

**MENTAL HEALTH CARE
(PLAS COCH) LIMITED**

Report and Financial Statements

31 March 2005



**MENTAL HEALTH CARE
(PLAS COCH) LIMITED**

REPORT AND FINANCIAL STATEMENTS 2005

CONTENTS

Officers and professional advisers	1
Director's report	2
Statement of director's responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

**MENTAL HEALTH CARE
(PLAS COCH) LIMITED**

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTOR

R.P. Ellis

SECRETARY

T.I. Adey-Jones

REGISTERED OFFICE

Alexander House
Highfield Park
Llandyrnog
Denbighshire
LL16 4LU

BANKERS

Royal Bank of Scotland
HSBC

AUDITORS

Deloitte & Touche LLP
Manchester

**MENTAL HEALTH CARE
(PLAS COCH) LIMITED**

DIRECTOR'S REPORT

The director presents the annual report and the audited financial statements for the year ended 31 March 2005.

ACTIVITIES

The principal activity of the company is the provision of residential and nursing care for people with mental disorders.

REVIEW OF DEVELOPMENTS

The loss after tax for the year amounts to £321,830 (2004 – loss of £139,179). The audited financial statements for the year ended 31 March 2005 are set out on pages 5 to 11.

DIVIDENDS AND TRANSFERS TO RESERVES

The director does not recommend payment of a dividend (2004 - £Nil).

FUTURE PROSPECTS

The director expects the general level of activity to increase further over the forthcoming year.

DIRECTOR AND HIS 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

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

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



R.P. Ellis

Director

**MENTAL HEALTH CARE
(PLAS COCH) 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; 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 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 (PLAS COCH) LIMITED

We have audited the financial statements of Mental Health Care (Plas Coch) Limited for the year ended 31 March 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 16. 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 director 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.

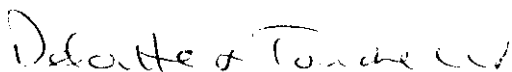
Basis of audit opinion

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 director 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 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester
6 October 2005

**MENTAL HEALTH CARE
(PLAS COCH) LIMITED**

**PROFIT AND LOSS ACCOUNT
Year ended 31 March 2005**

	Note	2005 £	2004 £
TURNOVER	2	3,113,524	2,377,569
Cost of sales		<u>(2,200,810)</u>	<u>(1,608,825)</u>
GROSS PROFIT		912,714	768,744
Administrative expenses		<u>(1,255,821)</u>	<u>(879,959)</u>
OPERATING LOSS		(343,107)	(111,215)
Interest payable and similar charges	5	<u>(296)</u>	<u>(562)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(343,403)	(111,777)
Tax on loss on ordinary activities	6	<u>21,573</u>	<u>(27,402)</u>
RETAINED LOSS FOR THE YEAR	12	<u><u>(321,830)</u></u>	<u><u>(139,179)</u></u>

All activity has arisen from continuing operations.

There have been no gains or losses in either year other than the loss for that year. Accordingly, no separate statement of total recognised gains and losses has been prepared.

**MENTAL HEALTH CARE
(PLAS COCH) LIMITED**

**BALANCE SHEET
31 March 2005**

	Note	2005 £	2004 £
FIXED ASSETS			
Tangible assets	7	999,070	1,116,690
		<u>999,070</u>	<u>1,116,690</u>
CURRENT ASSETS			
Debtors	8	433,308	322,327
Cash at bank and in hand		12	1,044
		<u>433,320</u>	<u>323,371</u>
CREDITORS: Amounts falling due within one year	9	(2,296,119)	(1,934,867)
NET CURRENT LIABILITIES		<u>(1,862,799)</u>	<u>(1,611,496)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(863,729)	(494,806)
PROVISIONS FOR LIABILITIES AND CHARGES	10	(37,679)	(59,252)
ACCRUALS AND DEFERRED INCOME		<u>(231,172)</u>	<u>(256,692)</u>
NET LIABILITIES		<u>(1,132,580)</u>	<u>(810,750)</u>
CAPITAL AND RESERVES			
Called up share capital	11	2	2
Profit and loss account	12	(1,132,582)	(810,752)
EQUITY SHAREHOLDER'S DEFICIT	13	<u>(1,132,580)</u>	<u>(810,750)</u>

The financial statements on pages 5 to 11 were approved by the Board of Directors on 30 September 2005 and signed on its behalf by:



R.P. Ellis
Director

MENTAL HEALTH CARE (PLAS COCH) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2005

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention 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 year and the preceding year.

Tangible fixed assets

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

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
Fixtures and fittings	20% per annum on cost
Motor vehicles	20% per annum on cost

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

Leases

Assets held under finance leases and other similar contracts which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, whilst the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

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

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.

**MENTAL HEALTH CARE
(PLAS COCH) LIMITED**

**NOTES TO THE ACCOUNTS
Year ended 31 March 2005**

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.

3. INFORMATION REGARDING DIRECTOR AND EMPLOYEES

	2005 No.	2004 No.
Average number of persons employed		
Managers and care staff	70	55
Administration and property maintenance	13	10
	<u>83</u>	<u>65</u>
	<u>£</u>	<u>£</u>
Staff costs during the year		
Wages and salaries	1,405,473	969,729
Social security costs	133,213	96,449
	<u>1,538,686</u>	<u>1,066,178</u>

No remuneration was paid to the director of the company (2004 - £nil).

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:

	2005 £	2004 £
Depreciation and amounts written off tangible fixed assets		
- owned	154,274	142,711
- held under finance leases and hire purchase contracts	1,768	2,652
Auditors' remuneration for audit services	<u>3,176</u>	<u>1,176</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Bank loans, overdrafts and other loans repayable within five years	216	225
Finance leases and hire purchase contracts	<u>80</u>	<u>337</u>
	<u>296</u>	<u>562</u>

**MENTAL HEALTH CARE
(PLAS COCH) LIMITED**

**NOTES TO THE ACCOUNTS
Year ended 31 March 2005**

6. TAX ON LOSS ON ORDINARY ACTIVITIES

a) The tax (credit)/charge comprises

	2005 £	2004 £
Deferred tax		
Origination and reversal of timing differences	(21,573)	27,402
Total deferred tax (see note 10)	(21,573)	27,402
Total tax on loss on ordinary activities	(21,573)	27,402

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:

	2005 £	2004 £
Loss on ordinary activities before tax	(343,403)	(111,777)
Tax on loss on ordinary activities at standard UK corporation tax rate of 30% (2004 – 30%)	(103,021)	(33,533)
<i>Effects of:</i>		
Depreciation in excess of capital allowances	26,013	11,217
Group relief surrendered to fellow subsidiary companies	77,008	22,316
Current tax charge for period (note 6(a))	-	-

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 April 2004	717,806	748,813	32,647	1,499,266
Additions	32,541	5,881	-	38,422
At 31 March 2005	750,347	754,694	32,647	1,537,688
Accumulated depreciation				
At 1 April 2004	66,546	290,454	25,576	382,576
Charge for the year	14,796	138,594	2,652	156,042
At 31 March 2005	81,342	429,048	28,228	538,618
Net book value				
At 31 March 2005	669,005	325,646	4,419	999,070
At 31 March 2004	651,260	458,359	7,071	1,116,690

**MENTAL HEALTH CARE
(PLAS COCH) LIMITED**

**NOTES TO THE ACCOUNTS
Year ended 31 March 2005**

7. TANGIBLE FIXED ASSETS (continued)

Assets held under finance leases and hire purchase contracts included above:

	Freehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
Net book value				
At 31 March 2005	-	-	-	-
At 31 March 2004	-	-	7,071	7,071

8. DEBTORS

	2005 £	2004 £
Trade debtors	370,416	315,498
Amounts owed by group undertakings	26,081	2,325
Other debtors	1,008	-
Prepayments and accrued income	35,803	4,504
	<u>433,308</u>	<u>322,327</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Bank loans and overdrafts (see note 15)	1,342,913	340,278
Obligations under finance leases and hire purchase contracts	-	2,869
Trade creditors	53,189	160,679
Amounts owed to group undertakings	850,876	1,401,905
Other taxes and social security	45,856	29,136
Other creditors	3,285	-
	<u>2,296,119</u>	<u>1,934,867</u>

10. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 April 2004	59,252
Released to the profit and loss account in year	(21,573)
Balance at 31 March 2005	<u>37,679</u>
Deferred tax is provided as follows:	
	2005 £
Accelerated capital allowances	<u>37,679</u>
	2004 £
	<u>59,252</u>

**MENTAL HEALTH CARE
(PLAS COCH) LIMITED**

NOTES TO THE ACCOUNTS

Year ended 31 March 2005

11. CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Called up, allotted and fully paid		
2 ordinary shares of £1 each	2	2

12. RESERVES

	Profit and loss account £
At 1 April 2004	(810,752)
Retained loss for the year	(321,830)
At 31 March 2005	(1,132,582)

13. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S DEFICIT

	2005 £	2004 £
Loss for the financial year	(383,450)	(139,179)
Opening equity shareholder's deficit	(810,750)	(671,571)
Closing equity shareholder's deficit	(1,194,200)	(810,750)

14. FINANCIAL COMMITMENTS

The company had contracted capital commitments at 31 March 2005 of £nil (2004 - £60,993).

15. 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 2005 was £3,315,239 (2004 - £2,616,402). The bank overdraft is secured by a fixed and floating charge over certain assets of the group.

16. ULTIMATE CONTROLLING PARTY

The company is a wholly owned subsidiary of Mental Health Care (UK) Limited. Mental Health Care (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.

The director regards M. Adey-Jones as the ultimate controlling party.