Company Registration No 03335309

MENTAL HEALTH CARE (PLAS COCH) LIMITED

Report and Financial Statements

30 June 2012

MENTAL HEALTH CARE (PLAS COCH) LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

CONTENTS

MENTAL HEALTH CARE (PLAS COCH) LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTOR

M Adey

SECRETARY

R Pino

REGISTERED OFFICE

Alexander House
Highfield Park
Llandyrnog
Denbighshire
LL16 4LU

BANKERS

Barclays plc
3rd Floor
Windsor Court
3 Windsor Place
Cardiff
CF10 3ZL

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Newcastle upon Tyne

DIRECTOR'S REPORT

The director presents the annual report and the audited financial statements for the 18 month period ended 30 June 2012

PRINCIPAL ACTIVITIES

The company is a wholly owned subsidiary of Mental Health Care (UK) Limited, which as at 30 June 2012 was an indirect subsidiary of Castle Holdings Limited, a company incorporated in Jersey On 2 November 2012 the company along with its immediate parent company were sold to Michael Adey

The company's principal activity is the provision of residential care for people with learning disabilities and challenging behaviour There have not been any changes to the company's principal activities in the year under review The director is not aware, at the date of this report, of any likely major changes in the company's activities in the next year

As shown in the profit and loss account on page 6, the company recorded sales of £2,656,000 for the 18 month period (2010 £3,055,000) This represents a like for like decrease of 42 0%

The company reported a loss before tax of £517,000 (2010 £169,000 Profit) which shows a like for like decrease of 304 0%

The balance sheet on page 7 of the financial statements shows that tangible fixed assets have decreased by £12,023,000, representing the recognition of the independent valuation of the freehold properties as at 30 June 2012

PRINCIPAL RISKS AND UNCERTAINTIES

The director considers the key risks and uncertainties facing the company to be as follows

Competitive pressure in the market for specialist challenging behaviour services is a continuing risk for the company as a number of alternative providers exist across the UK The company has mitigated this risk by developing a service that is sufficiently differentiated from the competition by means of both the behavioural model applied and the niche client group that the company's facilities care for

The service users are principally funded by public sector sources The company is therefore exposed to risks surrounding changes in government policies, and the impact of enacted and planned reductions in spending on health and social care This risk is mitigated by providing robust evidence of quality and service user outcomes, as well as ensuring that a wide range of funding providers have placements within our services The company will continue to review and amend its cost base to counteract funding changes

Following the acquisition of the MHC Group (being the group headed by Mental Health Care (UK) Limited) ("the MHC Group") by Michael Adey liquidity is managed on a group wide basis The MHC Group is not reliant on external financing and does not expect to require external financing for the foreseeable future

As the company are reliant on group support, the director sought and received confirmation from its parent company that they will continue to provide support to the company for at least 12 months from the date of this report

The director has considered the MHC Group's and company's future trading and cash flows for the foreseeable future taking into account reasonably possible changes in trading performance After making enquiries and taking into account the uncertainties arising from the current economic circumstances, the director has a reasonable expectation that the company and the MHC Group have adequate resources to continue in operational existence for the foreseeable future Accordingly, he continues to adopt the going concern basis in preparing the annual report and financial statements

DIRECTOR'S REPORT (continued)

ENVIRONMENT

The company recognises the importance of its environmental responsibilities and monitors its impact on the environment to reduce any damage that might be caused by the company's activities Initiatives designed to minimise the company's impact on the environment include safe disposal of clinical waste and initiatives to reduce energy consumption

DIVIDENDS

No dividend was paid in the period (2010 - £Nil)

DIRECTORS

The directors who served during the period, and changes thereafter, were as follows

P Brosnan	(Resigned 13 July 2011)
L Reed	(Resigned 31 October 2012)
M Short	(Resigned 2 November 2012)
M Parsons	(Resigned 3 November 2011)
M Adey	(Appointed 2 November 2012)

AUDIT INFORMATION

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

- as 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 provision of s418 of the Companies Act 2006

AUDITOR

A resolution to re-appoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting

Approved and signed by the Director

M Adey
Director
Date 19/3/13

DIRECTOR'S RESPONSIBILITIES STATEMENT

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year Under that law the director has 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 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 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 director is 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 2006 The director is 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MENTAL HEALTH CARE (PLAS COCH) LIMITED

We have audited the financial statements of Mental Health Care (Plas Coch) Limited for the 18 month period ended 30 June 2012, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 16 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 the director and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2012 and of its loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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

Paul Williamson

Paul Williamson BSc FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Newcastle upon Tyne, England
Date 19 March 2013.

PROFIT AND LOSS ACCOUNT
18 months ended 30 June 2012

	Note	18 months ended 30 Jun 2012 £'000	18 months ended 30 Jun 2012 £'000	Year ended 31 Dec 2010 £'000	Year ended 31 Dec 2010 £'000
TURNOVER	2		2,656		3,055
Cost of sales			(2,492)		(2,368)
GROSS PROFIT			164		687
Exceptional administrative expenses	10	(94)		(86)	
Other administrative expenses		(587)		(432)	
Total administrative expenses			(681)		(518)
OPERATING (LOSS) / PROFIT			(517)		169
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4		(517)		169
Tax on (loss)/profit on ordinary activities	5		94		(52)
(LOSS) / PROFIT FOR THE PERIOD/YEAR	12,13		(423)		117

All activity has arisen from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
18 months ended 30 June 2012

	Note	18 months ended 30 Jun 2012 £'000	Year ended 31 Dec 2010 £'000
(Loss)/profit for the financial period/year	13	(423)	117
Unrealised deficit on revaluation of properties	13	(11,875)	-
Total (losses)/gains recognised in the period/year		(12,298)	117

BALANCE SHEET
30 June 2012

	Note	30 Jun 2012 £'000	31 Dec 2010 £'000
FIXED ASSETS			
Tangible assets	6	506	12,529
CURRENT ASSETS			
Debtors	7	290	346
Cash at bank and in hand		7	7
		297	353
CREDITORS: Amounts falling due within one year	8	(1,190)	(885)
NET CURRENT LIABILITIES		(893)	(532)
TOTAL ASSETS LESS CURRENT LIABILITIES		(387)	11,997
Provision for liabilities and charges	10	-	(86)
NET (LIABILITIES)/ASSETS		(387)	11,911
CAPITAL AND RESERVES			
Called up share capital	11	-	-
Revaluation reserve	12	-	11,875
Profit and loss account	12	(387)	36
SHAREHOLDERS' (DEFICIT)/FUNDS	13	(387)	11,911

The financial statements of Mental Health Care (Plas Coch) Limited, registered number 03335309, on pages 6 to 14 were approved by the Director and authorised for issue on 19/3/2013

M Adey

Director

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2012

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold properties, and in accordance with applicable United Kingdom accounting standards The particular accounting policies adopted are described below They have all been applied consistently throughout the current period and the preceding year

Going concern

The Director's report sets out the principal risks and uncertainties facing the company

Following the acquisition of the MHC Group (being the group headed by Mental Health Care (UK) Limited) ("the MHC Group") by Michael Adey liquidity is managed on a group wide basis The MHC Group is not reliant on external financing and does not expect to require external financing for the foreseeable future

As the company are reliant on group support, the director sought and received confirmation from its parent company that they will continue to provide support to the company for at least 12 months from the date of this report

The director has considered the MHC Group's and company's future trading and cash flows for the foreseeable future taking into account reasonably possible changes in trading performance After making enquiries and taking into account the uncertainties arising from the current economic circumstances, the director has a reasonable expectation that the company and the MHC Group have adequate resources to continue in operational existence for the foreseeable future Accordingly, he continues to adopt the going concern basis in preparing the annual report and financial statements

Cash flow statement

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

Tangible fixed assets

Freehold properties are carried at valuation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment

Depreciation has not been charged on freehold land and buildings (except for installations) as in the opinion of the director the residual value is such that the charge for the period and accumulated depreciation at the balance sheet date are not material They are reviewed for impairment on an annual basis

Depreciation is calculated to write off the cost or revalued amount less estimated residual value of each class of asset over their estimated useful economic lives which are estimated as follows

Freehold buildings – installations	20 years straight line
Fixtures and fittings & Electrical equipment	5 years straight line
Motor vehicles	5 years straight line

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2012

1. ACCOUNTING POLICIES (continued)

Revaluation of properties

A full independent valuation of freehold properties is performed every five years with an interim valuation every three years The surplus or deficit on the book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus On an annual basis the director assesses the carrying value of freehold and leasehold properties, to determine if there has been a material change in value, and if in his judgement the carrying value is appropriate No annual transfer is made between the revaluation reserve and the profit and loss account to reflect the excess depreciation charged on the revalued portion of the asset

The valuation methodology utilised in revaluing the properties is inclusive of all fixtures and fittings, however the Company does not have a policy of revaluing fixtures and fittings and as a result they continue to be held at cost with an appropriate level of depreciation based on the accounting policy as set out above

Taxation

Current tax, including UK corporation 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 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 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 Deferred tax is measured on a non-discounted basis

2 TURNOVER

Turnover arises wholly from the company's principal UK activity and represents amounts receivable for services provided in the normal course of business, net of VAT

Turnover is recognised in the period in which the services are performed

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2012

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	18 months ended 30 Jun 2012 No	Year ended 31 Dec 2010 No
Average number of persons employed		
Service management and care staff	77	98

	£'000	£'000
Staff costs during the period		
Wages and salaries (including pension)	2,062	1,969
Social security costs	187	184
Pension costs	10	-
	2,259	2,153

No remuneration was paid to the directors of the company (2010 - £nil)

4 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit on ordinary activities before taxation is stated after charging

	18 months ended 30 Jun 2012 £'000	Year ended 31 Dec 2010 £'000
Depreciation of tangible fixed assets		
- owned	84	53
Auditor's remuneration		
- fees payable to the company's auditor for the audit of the company's annual accounts	5	4

5 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

a) The tax charge comprises

	18 months ended 30 Jun 2012 £'000	Year ended 31 Dec 2010 £'000
Current tax		
Prior period adjustment	2	6
Group Relief	(94)	48
Total current tax	(92)	54
Deferred tax		
Origination and reversal of timing differences	(5)	(3)
Adjustments in respect of prior periods	-	1
Effect of tax rate change on opening balance	3	-
Total deferred tax credit	(2)	(2)
Total tax on (loss)/profit on ordinary activities	(94)	52

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2012

5. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (Continued)

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 profit before tax is as follows

	18 months ended 30 Jun 2012 £'000	Year ended 31 Dec 2010 £'000
(Loss)/profit on ordinary activities before tax	(517)	169
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 26% (2010 28%)	(134)	47
Effects of		
Prior period adjustment	2	6
Expenses not deductible for tax purposes	52	10
Depreciation in excess of capital allowances	6	4
Transfer pricing adjustment	(18)	(13)
Current tax (credit)/charge for the period/year	(92)	54

The amount of deferred tax that has not been provided on revalued fixed assets and fixed assets subject to rollover relief is nil (2010 £3,206,000) At present, it is not envisaged that any tax will become payable in the foreseeable future

Finance Act 2011 was substantively enacted on 5 July 2011 and provided for a reduction in the main rate of corporation tax from 26% to 25% with effect from 1 April 2012 Subsequently, the 2012 Budget Report announced that the main rate of corporation tax would instead be reduced from 26% to 24% from 1 April 2012 and this rate was substantively enacted on 26 March 2012 Accordingly, a 2% corporation tax rate reduction, from 26% to 24%, has been reflected in these financial statements

Finance Act 2012 includes a further corporation tax rate reduction to 23% with effect from 1 April 2013 and this was substantively enacted on 3 July 2012 As this rate had not been substantively enacted by the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with FRS 19, as it is a non-adjusting event occurring after the reporting period A further 2% reduction down to 21% from 1 April 2014 has also been announced The impact of both of these rate reductions will be dependent on the deferred tax position at the time

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2012

6. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Fixtures and fittings £'000	Motor vehicles £'000	Assets in course £'000	Total £'000
Cost or valuation					
At 1 January 2011	12,594	95	19	-	12,708
Additions	21	5	-	5	31
Revaluations and impairment	(12,143)	-	-	-	(12,143)
At 30 June 2012	472	100	19	5	596
Accumulated depreciation					
At 1 January 2011	115	45	19	-	179
Charge for the period	58	26	-	-	84
Adjustments on revaluations	(173)	-	-	-	(173)
At 30 June 2012	-	71	19	-	90
Net book value					
At 30 June 2012	472	29	-	5	506
At 31 December 2010	12,479	50	-	-	12,529

As at 30 June all operational freehold properties were revalued on the basis of fully equipped operational entities having regard to their trading potential by independent valuers GVA Grimleys in accordance with RICS Appraisal and Valuation manual to an amount of £500,000 Although the valuation methodology utilised in revaluing the properties is inclusive of all fixtures and fittings, the Company does not have a policy of revaluing fixtures and fittings and as a result they continue to be held at cost with an appropriate level of depreciation based on the accounting policy as set out above

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

	30 Jun 2012 £'000	31 Dec 2010 £'000
Cost	763	836
Depreciation	(291)	(232)
Net book value	472	604

7. DEBTORS

	30 Jun 2012 £'000	31 Dec 2010 £'000
Trade debtors	65	218
Amounts owed by group undertakings	66	29
Prepayments and accrued income	32	54
Deferred tax asset (see note 9)	34	32
Other debtors	-	13
Group relief	93	-
	290	346

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2012

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 Jun 2012 £'000	31 Dec 2010 £'000
Trade creditors	6	7
Amounts owed to group undertakings	978	492
Other taxes and social security	35	54
Accruals and deferred income	160	271
Group relief	-	54
Other creditors	11	7
	1,190	885

As at 30 June 2012 there were cross guarantees relating to the indebtedness of the company and its ultimate parent undertaking which are secured on the assets of the group companies The total indebtedness of the group as at 30 June 2012 was £226,607,000 (31 December 2010 - £223,187,000) Prior to the sale of the company (as disclosed in note 14) the company was released from its' responsibilities under the guarantee

9 DEFERRED TAX

	Deferred taxation £'000
At 1 January 2011	32
Credited to the profit and loss account in the period	2
At 30 June 2012	34

Deferred tax is provided as follows

	30 Jun 2012 £'000	31 Dec 2010 £'000
Accelerated capital allowances	34	32

The deferred tax asset has been recognised because, in the opinion of the director, future taxable profits will be generated against which it can be relieved

10. PROVISION FOR LIABILITIES AND CHARGES

	Other Provision 30 Jun 2012 £'000	31 Dec 2010 £'000
At the beginning of the period/year	86	-
Charged to profit & loss account	-	86
Provisions utilised during period/year	(86)	-
At the end of the period/year	-	86

The other provisions balance related to amounts expected to be paid in relation to a restructuring project which commenced in December 2010 The amounts are expected to be settled in the first half of 2011

In the current year the exceptional cost related to the impairment of fixed assets

NOTES TO THE FINANCIAL STATEMENTS
18 months ended 30 June 2012

11. CALLED UP SHARE CAPITAL

	30 Jun 2012 £	31 Dec 2010 £
Called up, allotted and fully paid		
2 ordinary shares of £1 each	2	2

12. RESERVES

	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2011	11,875	36
Loss for the period	-	(423)
Unrealised deficit on revaluation	(11,875)	-
At 30 June 2012	-	(387)

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30 Jun 2012 £'000	31 Dec 2010 £'000
(Loss) / Profit for the financial period/year	(423)	117
Deficit on revaluation in the period/year	(11,875)	-
Net (reduction)/addition to total equity shareholders' funds	(12,298)	117
Opening shareholders' funds	11,911	11,794
Closing shareholders' (deficit)/funds	(387)	11,911

14. FINANCIAL COMMITMENTS

There were no contracted capital commitments at 30 June 2012 (2010 - £nil)

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is a subsidiary of Mental Health Care (UK) Limited a company registered in England and Wales As at 30 June the ultimate controlling party was Lydian Capital Partnership LP a limited partnership registered in Jersey

The parent undertaking of the largest group which includes the company, and for which group accounts are prepared, is Castle Holdings Limited, a company incorporated in Jersey The parent undertaking of the smallest group which includes the company, and for which group accounts are prepared, is CB Care Limited, a company incorporated in England and Wales A copy of both sets of group accounts can be obtained from the company's registered office at Chesnut Street, Darlington, Co Durham, DL1 1QL

On 2 November 2012 the company and its immediate parent company were sold From 2 November 2012 the ultimate controlling party is Michael Adey At this date Mental Health Care (UK) Limited became the ultimate parent company

16. RELATED PARTIES

The company has taken advantage of the exemption contained in Financial Reporting Standard No 8 'Related Party Disclosures" which allows it not to disclose transactions with group entities or investees of the group qualifying as related parties