1,419,367)
Equity dividends paid		(210,080)		(850,000)
Net cash outflow before management of liquid resources and financing		(671,605)		(1,848,519)
Financing				
New long term bank loan	1,455,497		2,751,975	
Other new long term loans	126,063		280,000	
Repayment of long term bank loan	(897,425)		(1,209,736)	
Repayment of other long term loans	(24,810)		(23,683)	
Net cash inflow from financing		659,325		1,798,556
Decrease in cash in the year		(12,280)		(49,963)

ST CLOUD CARE PLC

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

1	Reconciliation of operating profit to net cash inflow from operating activities	2009	2008
		£	£
	Operating profit	664,311	662,954
	Depreciation of tangible assets	29,604	29,604
	Decrease/(increase) in stocks	967	(2,275)
	Decrease in debtors	245,171	463,011
	Increase/(decrease) in creditors within one year	329,225	(280,065)
	Net cash inflow from operating activities	1,269,278	873,229

2	Analysis of net debt	1 April 2008	Cash flow	Other non-cash changes	31 March 2009
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	214,674	(12,280)	-	202,394
	Debt:				
	Debts falling due within one year	(275,000)	(86,250)	-	(361,250)
	Debts falling due after one year	(7,324,266)	(573,075)	-	(7,897,341)
		(7,599,266)	(659,325)	-	(8,258,591)
	Net debt	(7,384,592)	(671,605)	-	(8,056,197)

3	Reconciliation of net cash flow to movement in net debt	2009	2008
		£	£
	Decrease in cash in the year	(12,280)	(49,963)
	Cash inflow from increase in debt	(659,325)	(1,798,556)
	Movement in net debt in the year	(671,605)	(1,848,519)
	Opening net debt	(7,384,592)	(5,536,073)
	Closing net debt	(8,056,197)	(7,384,592)

ST CLOUD CARE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Revenue represents income received from residents of the company's nursing and care homes. Revenue is recognised as earned.

1.4 Tangible fixed assets and depreciation

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

Land and buildings Freehold	Nil
Fixtures, fittings & equipment	15% Reducing balance basis
Motor vehicles	25% Straight line basis

It is the company's practice to maintain all freehold buildings in a continual state of sound repair. The directors consider the long economic life of these assets, and their residual values, based on annual revaluations, are such that depreciation would not be material.

1.5 Leasing

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

1.6 Stock

Stock is valued at the lower of cost and net realisable value.

1.7 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS17.

1.8 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value as the company does not intend to sell the revalued assets.

1.9 Employee Benefit Trusts

Trusts have been established for the benefit of company employees and certain of their dependants. Monies held in these trusts are held by independent trustees and managed at their discretion.

Where the company retains future economic benefit from, and has de facto control of the assets and liabilities of the trust, they are accounted for as assets and liabilities of the company until the earlier of the date that an allocation of trust funds to employees in respect of past services is declared and the date that assets of the trust vest in identified individuals.

ST CLOUD CARE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2009

1 Accounting policies (continued)

Where monies held in a trust are determined by the company on the basis of employees' past services to the business and the company can obtain no future economic benefit from those monies, such monies, whether in the trust or accrued for by the company are charged to the profit and loss account in the period to which they relate.

2 Turnover

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

3 Operating profit	2009 £	2008 £
Operating profit is stated after charging:		
Depreciation of tangible assets	29,604	29,604
Operating lease rentals	44,079	45,901

Auditors' remuneration

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

9,673	5,944
2,300	-
11,973	5,944

4 Investment income	2009 £	2008 £
Bank interest	5,016	36,353
Other interest	699	-
	5,715	36,353

5 Interest payable	2009 £	2008 £
On bank loans and overdrafts	385,935	450,265

ST CLOUD CARE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2009

6	Taxation	2009	2008
		£	£
	Domestic current year tax		
	U.K. corporation tax	32,000	-
	Adjustment for prior years	(16,641)	(25,762)
		<u>15,359</u>	<u>(25,762)</u>
	Current tax charge		
	Deferred tax		
	Deferred tax charge/credit current year	(101,554)	246,986
		<u>(86,195)</u>	<u>221,224</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>284,091</u>	<u>249,042</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21.00% (2008 - 30.00%)	<u>59,659</u>	<u>74,713</u>
	Effects of:		
	Non deductible expenses	16,717	5,880
	Depreciation in excess of capital allowances	(51,441)	(116,826)
	Tax losses utilised	-	23,877
	Adjustments to previous periods	(16,641)	(25,762)
	Other tax adjustments	7,065	12,356
		<u>(44,300)</u>	<u>(100,475)</u>
	Current tax charge	<u>15,359</u>	<u>(25,762)</u>
7	Dividends	2009	2008
		£	£
	Ordinary interim paid	210,080	850,000
		<u>210,080</u>	<u>850,000</u>

ST CLOUD CARE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2009

8 Tangible fixed assets

	Land and buildings Freehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 April 2008	9,932,748	727,340	15,250	10,675,338
Additions	1,119,727	247,497	-	1,367,224
At 31 March 2009	11,052,475	974,837	15,250	12,042,562
Depreciation				
At 1 April 2008	-	581,229	4,134	585,363
Charge for the year	-	25,788	3,816	29,604
At 31 March 2009	-	607,017	7,950	614,967
Net book value				
At 31 March 2009	11,052,475	367,820	7,300	11,427,595
At 31 March 2008	9,932,748	146,111	11,116	10,089,975

The directors (one of whom is a Chartered Surveyor) have revalued the company's properties in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes. The carrying value of these properties have been increased by the value of the improvements undertaken in the year to 31 March 2009.

The open market value of the freehold land and buildings is £11,052,475 (2008: £9,932,748).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

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ST CLOUD CARE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2009

12 Creditors: amounts falling due after more than one year	2009 £	2008 £
Bank loans	7,483,146	7,011,324
Other loans	414,195	312,942
	<u>7,897,341</u>	<u>7,324,266</u>
Analysis of loans		
Not wholly repayable within five years by instalments:		
Bank and other loans	5,165,146	3,783,388
Wholly repayable within five years	3,093,445	3,815,878
	<u>8,258,591</u>	<u>7,599,266</u>
Included in current liabilities	(361,250)	(275,000)
	<u>7,897,341</u>	<u>7,324,266</u>
Instalments not due within five years	<u>5,165,146</u>	<u>3,783,388</u>
Loan maturity analysis		
In more than one year but not more than two years	3,081,192	2,690,000
In more than two years but not more than five years	366,996	1,032,878
In more than five years	4,449,154	3,601,388
	<u>7,897,341</u>	<u>7,324,266</u>

The bank loans, which have funded large developments, are secured by legal charges over the company's freehold properties and other assets. Interest was charged at between 1.1% and 5.5% above Bank of England Base Rate.

ST CLOUD CARE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2009

13 Provisions for liabilities

	Deferred tax liability £
Balance at 1 April 2008	536,293
Profit and loss account	(101,554)
	<hr/>
Balance at 31 March 2009	434,739
	<hr/>

The deferred tax liability is made up as follows:

	2009 £	2008 £
Accelerated capital allowances	434,739	536,293
	<hr/>	<hr/>

14 Pension and other post-retirement benefit commitments

Defined contribution

The company operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the fund.

	2009 £	2008 £
Contributions payable by the company for the year	352,458	408,734
	<hr/>	<hr/>

15 Share capital

	2009 £	2008 £
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>

ST CLOUD CARE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2009

16 Statement of movements on reserves

	Revaluation reserve	Profit and loss account
	£	£
Balance at 1 April 2008	1,335,504	645,028
Profit for the year	-	370,286
Dividends paid	-	(210,080)
Balance at 31 March 2009	<u>1,335,504</u>	<u>805,234</u>

17 Reconciliation of movements in shareholders' funds

	2009	2008
	£	£
Profit for the financial year	370,286	27,818
Dividends	(210,080)	(850,000)
Net addition to/(depletion in) shareholders' funds	<u>160,206</u>	<u>(822,182)</u>
Opening shareholders' funds	2,030,532	2,852,714
Closing shareholders' funds	<u>2,190,738</u>	<u>2,030,532</u>

18 Financial commitments

At 31 March 2009 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2010:

	Land and buildings	
	2009	2008
	£	£
Operating leases which expire:		
Within one year	9,375	-
Between two and five years	18,000	36,750
	<u>27,375</u>	<u>36,750</u>

ST CLOUD CARE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2009

19 Directors' emoluments	2009 £	2008 £
Emoluments for qualifying services	538,685	623,841
Company pension contributions to money purchase schemes	352,458	408,734
	<u>891,143</u>	<u>1,032,575</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2008 - 2).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	51,596	300,234
Appointment of funds to an EBT sub-trust	226,233	-
Company pension contributions to money purchase schemes	<u>175,000</u>	<u>204,367</u>

During the year the company purchased a pre-funded Employer Benefit Trust from a commercial provider. A total amount of £507,965 was paid to the trust and appointed equally to two sub-trusts of in the names of P M Connell and the other L D J Connell.

20 Transactions with directors

As at 31 March 2009 the directors were owed £865,063 (2008: £280,000) by the company. £459,000 is repayable within one year (2008: £nil) and £406,063 (2008: £280,000) is included within 'Other loans falling due after more than one year. The loan accrues interest quarterly at 5.5% above the Bank of England Base Rate.

The directors charge rent to the company for the occupation of premises at a competitive rate determined by local market conditions.

ST CLOUD CARE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2009

21 Employees

Number of employees

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

	2009 Number	2008 Number
Care staff, domestic staff and administration	279	277
Management	12	10
	<u>291</u>	<u>287</u>

Employment costs

	£	£
Wages and salaries	3,976,525	3,838,674
Social security costs	279,889	331,549
Other pension costs	352,458	408,734
	<u>4,608,872</u>	<u>4,578,957</u>

22 Control

The ultimate parent company is St Cloud Group Limited, a company registered in England and Wales, which is controlled by the directors P M Connell and L D J Connell.