

**MENTAL HEALTH CARE
(CLWYD) LIMITED**

Report and Financial Statements

31 March 2005



**MENTAL HEALTH CARE
(CLWYD) LIMITED**

REPORT AND FINANCIAL STATEMENTS 2005

CONTENTS	Page
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
(CLWYD) 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
Llandymog
Denbighshire
LL16 4LU

BANKERS

Royal Bank of Scotland
HSBC

AUDITORS

Deloitte & Touche LLP
Manchester

**MENTAL HEALTH CARE
(CLWYD) 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 care for people with learning disabilities.

REVIEW OF DEVELOPMENTS

The turnover of the business has increased by 21% in 2005 and profit after taxation for the year amounts to £21,728 (2004 - £33,556). The audited financial statements for the year ended 31 March 2005 are set out on pages 5 to 12.

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.

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

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors. 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
(CLWYD) 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 (CLWYD) LIMITED

We have audited the financial statements of Mental Health Care (Clwyd) 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 profit 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
(CLWYD) LIMITED**

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

	Note	2005 £	2004 £
TURNOVER	2	763,225	629,838
Cost of sales		(416,659)	(363,472)
GROSS PROFIT		346,566	266,366
Administrative expenses		(317,737)	(220,862)
OPERATING PROFIT		28,829	45,504
Interest payable and similar charges	5	(172)	(386)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	28,657	45,118
Tax on profit on ordinary activities	6	(6,929)	(11,562)
RETAINED PROFIT FOR THE YEAR	12	21,728	33,556

All activity has arisen from continuing operations.

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

**MENTAL HEALTH CARE
(CLWYD) LIMITED**

**BALANCE SHEET
31 March 2005**

	Note	2005 £	2004 £
FIXED ASSETS			
Tangible assets	7	<u>171,786</u>	<u>189,037</u>
CURRENT ASSETS			
Debtors	8	102,779	103,390
Cash at bank and in hand		<u>650</u>	<u>580</u>
		103,429	103,970
CREDITORS: Amounts falling due within one year	9	<u>(316,043)</u>	<u>(360,155)</u>
NET CURRENT LIABILITIES		<u>(212,614)</u>	<u>(256,185)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(40,828)	(67,148)
ACCRUALS AND DEFERRED INCOME		<u>(59,571)</u>	<u>(54,979)</u>
NET LIABILITIES		<u>(100,399)</u>	<u>(122,127)</u>
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss account	12	<u>(100,499)</u>	<u>(122,227)</u>
EQUITY SHAREHOLDER'S DEFICIT	13	<u>(100,399)</u>	<u>(122,127)</u>

The financial statements on pages 5 to 12 were approved by the Board of Directors on ~~30~~ September 2005 and signed on its behalf by:



R.P. Ellis
Director

MENTAL HEALTH CARE (CLWYD) 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
Computer equipment	33% 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.

**MENTAL HEALTH CARE
(CLWYD) LIMITED**

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

1. ACCOUNTING POLICIES (continued)

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.

2. TURNOVER

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

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2005 No.	2004 No.
Average number of persons employed		
Managers and care staff	21	20
Administration and property maintenance	-	1
	<u>21</u>	<u>21</u>
	£	£
Staff costs during the year		
Wages and salaries	299,055	252,056
Social security costs	23,509	21,793
	<u>322,564</u>	<u>273,849</u>

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

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	2005 £	2004 £
Depreciation and amounts written off tangible fixed assets		
- owned	16,748	15,173
- held under finance leases and hire purchase contracts	162	1,940
Loss on disposal of tangible fixed assets	1,110	-
Auditors' remuneration for audit services	656	700
	<u>18,676</u>	<u>17,813</u>

**MENTAL HEALTH CARE
(CLWYD) LIMITED**

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

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Bank loans, overdrafts and other loans repayable within five years	29	241
Finance leases and hire purchase contracts	143	145
	<u>172</u>	<u>386</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) The tax charge comprises

	2005 £	2004 £
Current tax		
UK corporation tax	8,374	12,754
Total current tax	8,374	12,754
Deferred tax		
Origination and reversal of timing differences	(1,445)	(1,192)
Total deferred tax (see note 10)	(1,445)	(1,192)
Total tax on profit on ordinary activities	<u>6,929</u>	<u>11,562</u>

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:

	2005 £	2004 £
Profit on ordinary activities before tax	28,657	45,118
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2004 – 30%)	8,597	13,535
<i>Effects of:</i>		
Expenses not deductible for tax purposes	334	-
Depreciation in excess of capital allowances	2,175	1,583
Small companies tax relief	(2,732)	(2,364)
Current tax charge for period (see note 6(a))	<u>8,374</u>	<u>12,754</u>

**MENTAL HEALTH CARE
(CLWYD) LIMITED**

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

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 April 2004	177,199	59,306	9,700	246,205
Additions	-	2,568	-	2,568
Disposals	-	-	(9,700)	(9,700)
At 31 March 2005	177,199	61,874	-	239,073
Accumulated depreciation				
At 1 April 2004	14,004	37,505	5,659	57,168
Charge for the year	3,544	12,234	1,132	16,910
Disposals	-	-	(6,791)	(6,791)
At 31 March 2005	17,548	49,739	-	67,287
Net book value				
At 31 March 2005	159,651	12,135	-	171,786
At 31 March 2004	163,195	21,801	4,041	189,037
Assets held under finance leases and hire purchase contracts included above:				
Net book value				
At 31 March 2005	-	-	-	-
At 31 March 2004	-	-	4,041	4,041

8. DEBTORS

	2005 £	2004 £
Trade debtors	69,870	89,324
Amounts owed by group undertakings	14,401	6,988
Other debtors	139	-
Prepayments and accrued income	10,846	1,000
Deferred tax asset (see note 10)	7,523	6,078
	<u>102,779</u>	<u>103,390</u>

**MENTAL HEALTH CARE
(CLWYD) LIMITED**

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

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Bank loans and overdrafts (see note 15)	243,924	95,542
Obligations under finance leases and hire purchase contracts	-	271
Trade creditors	8,878	12,663
Amounts owed to group undertakings	47,416	232,252
Corporation tax	8,374	12,754
Other taxation and social security	5,752	6,673
Other creditors	1,699	-
	<u>316,043</u>	<u>360,155</u>

10. DEFERRED TAXATION

	£
At 1 April 2004	6,078
Credited to the profit and loss account in year	1,445
	<u>7,523</u>
Balance at 31 March 2005	<u>7,523</u>

Deferred tax is provided as follows:

	2005 £	2004 £
Accelerated capital allowances	<u>7,523</u>	<u>6,078</u>

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.

11. CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Called up, allotted and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

12. RESERVES

	Profit and loss account £
At 1 April 2004	(122,227)
Retained profit for the year	21,728
	<u>(100,499)</u>
At 31 March 2005	<u>(100,499)</u>

**MENTAL HEALTH CARE
(CLWYD) LIMITED**

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

13. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S DEFICIT

	2005 £	2004 £
Profit for the financial year	21,728	33,556
Opening equity shareholder's deficit	<u>(122,127)</u>	<u>(155,683)</u>
Closing equity shareholder's deficit	<u><u>(100,399)</u></u>	<u><u>(122,127)</u></u>

14. FINANCIAL COMMITMENTS

There were no contracted capital commitments at 31 March 2005 (2004 - £nil).

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.