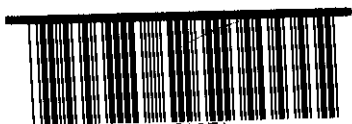


Honormead Limited

Annual report

for the year ended 31 August 2000

Registered Number: 1229566



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Honormead Limited

Annual Report

for the year ended 31 August 2000

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Honormead Limited

Directors' report for the year ended 31 August 2000

The directors present their report and the financial statements for the year ended 31 August 2000.

Principal activity

The principal activities of the company during the year was managing schools for children between the ages of five and nineteen years with speech and communication problems and also property developers.

Review of business and future development

The consolidated profit and loss account is set out on page 5. The result for the year was disappointing, being strongly influenced by the set up costs and early trading deficiencies associated with the newly established Honormead School for Children with Autism. As a result the balance sheet was weakened.

In the following year, the position was further exacerbated with continuing losses at the school for Autism but more seriously with losses at the Staffordshire based schools of Longdon Hall and Westwood. Indeed the substantial losses at Longdon Hall School resulted in its closure at the end of that year.

To address the situation the Directors have taken action to improve the position and trading results in 2002. As a result a strategic reappraisal has been undertaken in respect of the ongoing operations at each of the schools to mitigate the funding requirements of the group and strengthen the balance sheet.

Whilst the level of losses has reduced at the school for Autism in 2001/02, the Directors have transferred the management of the school to Autism GB, 40% of which is owned by Mrs. R Brook, wife of Mr SG Brook a Director of Honormead, for nil consideration in February 2002.

In addition, following further losses at Westwood School in 2001, largely due to the requirement to use agency staff, a decision was taken to close this school in April 2002.

The conclusion of these transactions, removes the burden of loss making activities and now allows the Directors to focus on the Derbyshire Schools, which have consistently generated surpluses.

Furthermore, consideration is being given to the disposal of all or part of these operations to other parties with a view to them continuing the management of schools. In the meantime, children are actively being recruited into the continuing schools. They are substantially full for the 2002/03 year, so that they will operate at an appropriate level of surplus.

At the date of this report heads of agreement have been signed to dispose of the Derbyshire based schools to another provider. There still remains further tasks to be done before the transaction is concluded. In the meantime the directors are confident that these schools will operate economically, but nonetheless recognise that they are dependent upon their bankers for ongoing support. The bankers have indicated that they support the directors plans and intend to provide the necessary funding, subject to normal banking terms and review, for the foreseeable future.

On this basis, the directors consider it is appropriate to prepare these financial statements on a going concern basis.

Results and dividends

The profit for the year after taxation amounted to £170,000 (1999: £33,000).

The directors recommend the payment of a final dividend for the year of £27,289 (1999: £27,289) and recommend that the balance be transferred to reserves.

Honormead Limited

Directors and their interests

The directors who served during the year and their interests in the company's issued share capital at the balance sheet date and at the start of the year were:

	Ordinary £1 shares	
	2000	1999
S G Brook	139,469	96,469
F Brook	27,659	27,659
A N Gillespie	-	-

Employee involvement and employment of disabled persons

The directors give special attention to the health and safety of their employees. An outline of the health and safety policy is sent out to all employees with contracts. There is a policy regarding the employment of disabled persons. Full and fair consideration of applicants is carried out. Wherever possible, employment of disabled applicants for jobs suited for their needs is considered.

Many of our posts, since they are concerned with the management of children with special needs, are not suited to some types of disablement. The company is committed to equal employment but in practice in certain jobs it is not always practical to take disabled persons on. The intention is there but individual cases have to be judged on their own merit.

There is systematic provision of employee information, regular consultations and meetings so that the view of the employees can be taken into account at all levels.

Statement of director's responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 which disclose with reasonable accuracy at any time the financial position of the company and the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Honormead Limited

Auditors

A resolution to re-appoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By order of the Board

A handwritten signature in dark ink, appearing to read 'S. G. Brook', is written over the printed name.

S G Brook
Company secretary
8 July 2002

Honormead Limited

Auditors' report to the members of Honormead Limited

We have audited the financial statements on pages 5 to 26.

Respective responsibilities of director and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you if, in our opinion, the directors' 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 directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

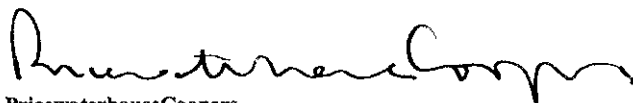
Basis of audit opinion

We conducted our audit in accordance with 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 affairs of the group and company as at 31 August 2000 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Nottingham

8 July 2002

Honormead Limited

Consolidated profit and loss account for the year ended 31 August 2000

	Note	2000 £'000	1999 £'000
Turnover	2	17,206	16,406
Cost of sales		(14,710)	(13,693)
Gross profit		2,496	2,713
Administrative expenses		(2,215)	(2,437)
Operating profit	3	281	276
Interest and similar items	4	(125)	(79)
Profit on ordinary activities before taxation		156	197
Taxation	7	14	(164)
Profit on ordinary activities after taxation		170	33
Dividends	8	(27)	(27)
Retained profit for the financial year	21	143	6

All amounts relate to continuing operations.

Statement of group total recognised gains and losses

	2000 £'000	1999 £'000
Profit for the financial year	170	33
Unrealised surplus on revaluation of properties	-	2,215
Total recognised gains for the year	170	2,248

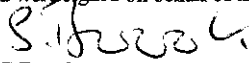
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Honormead Limited

Balance sheets as at 31 August 2000

		Group		Company	
	Note	2000	1999	2000	1999
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	11	11,444	9,062	8,563	8,612
Investments	12	-	-	60	60
		11,444	9,062	8,623	8,672
Current assets					
Stocks	13	137	750	1	1
Debtors	14	2,522	930	3,186	1,434
Cash at bank and in hand		-	54	-	60
		2,659	1,734	3,187	1,495
Creditors: amounts falling due within one year	15	8,065	5,975	7,723	7,278
Net current liabilities		(5,406)	(4,241)	(4,536)	(5,783)
Total assets less current liabilities		6,038	4,821	4,087	2,889
Creditors: amounts falling due after more than one year	16	1,547	303	1,512	303
Provisions for liabilities and charges	18	53	223	22	14
Net assets		4,438	4,295	2,553	2,572
Capital reserves					
Called up share capital	19	283	283	283	283
Revaluation reserve	20	2,215	2,215	2,215	2,215
Profit and loss account	21	1,940	1,797	55	74
Equity shareholders' funds	22	4,438	4,295	2,553	2,572

The financial statements were approved by the board on 8 July 2002 and were signed on behalf of the directors:


S G Brook
Director

Honormead Limited

Consolidated cash flow statement for the year ended 31 August 2000

	Note	2000 £'000	1999 £'000
Net cash inflow from operating activities	23	606	1,683
Returns on investments and servicing of finance			
Interest received		4	5
Interest paid		(127)	(83)
Finance lease interest		(2)	(1)
		(125)	(79)
Taxation paid		(68)	(365)
Capital expenditure			
Purchase of tangible fixed assets		(2,398)	(1,014)
Sale of tangible fixed assets		3	337
		(2,395)	(677)
Equity dividends paid		(27)	(27)
Net cash (outflow)/inflow before financing		(2,009)	535
Financing			
Increase/(decrease) in borrowings		1,126	(785)
Capital element of finance lease payments		(18)	(11)
Decrease in net cash	24	(901)	(261)
Reconciliation to net debt			
Net debt at 1 September	24	(574)	(1,109)
Decrease in cash in the period		(901)	(261)
Movement in borrowings		(1,108)	796
Other non-cash changes		(106)	-
Net debt at 31 August	24	(2,689)	(574)

Honormead Limited

Notes to the financial statements for the year ended 31 August 2000

1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been consistently applied, is set out below. Compliance with SSAP 19 "Accounting for Investment Properties" requires a departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of this departure is given below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets. The company does not present its own profit and loss account, as permitted by Section 230 of the Companies Act 1985.

The company meets its day-to-day working capital requirements through a combination of overdraft and longer term loans. The overdraft is repayable on demand. At the balance sheet date group overdraft and loans amounted to £2,594,000. As explained in the Directors' Report various steps have been put in place to refocus the business operations and remove loss making operations by either disposal or closure. The directors are now confident that the remaining schools will operate economically.

The group's bankers have indicated their support for the directors' plans and that they intend to provide the necessary financing, subject to normal banking terms and review, for the foreseeable future. On this basis the directors consider the going concern basis is appropriate.

Changes in accounting policies

FRS 15 "Tangible Fixed Assets" came into effect for these financial statements. The group has adopted a policy of revaluing freehold property. There has been no effect on the financial statements as a result of this change.

Basis of consolidation

The consolidated financial statements include the results of the company and all its subsidiary undertakings. Intra-group sales and profits are eliminated fully on consolidation.

The investment in the associated undertaking is not consolidated on the grounds of materiality.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets required.

Honormead Limited

Tangible fixed assets

Interests in investment and freehold properties are stated at valuation. The cost of other tangible fixed assets is their purchase cost together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets less their estimated residual values, on a reducing balance basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
New freehold property	2
Plant and machinery	10
Fixtures and fittings	15-20
Motor vehicles	25
Portacabins	20

The directors do not consider it appropriate to depreciate either land or old freehold property since, in their opinion, these are historic buildings and any charge to depreciation would be immaterial as the estimated residual value of the buildings is not materially different from the carrying values of the buildings.

No depreciation is provided on investment properties, since the directors consider that annual valuation, in place of depreciation, is necessary in order to give a true and fair view in the financial statements. The directors are of the opinion that the residual value of investment properties is equal to the valuation at the year end.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value and comprises total costs incurred less any provisions for foreseeable losses.

Capitalisation of interest

Interest incurred on borrowings to finance property developments is capitalised up to the date of completion of the development.

Grants

Revenue grants are credited to the profit and loss account when received.

Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability will crystallise.

Honormead Limited

Pension costs

The company operates four defined contribution pension schemes. All contributions are charged to the profit and loss account in the period in which they are due.

The company provides no other post-retirement benefits to its employees.

Finance leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their useful lives. The finance charges are allocated over the period of the lease on a straight line basis.

2 Turnover

All turnover arose in the United Kingdom.

	Turnover		Profit/(loss) on ordinary activities before taxation	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Education	16,459	14,923	267	220
Property development	747	1,483	(86)	(23)
	17,206	16,406	181	197

3 Operating profit

The operating profit is stated after charging/(crediting):

	2000 £'000	1999 £'000
Depreciation of tangible fixed assets held under finance leases	6	5
Depreciation of tangible owned fixed assets	112	91
Loss on disposal of fixed assets	1	16
Amount written off fixed asset investment	-	1
Auditors' remuneration - audit fee (company £2,000, 1999: £2,000)	16	16
- non-audit services	6	5
Grants received	(8)	(15)
Release of provision	(119)	-
Exceptional item: Impairment of freehold property	-	244

Honormead Limited

4 Interest and similar items

	2000	1999
	£'000	£'000
Interest payable on bank loans and overdrafts	127	83
Interest payable on HP finance leases	2	1
Total interest payable	129	84
Interest receivable	(4)	(5)
Net interest payable	125	79

5 Employee information

	2000	1999
	£'000	£'000
Staff costs were as follows:		
Salaries	10,968	9,895
Social security costs	860	799
Other pension costs	209	176
	12,037	10,870

The average monthly number of employees (including executive directors) during the year was:

	2000	1999
	Number	Number
By activity		
School staff	736	693
Directors and administration	54	32
Maintenance	43	66
	833	791

Honormead Limited

6 Directors' emoluments

	2000 £'000	1999 £'000
Aggregate emoluments	111	86
Sums paid to third parties for directors' services	23	22

There were no retirement benefits accruing to directors under defined contribution schemes.

7 Taxation

	2000 £'000	1999 £'000
Taxation on the profit for the year		
UK corporation tax at 30% (1999: 30.6%)	23	166
Deferred taxation	30	20
Prior year adjustment	(67)	(22)
	(14)	164

8 Dividends

	2000 £'000	1999 £'000
Equity – ordinary		
Final proposed 9.6p (1999: 9.6p) per share	27	27

9 Profits of holding company

Of the profits attributable to shareholders, a profit of £8,000 (1999: £307,000 loss) is dealt with in the accounts of Honormead Limited.

Honormead Limited

10 Intangible assets

	Goodwill
	£'000
Group	
Cost	
At 1 September 1999 and 31 August 2000	119
Amortisation	
At 1 September 1999 and 31 August 2000	119
Net book value	
At 31 August 2000 and 1999	-

Honormead Limited

11 Tangible fixed assets

(a) Tangible fixed assets

Group	Freehold properties £'000	Investment property £'000	Portacabins £'000	Motor vehicles £'000	Fixtures & equipment £'000	Total £'000
Cost or valuation						
At 1 September 1999	8,433	500	192	277	1,339	10,741
Additions	2,175	-	2	167	160	2,504
Disposals	-	-	-	(43)	-	(43)
At 31 August 2000	10,608	500	194	401	1,499	13,202
Depreciation						
At 1 September 1999	244	-	162	180	1,093	1,679
Charge for the year	8	-	6	37	67	118
Disposals	-	-	-	(39)	-	(39)
At 31 August 2000	252	-	168	178	1,160	1,758
Net book value						
At 31 August 2000	10,356	500	26	223	339	11,444
At 1 September 1999	8,219	500	30	97	246	9,062

The net book value of fixed assets includes an amount of £116,000 (1999: £17,000) in respect of assets held under finance leases.

Honormead Limited

11 Tangible fixed assets (continued)

Company	Freehold properties £'000	Investment property £'000	Motor vehicles £'000	Fixtures & equipment £'000	Total £'000
Cost or valuation					
At 1 September 1999	8,248	500	152	165	9,065
Additions	2,177	-	53	10	2,240
Inter group transfer	(2,259)	-	-	-	(2,259)
Disposals	-	-	(28)	-	(28)
At 31 August 2000	8,166	500	177	175	9,018
Depreciation					
At 1 September 1999	244	-	93	116	453
Charge for the year	-	-	16	10	26
Disposals	-	-	(24)	-	(24)
At 31 August 2000	244	-	85	126	455
Net book value					
At 31 August 2000	7,922	500	92	49	8,563
At 1 September 1999	8,004	500	59	49	8,612

The net book value of fixed assets includes an amount of £51,000 (1999: £17,000) in respect of assets held under finance leases.

Investment properties

In accordance with SSAP 19 investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and no depreciation or amortisation is provided in respect of investment properties. The directors consider that this accounting policy results in the accounts giving a true and fair view.

Honormead Limited

11 Tangible fixed assets (continued)

(b) Analysis of land and buildings

	Group				Company			
	2000		1999		2000		1999	
	Freehold property £'000	Investment property £'000	Freehold property £'000	Investment property £'000	Freehold property £'000	Investment property £'000	Freehold property £'000	Investment property £'000
Analysis of land and buildings at cost or valuation								
At cost	5,253	-	3,078	-	2,811	-	2,893	-
At valuation	5,355	500	5,355	500	5,355	500	5,355	500
	10,608	500	8,433	500	8,166	500	8,248	500

Freehold and investment properties held at 31 August 1999 were valued in June 1999 on the open market basis by independent, qualified valuers, Salloway & Associates, Surveyors and Valuers. The valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. These valuations were incorporated into the financial statements and the resulting surpluses taken to the revaluation reserve and deficits written off to the profit and loss account. The directors consider that these valuations are reasonable as market values at 31 August 2000.

No provision has been made for any tax or capital gains that might arise on the disposal of the groups properties at their balance sheet amounts (note 18).

Freehold properties acquired during the year are stated at cost which the directors consider to be appropriate as the market value.

If freehold land and buildings were stated on the historical cost basis, the amounts would be:

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
At cost	8,495	6,320	6,053	6,135
Aggregate depreciation	(110)	(102)	(102)	(102)
Net book value based on historical cost	8,385	6,218	5,951	6,033

Honormead Limited

12 Investments

	Subsidiary undertakings £'000
Company	
At 1 September 1999 and 31 August 2000	110
Provision for diminution in value	
At 1 September 1999 and 31 August 2000	50
Net book value	
At 31 August 2000	60
At 1 September 1999	60

Interests in group undertakings:

Name of undertaking	Country of registration	Percentage of share capital held		Activities
		Held by company	Held by group	
Honormead Schools Limited	England	100	-	Teaching
Highglade Builders Limited	England	100	-	Builders
ZR Builders (Derby) Limited	England	100	-	Builders
Ridgewood Farm Limited	England	-	100	Farming
Grangecraft Limited	England	100	-	Dormant
Honormead Adult Specialised Care Limited	England	100	-	Dormant
Tripose Limited	England	100	-	Dormant
Bladon House School Limited	England	-	100	Dormant
Caldwell House School Limited	England	-	100	Dormant
Colourcard (UK) Limited	England	-	100	Dormant
Longdon Hall School Limited	England	-	100	Dormant
Pipewood Limited	England	-	100	Dormant
The Grange (Derby) Limited	England	-	100	Dormant

Honormead Limited

13 Stock

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Raw materials	12	12	1	1
Work in progress	95	709	-	-
Finished goods	30	29	-	-
	137	750	1	1

14 Debtors

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	2,093	669	17	27
Amounts due from subsidiary undertakings	-	-	2,847	1,321
Other debtors	334	145	273	70
Prepayments and accrued income	47	39	6	11
Corporation tax recoverable	48	77	43	5
	2,522	930	3,186	1,434

Honormead Limited

15 Creditors: amounts falling due within one year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Bank and other borrowings	1,108	318	1,944	1,927
Trade creditors	713	519	2	5
Amounts due to group undertakings	-	-	5,524	4,964
Finance leases	34	7	13	7
Corporation tax	12	153	-	146
Other taxes and social security	275	253	32	25
Proposed dividend	27	27	27	27
Other creditors	5,641	4,465	139	127
Accruals and deferred income	255	233	42	50
	8,065	5,975	7,723	7,278

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Bank and other borrowings	1,486	303	1,486	303
Finance leases	61	-	26	-
	1,547	303	1,512	303

Honormead Limited

17 Loans and other borrowings

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Bank overdrafts and loans	2,514	301	3,350	1,910
Other loans	80	320	80	320
Finance leases	95	7	39	7
	2,689	628	3,469	2,237
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Maturity of debt				
In one year or less	1,108	318	1,944	1,927
Between one and two years	261	118	261	118
Between two and five years	511	185	511	185
After five years	714	-	714	-
	2,594	621	3,430	2,230

The bank loans and overdraft are secured by fixed charges over a number of the group freehold properties. There is also a series of unlimited cross guarantees between certain group companies in favour of the group's bankers.

Included in bank loans is an amount of £223,000 (1999: £301,000) which is payable in equal quarterly instalments of £19,440 and amounts of £1,444,000 which are repayable in equal quarterly instalments of £37,500. The loans bear interest based on LIBOR.

Other loans comprise a loan of £80,000 (1999: £120,000) made by Mrs B W Brook secured on the assets of the company and repayable at £40,000 per annum commencing on 29 March 1998. The loan bears interest at 2% above LIBOR.

The amount of £200,000 included in other loans at 31 August 1999 has been fully repaid during the year.

Honormead Limited

17 Loans and other borrowings (continued)

Finance leases

Future minimum payments under HP lease are as follows:

	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Within one year	33	7	13	7
Between one and two years	33	-	13	-
Between two and five years	29	-	13	-
	95	7	39	7

18 Provisions for liabilities and charges

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Deferred taxation	53	23	22	14
Other	-	200	-	-
	53	223	22	14

	Group £'000	Company £'000
Deferred taxation		
At 1 September 1999	23	14
Charged to profit and loss account	30	8
At 31 August 2000	53	22

Honormead Limited

18 Provisions for liabilities and charges (continued)

	Group				Company			
	Provided		Unprovided		Provided		Unprovided	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Accelerated capital allowances	64	34	-	-	22	14	-	-
Losses	(11)	(11)	-	-	-	-	-	-
	53	23	-	-	22	14	-	-

The unprovided amount excludes any capital gains which might arise on the disposal of properties at their balance sheet amounts as any material liability is unlikely to crystallise due to the law relating to rollover relief. The amount, therefore, has not been quantified.

	Group £'000
Other	
At 1 September 1999	200
Utilised in year	(81)
Credited to profit and loss account	(119)
At 31 August 2000	-

The other provision was for a number of legal claims made against a subsidiary company in previous years. The claims were settled in the year and the remaining provision has been released to the profit and loss account.

19 Called up share capital

	2000 £'000	1999 £'000
Authorised		
300,000 ordinary £1 shares	300	300
Issued and fully paid		
282,800 ordinary £1 shares	283	283

Honormead Limited

20 Revaluation reserve

	Group £'000	Company £'000
At 1 September 1999 and at 31 August 2000	2,215	2,215

21 Profit and loss account

	Group £'000	Company £'000
At 1 September 1999	1,797	74
Profit for the year	143	(19)
At 31 August 2000	1,940	55

22 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Profit for the year	170	33
Dividends	(27)	(27)
Net addition to shareholders' funds	143	6
Revaluations	-	2,215
At 1 September	4,295	2,074
At 31 August	4,438	4,295

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23 Cash flow from operating activities

	2000 £'000	1999 £'000
Operating profit	281	276
Depreciation charge	118	96
Loss on disposal of fixed assets	1	16
Amount written off fixed asset investment	-	1
Decrease in stocks	613	554
(Increase)/decrease in debtors	(1,621)	342
Increase in creditors	1,414	54
Impairments	-	244
(Decrease)/increase in provisions	(200)	100
Net cash inflow from operating activities	606	1,683

24 Reconciliation of movements in net debt

	At 1 September 1999 £'000	Cash flows £'000	Other non cash charges £'000	At 31 August 2000 £'000
Cash at bank and in hand	54	(54)	-	-
Overdrafts	-	(847)	-	(847)
		(901)		
Debt due within one year	(318)	57	-	(261)
Debt due after one year	(303)	(1,183)	-	(1,486)
Finance leases	(7)	18	(106)	(95)
Total	(574)	(2,009)	(106)	(2,689)

25 Contingent liabilities

The company has given an unlimited guarantee to secure the banks borrowings of other companies in the group. At 31 August 2000 group borrowings amounted to £2,537,150 (1999: £451,201).

Honormead Limited

26 Transactions with related parties

The company has taken advantage of the exemptions in FRS 8 not to report transactions with companies which are at least 90% owned by the group.

During the year, the group has undertaken the following transactions in which S G Brook has an interest as a shareholder and director:

- a) Sales of £39,843 (1999: £32,004) to and purchases of £3,097 (1999: £2,894) from Grangecraft (Garden Centre) Limited.
- b) Cash advances have been made to Grangecraft (Garden Centre) Limited during the year. At the year end an amount of £20,995 was due from Grangecraft (Garden Centre) Limited (1999: £32,661) in respect of these. The maximum balance outstanding during the year was £32,661. No interest is charged on these advances.
- c) Cash advances have been made by Grangecraft (Garden Centre) Limited during the year. At the year end an amount of £3,100 was due to Grangecraft (Garden Centre) Limited in respect of these. The maximum balance outstanding during the year was £8,500. No interest is charged on these advances.
- d) An amount was outstanding from Grangecraft (Garden Centre) Limited at the year end of £10,465 (1999: £18,762).
- e) 'The overdraft facility and loan of Grangecraft (Garden Centre) Limited are guaranteed by a limited guaranteed of £100,000.
- f) At the year end work in progress included an amount of £12,361 in respect of work carried out on properties owned by S Brook & F Brook, directors.

Also during the year, the company made payments of £23,343 (1999: £22,146) to Neil Gillespie Business Developments Limited, a company controlled by A N Gillespie, in respect of his fees as a director. There were no amounts outstanding with this company at 31 August 2000 (1999: £Nil).

Included within other debtors is an amount of £12,000 (1999: £12,000) due from F Brook, a director. This loan is unsecured, interest free and has no fixed repayment date. The maximum balance outstanding during the year was £12,000.

27 Capital commitments

The company and group had no capital commitments at 31 August 2000 (1999: £Nil).

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28 Pension costs

The company operates four defined contribution pension schemes covering the majority of its permanent employees, the assets of which are held separately from the company in an independently administered fund. Contributions to the scheme during the year amounted to £209,000 (1999: £176,000).

Contributions totalling £7,440 (1999: £15,411) were payable to the fund at the year end and are included in creditors.

29 Subsequent Events

The Directors have transferred the management of the school for Autism to Autism GB, 40% of which is owned by Mrs. B Brook, wife of Mr SB Brook a Director of Honormead, for nil consideration in February 2002.

In addition, Longdon Hall School was closed during the summer of 2001 and Westwood School was closed in April 2002.

30 Ultimate controlling party

There is not considered to be any individual party controlling Honormead Limited.