

MENTAL HEALTH CARE (ST DAVID'S) LIMITED
(formerly Mental Health Care (Plas Hyfryd) Limited)

Report and Financial Statements

31 March 2003

Deloitte & Touche
Manchester



MENTAL HEALTH CARE (ST DAVID'S) LIMITED
(formerly Mental Health Care (Plas Hyfryd) Limited)

REPORT AND FINANCIAL STATEMENTS 2003

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MENTAL HEALTH CARE (ST DAVID'S) LIMITED
(formerly Mental Health Care (Plas Hyfryd) Limited)

REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTOR

R.P. Ellis

SECRETARY

T.I.A. Adey-Jones

REGISTERED OFFICE

Alexander House
Highfield Park
Llandymog
Denbighshire
LL16 4LU

BANKERS

Royal Bank of Scotland

AUDITORS

Deloitte & Touche
Manchester

MENTAL HEALTH CARE (ST DAVID'S) LIMITED
(formerly Mental Health Care (Plas Hyfryd) Limited)

DIRECTOR'S REPORT

The director presents the annual report and the audited financial statements for the year ended 31 March 2003.

ACTIVITIES

The principal activity of the company is the provision of residential care for people with learning disabilities.

REVIEW OF DEVELOPMENTS

The loss after taxation for the year amounts to £140,746 (2002 - £81,215). The audited financial statements for the year ended 31 March 2003 are set out on pages 5 to 12.

On 10 July 2003 the company changed its name to Mental Health Care (St David's) Limited.

DIVIDENDS AND TRANSFERS TO RESERVES

The director cannot recommend payment of a dividend (2002 - £nil).

DIRECTORS AND THEIR INTERESTS

The director who served during the year was as follows:

R.P. Ellis

The director does not have any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

AUDITORS

On 31 July 2002 Arthur Andersen resigned as auditors of the company and the directors appointed Deloitte & Touche to fill the casual vacancy. The directors will place a resolution before the annual general meeting to reappoint Deloitte & Touche as auditors for the ensuing year.

Deloitte & Touche have informed the directors that they are intending to transfer their business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be known as Deloitte & Touche LLP. It is the current intention of the directors to use the Company's statutory power to give consent to the appointment of Deloitte & Touche being treated as extending to Deloitte & Touche LLP at the appropriate time.

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



R.P. Ellis

Director

11 July 2003

MENTAL HEALTH CARE (ST DAVID'S) LIMITED
(formerly Mental Health Care (Plas Hyfryd) Limited)

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

United Kingdom company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to:

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

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MENTAL HEALTH CARE (ST DAVID'S) LIMITED
(formerly Mental Health Care (Plas Hyfryd) Limited)**

We have audited the financial statements of Mental Health Care (St David's) Limited (formerly Mental Health Care (Plas Hyfryd) Limited) for the year ended 31 March 2003 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of director's responsibilities, the company's director is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the director's report is not consistent with the financial statements, if 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 director's remuneration and transactions with the company is not disclosed.

We read the director's report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
Manchester
11 July 2003

MENTAL HEALTH CARE (ST DAVID'S) LIMITED
(formerly Mental Health Care (Plas Hyfryd) Limited)

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2003

	Note	2003 £	2002 £
TURNOVER			
Cost of sales	2	389,538 (328,825)	565,285 (389,230)
GROSS PROFIT		60,713	176,055
Administrative expenses		(200,671)	(261,703)
OPERATING LOSS		(139,958)	(85,648)
Interest payable and similar charges	5	(15)	(197)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(139,973)	(85,845)
Tax on loss on ordinary activities	6	(773)	4,630
RETAINED LOSS FOR THE YEAR		<u>(140,746)</u>	<u>(81,215)</u>

All activity has arisen from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 March 2003

	Note	2003 £	2002 £
Loss for the financial year		(140,746)	(81,215)
Reversal of revaluation gains of previous years	13	(42,896)	-
Total gains and losses recognised since last annual report and financial statements		<u>(183,642)</u>	<u>(81,215)</u>

The accompanying notes are an integral part of this statement of total recognised gains and losses.

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 31 March 2003

	2003 £	2002 £
Reported loss on ordinary activities before taxation	(139,973)	(85,845)
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	-	480
Historical cost loss on ordinary activities before taxation	<u>(139,973)</u>	<u>(85,365)</u>
Historical cost loss retained after taxation, minority interests and dividends	<u>(140,746)</u>	<u>(80,735)</u>

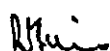
The accompanying notes are an integral part of this note of historical cost profits and losses.

MENTAL HEALTH CARE (ST DAVID'S) LIMITED
(formerly Mental Health Care (Plas Hyfryd) Limited)

BALANCE SHEET
31 March 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Intangible assets	7	4,793	14,375
Tangible assets	8	513,785	566,451
		<u>518,578</u>	<u>580,826</u>
CURRENT ASSETS			
Debtors	9	32,883	65,849
Cash at bank and in hand		242	722
		<u>33,125</u>	<u>66,571</u>
CREDITORS: Amounts falling due within one year	10	(826,566)	(738,618)
NET CURRENT LIABILITIES		<u>(793,441)</u>	<u>(672,047)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(274,863)</u>	<u>(91,221)</u>
NET LIABILITIES		<u>(274,863)</u>	<u>(91,221)</u>
CAPITAL AND RESERVES			
Called up share capital	12	2	2
Revaluation reserve	13	-	42,896
Profit and loss account	13	(274,865)	(134,119)
EQUITY SHAREHOLDER'S DEFICIT		<u>(274,863)</u>	<u>(91,221)</u>

The financial statements on pages 5 to 12 were approved by the board of directors on 11 July 2003 and signed on its behalf by:



R.P. Ellis
Director

11 July 2003

The accompanying notes are an integral part of this balance sheet.

MENTAL HEALTH CARE (ST DAVID'S) LIMITED
(formerly Mental Health Care (Plas Hyfryd) Limited)

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The particular accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold buildings	2% per annum on cost or valuation
Fixtures and fittings	20% per annum on cost
Motor vehicles	20% per annum on cost
Computer equipment	33% per annum on cost

Revaluation of properties

The company has taken advantage of the transitional provisions of FRS 15 "Tangible fixed assets" and retained the book amounts of certain freehold properties which were revalued prior to implementation of that standard. The properties were last revalued at 31 March 1996 and the valuations have not subsequently been updated.

Where depreciation charges are increased following a reduction, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially 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 company'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 when, 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.

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 gains 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 substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Cash flow statement

MENTAL HEALTH CARE (ST DAVID'S) LIMITED
(formerly Mental Health Care (Plas Hyfryd) Limited)

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

As permitted by FRS 1 (revised), the company has not produced a cash flow statement as it is a wholly-owned subsidiary undertaking of Mental Health Care (UK) Limited, a company registered in England and Wales, which has produced a group cash flow statement in its financial statements.

2. TURNOVER

Turnover represents amounts receivable for services provided in the normal course of business, net of VAT.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003	2002
	No.	No.
Average number of persons employed		
Managers and care staff	16	23
Administration and property maintenance	3	4
	<u>19</u>	<u>27</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	221,998	229,017
Social security costs	14,737	16,425
	<u>236,735</u>	<u>245,442</u>

No remuneration was paid to the director of the company (2002 - £nil).

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:

	2003	2002
	£	£
Depreciation and amounts written off tangible fixed assets		
- owned	13,119	14,807
Amortisation of goodwill	9,582	9,581
Rentals under operating leases		
- plant and machinery	5,164	5,661
Auditors' remuneration for audit services	656	617
	<u></u>	<u></u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£	£
Bank loans, overdrafts and other loans repayable within five years	<u>15</u>	<u>197</u>

MENTAL HEALTH CARE (ST DAVID'S) LIMITED
(formerly Mental Health Care (Plas Hyfryd) Limited)

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

6. TAX ON LOSS ON ORDINARY ACTIVITIES

a) The tax charge comprises

	2003 £	2002 £
Deferred tax		
Origination and reversal of timing differences	773	(4,630)
Total deferred tax (see note 11)	773	(4,630)
Total tax on loss on ordinary activities	773	(4,630)

b) The differences between the total current tax shown above and the amount calculated by applying the effective rate of UK corporation tax to the loss before tax is as follows:

	2003 £	2002 £
Loss on ordinary activities before tax	(139,969)	(85,845)
Tax on loss on ordinary activities at standard UK corporation tax rate of 30% (2002 – 30%)	(41,991)	(25,754)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	2,875	2,875
Depreciation in excess of capital allowances	2,240	2,516
Group relief surrendered from fellow subsidiary companies	36,876	20,363
Current tax charge for period (note 6(a))	-	-

7. INTANGIBLE FIXED ASSETS - GOODWILL

	£
Cost	
At 1 April 2002 and at 31 March 2003	95,814
Accumulated depreciation	
At 1 April 2002	81,439
Charge for the year	9,582
At 31 March 2003	91,021
Net book value	
At 1 April 2002	14,375
At 31 March 2003	4,793

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
Valuation				
At 1 April 2002	622,746	99,659	9,176	731,581
Additions	-	3,349	-	3,349

MENTAL HEALTH CARE (ST DAVID'S) LIMITED
(formerly Mental Health Care (Plas Hyfryd) Limited)

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

At 31 March 2003	622,746	103,008	9,176	734,930
Accumulated depreciation				
At 1 April 2002	60,122	95,832	9,176	165,130
Charge for the year	10,044	3,075	-	13,119
Impairment	42,896	-	-	42,896
At 31 March 2003	113,062	98,907	9,176	221,145
Net book value				
At 1 April 2002	562,624	3,827	-	566,451
At 31 March 2003	509,684	4,101	-	513,785

Freehold land, amounting to £121,150 (2002 – £121,150) has not been depreciated.

The freehold land and buildings were valued by chartered surveyors on 31 March 1996 on the existing use basis as a fully operational trading unit.

If land and buildings had not been revalued they would have been included at the following amounts:

	2003 £	2002 £
Cost	598,500	598,500
Depreciation	(88,816)	(81,462)
Net book value	509,684	517,038

9. DEBTORS

	2003 £	2002 £
Trade debtors	24,553	58,879
Amounts owed by group undertakings	-	22
Prepayments and accrued income	4,473	2,318
Deferred tax asset (see note 11)	3,857	4,630
	32,883	65,849

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Bank loans and overdrafts (see note 16)	702,969	624,142
Trade creditors	11,040	34,894
Amounts owed to group undertakings	82,241	10,000
Other creditors	4,032	2,522
Other taxes and social security	3,458	4,248
Accruals and deferred income	22,826	62,812
	826,566	738,618

MENTAL HEALTH CARE (ST DAVID'S) LIMITED
(formerly Mental Health Care (Plas Hyfryd) Limited)

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

11. DEFERRED TAXATION

	Deferred taxation £
At 1 April 2002	4,630
Charged to the profit and loss account in year	(773)
	<hr/>
Balance at 31 March 2003	3,857
	<hr/>

Deferred tax is provided as follows:

	2003 £	2002 £
Accelerated capital allowances	3,857	4,630
	<hr/>	<hr/>

The company has recognised the deferred tax asset as it is expected that future taxable profits will be generated against which it can be relieved.

12. CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
Called up, allotted and fully paid		
2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

MENTAL HEALTH CARE (ST DAVID'S) LIMITED
(formerly Mental Health Care (Plas Hyfryd) Limited)

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

13. RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 April 2002	42,896	(134,119)
Reversal of revaluation gains in previous years	(42,896)	-
Retained loss for the year	-	(140,746)
	<u>-</u>	<u>(140,746)</u>
At 31 March 2003	<u>-</u>	<u>(274,865)</u>

14. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S DEFICIT

	2003 £	2002 £
Loss for the financial year	(140,746)	(81,215)
Other recognised gains and losses relating to the year (net)	(42,896)	-
Opening equity shareholder's deficit	(91,221)	(10,006)
	<u>(274,863)</u>	<u>(91,221)</u>
Closing equity shareholder's deficit	<u>(274,863)</u>	<u>(91,221)</u>

15. FINANCIAL COMMITMENTS

There were no contracted capital commitments at 31 March 2003 (2002 - £nil).

Annual commitments under non-cancellable operating leases are as follows:

	2003 £	2002 £
Expiry date:		
Within one year	5,164	5,661
	<u>5,164</u>	<u>5,661</u>

16. CONTINGENT LIABILITIES

The company has entered into an unlimited cross guarantee with both its ultimate parent undertaking and fellow subsidiary undertakings. The extent of bank borrowings covered by the cross guarantee at 31 March 2003 was £2,919,640 (2002 - £3,207,852). The bank overdraft is secured by a fixed and floating charge over certain assets of the group.

17. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of Mental Health Care (UK) Limited. Mental Health (UK) Limited is the parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the group financial statements of Mental Health Care (UK) Limited will be delivered to, and will be available from the Registrar of Companies, Companies Registration Office, Crown Way, Maindy, Cardiff, CF4 3UZ.

As a subsidiary undertaking of Mental Health Care (UK) Ltd the company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related party disclosures" from disclosing transactions with other members of the group headed by Mental Health Care (UK) Limited