Company Registration No. 2120462

MENTAL HEALTH CARE (CLWYD) LIMITED

Report and Financial Statements

31 December 2008

MENTAL HEALTH CARE (CLWYD) LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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MENTAL HEALTH CARE (CLWYD) LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P Brosnan	Chairman
J Mann	Chief Executive
M Short	Finance Director
M Parsons	Non Executive Director

SECRETARY

J Hather

REGISTERED OFFICE

Suite 201 The Chambers
Chelsea Harbour
London
SW10 0XF

BANKERS

Royal Bank of Scotland plc
27 Blackwell Gate
Darlington
Co Durham
DL1 5HX

AUDITORS

Deloitte LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

DIRECTORS' REPORT

The directors present the annual report and the audited financial statements for the year ended 31 December 2008. The directors' report has been prepared in accordance with the special provisions for small companies set out in section 246(4) of the Companies Act 1985.

PRINCIPAL ACTIVITIES

The company is a wholly owned subsidiary of Mental Health Care (UK) Limited, which is an indirect subsidiary of Castle Holdings Limited, a company incorporated in Jersey.

The company's principal activity is the provision of residential care for people with mental health problems. There have not been any changes to the company's principal activities in the period under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

DIVIDENDS

No dividend was paid in the year (2007 - £194,977).

DIRECTORS

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

J Mann	(appointed 11 June 2008)
M Parsons	
P Brosnan	(appointed 25 September 2008)
M Short	
D Cole	(resigned 25 September 2008

AUDIT INFORMATION

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

- as far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s234ZA of the Companies Act 1985.

DIRECTORS' REPORT (continued)

AUDITORS

On 1 December 2008 Deloitte & Touche LLP changed its name to Deloitte LLP.

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

Approved by the Board of Directors
and signed by order of the Board,

M Short

Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MENTAL HEALTH CARE (CLWYD) LIMITED

We have audited the financial statements of Mental Health Care (Clwyd) Limited for the year ended 31 December 2008 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 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 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.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne, United Kingdom

3 June 2009.

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2008

	Note	Year ended 31 December 2008 £	9 month period ended 31 December 2007 £
TURNOVER	2	702,129	489,536
Cost of sales		(396,755)	(289,373)
GROSS PROFIT		305,374	200,163
Administrative expenses		(114,772)	(182,137)
OPERATING PROFIT	4	190,602	18,026
Interest payable		(290)	(722)
PROFIT ON ORDINARY ACTIVITES BEFORE TAX		190,312	17,304
Tax on profit on ordinary activities	5	(54,230)	(6,340)
RETAINED PROFIT FOR THE YEAR/PERIOD	12, 13	136,082	10,964

All activity has arisen from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2008

	Year ended 31 December 2008 £	9 months ended 31 December 2007 £
Profit for the financial year/period	136,082	10,964
Unrealised (deficit)/surplus on revaluation of properties	(651,731)	906,517
Total (losses)/gains recognised in the year/period	(515,649)	917,481

MENTAL HEALTH CARE (CLWYD) LIMITED

BALANCE SHEET
31 December 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Tangible assets	7	422,989	1,069,438
CURRENT ASSETS			
Debtors	8	308,156	61,477
Cash at bank and in hand		9,533	1,354
		317,689	62,831
CREDITORS: Amounts falling due within one year	9	(421,536)	(297,478)
NET CURRENT LIABILITIES		(103,847)	(234,647)
TOTAL ASSETS LESS CURRENT LIABILITIES		319,142	834,791
NET ASSETS		319,142	834,791
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Revaluation reserve	12	254,786	906,517
Profit and loss account	12	64,256	(71,826)
SHAREHOLDER'S FUNDS	13	319,142	834,791

The financial statements on pages 6 to 15 were approved by the Board of Directors on 8 June 2009

M Short
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2008

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold properties. The particular accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding period.

Going concern

The directors consider 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 non-secure nature of its facilities.

The service users are principally funded by public sector sources. The company is therefore exposed to risks surrounding changes in government policies. This risk is mitigated by working in partnership with our customers to develop our services in harmony with these policies, and ensuring that a wide range of funding providers have placements within our services.

Liquidity is managed on a group wide basis. The group is reliant on external financing to fund operations. In October 2008 the group successfully completed a refinancing exercise leading to the provision of bank loan facilities totalling £258,980,000, of which £239,480,000 was drawn down at 31 December 2008, on a term of 4 years from inception. Of the drawn down facilities £2,000,000 is repayable within 12 months of the date of this report. The loan is secured against the assets of the group, including this company. In addition the group has £135,889,000 of unsecured subordinated loan notes. Under the loan notes agreements the interest can be settled through issuing additional loan notes rather than through the payment of cash. Those additional loan notes would become repayable at the end of the term of the underlying loan. Those underlying loans are repayable between 2013 and 2017.

The group's forecasts and projections, taking into account reasonably possible changes in trading performance, indicate that the group has sufficient funding to operate within the level of the agreed facilities and that none of the covenants attached to those facilities will be breached. The group seeks to mitigate the interest rate risk on the external financing by entering into interest rate swap arrangements. These swap agreements are not held by this company.

Because of the group financing arrangements, the company directors sought and received confirmation from its intermediate parent company (CB Care Limited) that they will continue to provide support to the company for at least 12 months from the date of this report.

After making enquiries with group directors and the lenders, and taking into account the risks and uncertainties identified above along with the uncertainty arising from the current economic circumstances, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue 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.

NOTES TO THE ACCOUNTS
Year ended 31 December 2008

1. **ACCOUNTING POLICIES (continued)**

Tangible fixed assets

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

Freehold properties are carried at valuation.

Depreciation has not been charged on freehold land and buildings (except for installations) as in the opinion of the directors the residual value is such that the charge for the year and accumulated depreciation at the balance sheet date are not material. Those assets 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
Motor vehicles	5 years straight line
Fixtures and fittings & Electrical equipment	5 years straight line

Revaluation of properties

Individual freehold and leasehold properties are independently revalued on a triennial basis with the surplus or deficit on the book value being 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 directors assess the carrying value of freehold and leasehold properties, to determine if there has been a material change in value, and if in their 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 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

NOTES TO THE ACCOUNTS
Year ended 31 December 2008

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.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 December 2008 No.	9 month period ended 31 December 2007 No.
Average number of persons employed		
Service management and care staff	20	21
	£	£
Staff costs during the year		
Wages and salaries	316,982	233,784
Social security costs	35,199	20,129
	352,181	253,913

No remuneration was paid to the directors of the company (2007 - £nil) for services to this Company. Directors' remuneration is borne by another group company.

4. OPERATING PROFIT

Operating profit is stated after charging:

	Year ended 31 December 2008 £	9 month period ended 31 December 2007 £
Depreciation and amounts written off tangible fixed assets		
- owned	1,830	3,308
Auditors' remuneration:		
- fees payable to the company's auditors for the audit of the company's annual accounts	766	631

NOTES TO THE ACCOUNTS
Year ended 31 December 2008

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) The tax charge comprises:

	Year ended 31 December 2008 £	9 month period ended 31 December 2007 £
Current tax		
UK corporation tax	-	-
Group Relief	56,881	4,824
Adjustments in Respect of prior periods	(4,072)	-
Total current tax	52,809	4,824
Deferred tax		
Origination and reversal of timing differences	(627)	1,516
Adjustments in respect of prior periods	2,048	-
Total deferred tax (see note 10)	1,421	1,516
Total tax on profit on ordinary activities	54,230	6,340

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:

	Year ended 31 December 2008 £	9 month period ended 31 December 2007 £
Profit on ordinary activities before tax	190,312	17,304
Tax on profit on ordinary activities at standard UK corporation tax rate of 28.5% (2007 – 30%)	54,234	5,191
Effects of:		
Expenses not deductible for tax purposes	2,010	797
Depreciation in excess of capital allowances	637	(1,516)
Adjustments in respect of prior years	(4,072)	-
Rate difference on deferred tax	-	352
Current tax charge for year (see note 5(a))	52,809	4,824

The amount of deferred tax that has not been provided on revalued fixed assets and fixed assets subject to rollover relief is £297,000 (2007: £264,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

6. DIVIDENDS PAID

	Year ended 31 December 2008 £	9 month period ended 31 December 2007 £
Amounts recognised as distributions to shareholders in the period:		
Interim dividend for the year/period	-	194,977

NOTES TO THE ACCOUNTS
Year ended 31 December 2008

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 January 2008	1,068,310	63,176	1,131,486
Additions	2,038	5,074	7,112
Revaluation	(651,731)	-	(651,731)
At 31 December 2008	418,617	68,250	486,867
Accumulated depreciation			
At 1 January 2008	1,197	60,851	62,048
Charge for the year	368	1,462	1,830
Adjustment on revaluation	-	-	-
At 31 December 2008	1,565	62,313	63,878
Net book value			
At 31 December 2008	417,052	5,937	422,989
At 31 December 2007	1,067,113	2,325	1,069,438

During September 2008 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 to an amount of £420,000 (including fixtures and fittings) in accordance with RICS Appraisal and Valuation manual. Although the valuation 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.

NOTES TO THE ACCOUNTS
Year ended 31 December 2008

7. TANGIBLE FIXED ASSETS (continued)

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

	2008 £	2007 £
Cost	189,975	187,937
Depreciation	(27,709)	(27,341)
Net book value	162,266	160,596

8. DEBTORS

	2008 £	2007 £
Trade debtors	82,101	55,828
Amounts owed by group undertakings	219,939	393
Prepayments and accrued income	2,604	323
Deferred tax asset (see note 10)	3,512	4,933
	308,156	61,477

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Bank loans and overdrafts	-	21,808
Trade creditors	1,936	5,570
Amounts owed to group undertakings	302,288	202,684
Corporation tax	-	2,074
Other taxation and social security	7,555	7,423
Other creditors	5,530	6,987
Accruals and deferred income	46,594	48,182
Group relief payable	57,633	2,750
	421,536	297,478

Bank loans and overdrafts are secured on the assets of the company and the other group companies.

NOTES TO THE ACCOUNTS
Year ended 31 December 2008

10. DEFERRED TAXATION

	£
At 1 January 2008	4,933
Charged to the profit and loss account in the year	(1,421)
Balance at 31 December 2008	3,512

Deferred tax is provided as follows:

	2008 £	2007 £
Accelerated capital allowances	3,512	4,933

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

11. CALLED UP SHARE CAPITAL

	2008 £	2007 £
Authorised		
100 Ordinary shares of £1 each	100	100
Called up, allotted and fully paid		
100 Ordinary shares of £1 each	100	100

12. RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 January 2008	906,517	(71,826)
Revaluation deficit	(651,731)	-
Retained profit for the year	-	136,082
At 31 December 2008	254,786	64,256

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
Profit for the year/period	136,082	10,964
Dividends paid on equity shares	-	(194,977)
(Deficit)/surplus on revaluation	(651,731)	906,517
Opening shareholder's funds	834,791	112,287
Closing shareholder's funds	319,142	834,791

NOTES TO THE ACCOUNTS
Year ended 31 December 2008

14. FINANCIAL COMMITMENTS

There were no contracted capital commitments at 31 December 2008 (2007 - £nil).

15. ULTIMATE CONTROLLING PARTY

The company is a subsidiary of Mental Health Care (UK) Limited a company registered in England and Wales. The ultimate controlling party is 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 Suite 201, The Chambers, Chelsea Harbour, London, SW10 0XF.

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.