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B.P. NURSING HOMES LIMITED

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REPORT OF THE DIRECTORS AND ACCOUNTS

=====

FOR THE YEAR ENDED

=====

31ST AUGUST 1986

=====

FRASER KEEN,  
Chartered Accountants,  
2/4 Parliament Square,  
Hertford,  
Herts., SG14 1EY



Company No: 1661703

B.P. NURSING HOMES LIMITED  
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DIRECTORS REPORT  
=====

The Directors submit their report and accounts for the year ended 31st August 1986.

RESULTS AND DIVIDEND  
=====

The trading profit for the year, after taxation, was £177,425. The transfer to retained profits was £581,216, which includes the extraordinary profit on the sale of a nursing home of £392,906. The Directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS  
=====

The Company's principal activity during the year was the Management of Nursing Homes. The turnover has increased by 18% to £1,819,723 during the year and the Directors believe the state of affairs of the Company to be satisfactory.

MARKET VALUE OF LAND AND BUILDINGS  
=====

The Directors commissioned a valuation of the Company properties by a firm of specialist nursing and rest home valuers. The results of their report have been incorporated into these accounts, which show land and buildings at £3,165,000.

FIXED ASSETS  
=====

With the exception of the sale of the nursing home at Bexhill, Sussex there have been no significant changes in fixed assets other than in the normal course of trading.

FUTURE DEVELOPMENTS  
=====

The Directors have been pleased with the development of the Company to date and it is their intention to continue the general expansion of the business with the firm policy of maintaining the highest possible standard of care.

A further extension to the nursing home at Malvern will be completed during December 1986. Since the balance sheet date two contracts have been entered into for the purchase of land and buildings at Callow End Worcestershire and Blackburn Lancashire. Expenditure on the conversion of these two sites is expected to amount to £2.5 million over the eighteen months from 31st August 1986.

Continued.....

B.P. NURSING HOMES LIMITED  
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DIRECTORS REPORT (CONTINUED)  
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DIRECTORS AND CONNECTED PERSONS AND THEIR INTERESTS  
=====

The Directors at 31st August 1986 and their interests, together with the interests of the connected persons, in the ordinary share capital of the Company were as follows:

	<u>1986</u>	<u>1985</u>
	£	£
K.G. Bradshaw Esq. (Chairman)	5,050	5,050
D. Pritchard Esq. (Director)	10,099	10,099
Mrs. P. Bradshaw	1,616	1,616
Trustees of K.G. Bradshaw Childrens Trust	3,434	3,434

AUDITORS  
=====

A resolution to reappoint as auditors Fraser Keen will be put to the members at the Annual General Meeting.

Registered Office:

Baldock House,  
Baldock Street,  
Ware,  
Herts.,  
SG12 9DH

By Order of the Board

x *D. Pritchard.* x  
D. Pritchard Esq.  
Secretary

12th November 1986

AUDITORS REPORT TO THE MEMBERS OF  
=====

B.P. NURSING HOMES LIMITED

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We have audited the financial statements on pages 4 to 16 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention as modified by the revaluation of land and buildings, give a true and fair view of the state of the affairs of the Company at 31st August 1986 and of its profit and source and application of funds for the year ended on that date and comply with the Companies Act 1985.

*Fraser Keen*

2/4 Parliament Square,  
Hertford,  
Herts.,  
SG14 1EY

FRASER KEEN  
Chartered Accountants

12th November 1986

B.P. NURSING HOMES LIMITED  
=====

BALANCE SHEET AS AT 31ST AUGUST 1986  
=====

	<u>Notes</u>	<u>1986</u>	<u>1985</u>
		£	£
FIXED ASSETS	5		
=====			
INTANGIBLE		106,750	122,000
TANGIBLE		3,642,442	1,880,177
INVESTMENTS	3	150,100	-
		-----	-----
		3,899,292	2,002,177
CURRENT ASSETS			
=====			
DEBTORS	6	120,277	80,163
CASH AT BANK AND IN HAND		671,662	9,310
		-----	-----
		791,939	89,473
		-----	-----
CREDITORS			
=====			
Amounts falling due within			
one year:	7	465,823	370,991
		-----	-----
NET CURRENT ASSETS			
(1985 LIABILITIES)		326,116	281,518
=====		-----	-----
TOTAL ASSETS LESS CURRENT			
LIABILITIES		4,225,408	1,720,659
=====			
CREDITORS			
=====			
Amounts falling due after			
more than one year	8	684,722	715,360
		-----	-----
TOTAL NET ASSETS		3,540,686	1,005,299
=====		=====	=====
CAPITAL AND RESERVES			
=====			
SHARE CAPITAL	2	20,200	20,200
RETAINED PROFITS	19	988,085	406,869
REVALUATION RESERVE	19	2,532,401	578,230
		-----	-----
		3,540,686	1,005,299
		=====	=====

DIRECTOR.....

DIRECTOR... D. Pritchard .....

B.P. NURSING HOMES LIMITED  
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PROFIT AND LOSS ACCOUNT
=====
FOR THE YEAR ENDED 31ST AUGUST 1986
=====

	<u>Notes</u>	<u>1986</u>	<u>1985</u>
		£	£
Turnover		1,819,723	1,546,417
Cost of Sales		973,569	894,819
		-----	-----
Gross Profit		846,154	651,598
Administration Expenses		492,897	495,377
		-----	-----
		353,257	156,221
Other Operating Income	9	12,500	10,000
		-----	-----
Operating Profit	13	365,757	166,221
Interest Receivable	10	37,544	1,205
		-----	-----
		403,301	167,426
Amounts written off Investments	11	(100)	100
		-----	-----
Profit before Interest		403,401	167,326
Interest Payable	12	134,777	114,957
		-----	-----
Profit on Ordinary Activities before Taxation		268,624	52,369
Taxation	14	91,199	(772)
		-----	-----
Profit on Ordinary Activities after Taxation		177,425	53,141
Release from Revaluation Reserve	19	10,885	10,885
		-----	-----
		188,310	64,026
Extraordinary Income	18	392,906	-
		-----	-----
Retained Profit for the year	19	581,216	64,026
		=====	=====

B.P. NURSING HOMES LIMITED  
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STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
=====

FOR THE YEAR ENDED 31ST AUGUST 1986  
=====

		<u>1986</u>		<u>1985</u>
	£	£	£	£
SOURCE OF FUNDS				
=====				
Profit before Tax and Extraordinary Income		268,624		52,369
Adjustments for items not involving the movement of funds:				
Amortisation of Goodwill	15,250		15,250	
Loss on Sale of Fixed Assets	150		1,577	
Depreciation	84,383		84,513	
Amounts written off Investments	(100)	99,683	100	101,440
	-----	-----	-----	-----
TOTAL GENERATED FROM OPERATIONS		368,307		153,809
=====				
FUNDS FROM OTHER SOURCES				
=====				
Corporation Tax Repaid	-		3,134	
Loans	325,000		607,734	
Sale of Assets	1,078,290	1,403,290	14,008	624,876
	-----	-----	-----	-----
		1,771,597		778,685
APPLICATION OF FUNDS				
=====				
Purchase of Fixed Assets	567,126		322,740	
Loans Repaid	361,488		413,941	
Corporation Tax Paid	681		4,955	
Investment	150,000	1,079,295	-	741,636
	-----	-----	-----	-----
		692,302		37,049
		=====		=====
INCREASE/DECREASE IN WORKING CAPITAL				
=====				
Increase in Debtors	40,114		31,699	
Decrease/(Increase) in Creditors - excluding Taxation	55,253	95,367	(27,328)	4,371
	-----		-----	
Movement in Net Liquid Funds:				
=====				
Increase in Cash Balances		596,935		32,678
		-----		-----
		692,302		37,049
		=====		=====

B.P. NURSING HOMES LIMITED  
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NOTES TO THE ACCOUNTS AS AT 31ST AUGUST 1986  
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1) ACCOUNTING POLICIES  
=====

(a) Accounting Convention

The accounts have been prepared in accordance with the Historical Cost Convention, modified to include the revaluation of land and buildings.

(b) Turnover

Turnover reflects the total amount of services supplied.

(c) Revaluation of Land and Buildings

The market value attributable to the land and buildings is assessed annually and any significant movement on the current valuations reflected in the accounts. Any additional depreciation charged to the Profit and Loss Account as a result of the revaluation will be credited back to retained profit from the revaluation reserve.

(d) Depreciation

Depreciation has been charged on fixed assets, by applying the following methods and annual rates:

Straight Line Method -	Leasehold Premises	2% - 5%
	Furniture and Fittings	10%
	Fixtures and Fittings	5%
Reducing Balance Method -	Motor Vehicles	25%

The revaluation of the leasehold premises is amortised at the rate of 2% with regard to the long term lease and over the remaining life of the short term lease, both using the straight line method.

The Directors are of the opinion that to depreciate freehold premises, in accordance with SSAP 12, would, as a result of the extensive maintenance continually carried out, be unnecessary, and therefore no charge has been made.

(e) Goodwill

Purchases of goodwill in excess of £1,000 are written off over 10 years on a straight line basis.

(f) Deferred Taxation

Deferred Taxation is provided on the liability method on all timing differences, except for those which are not expected to reverse in the foreseeable future.



B.P. NURSING HOMES LIMITED  
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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST AUGUST 1986  
=====

2) SHARE CAPITAL

=====

	<u>1986</u>	<u>1985</u>
	£	£
Authorised 20,200 Ordinary shares of £1 each	20,200	20,200
	=====	=====
Issued and Fully Paid 20,200 Ordinary shares of £1 each	20,200	20,200
	=====	=====

3) INVESTMENTS

=====

Subsidiaries

On 1st April 1986 a 100% subsidiary company B.P. Nursing Homes (Developments) Limited (formerly Rostrio Limited) commenced trading as developers of nursing homes.

The investment is shown at cost of £100

The Company has two other 100% subsidiaries which did not trade during the period and are shown at nil value.

P. & P. (Leisure) Limited  
Pacestar Limited

Other Investments

The Company acquired the following investment in Takare PLC during the year.

	<u>1986</u>
	£
<u>Cost</u>	
136,364 Ordinary Shares of £1 each	150,000
	-----
<u>Market Value</u> at 31st August 1986	163,637
	=====

B.P. NURSING HOMES LIMITED  
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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST AUGUST 1986  
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4) SECURED CREDITORS  
=====

Loans

The Company has a loan of £725,000 from Investors in Industry plc. The loan is repayable in 162 monthly instalments. The first repayment will be made on 31st December 1986.

The rate of interest charged is fixed at 2.5% above a floating rate determined by Investors in Industry plc.

The loan is secured by a fixed charge on the Company's assets at Letchworth and Malvern.

Bank Overdraft

The Bank Overdraft is secured by a legal charge over the property at Farnham Common.

## B.P. NURSING HOMES LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST AUGUST 1986

## 5) FIXED ASSETS

## TANGIBLE

	Freehold Premises	Long Leasehold Premises	Short Leasehold Premises	Fixtures and Fittings	Furniture and Fittings	Motor Vehicles	Total
	£	£	£	£	£	£	£
<b>COST OR VALUATION</b>							
As at 1st September 1985	856,548	452,111	116,470	49,363	511,177	83,088	2,068,757
Additions	-	-	-	11,737	149,045	37,870	198,652
Improvements to Premises	368,474	-	-	-	-	-	368,474
Revaluation of Properties	1,215,602	763,394	136,060	-	-	-	2,115,056
Sales	690,624	-	-	-	142,758	37,666	871,048
As at 31st August 1986	1,750,000	1,215,505	252,530	61,100	517,464	83,292	3,879,891
<b>DEPRECIATION</b>							
As at 1st September 1985	-	21,462	15,821	1,234	129,434	20,629	188,580
Charge for the year	-	9,043	6,709	3,051	49,424	16,156	84,383
Depreciation on Sales	-	-	-	-	17,324	18,190	35,514
As at 31st August 1986	-	30,505	22,530	4,285	161,534	18,595	237,449
Net Book Value at 31st August 1986	1,750,000	1,185,000	230,000	56,815	355,930	64,697	3,642,442
Net Book Value at 31st August 1985	856,548	430,649	100,649	48,129	381,743	62,459	1,880,177

B.P. NURSING HOMES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST AUGUST 1986

5) FIXED ASSETS (CONTINUED)

Depreciation on Leasehold Premises

The depreciation charged for the year on leasehold premises can be analysed as follows:-

	<u>1986</u>		<u>1985</u>	
	<u>Long Leasehold Premises</u>	<u>Short Leasehold Premises</u>	<u>Long Leasehold Premises</u>	<u>Short Leasehold Premises</u>
	£	£	£	£
On Cost	4,043	824	4,043	824
On Revaluation	5,000	5,885	5,000	5,885
	-----	-----	-----	-----
	9,043	6,709	9,043	6,709
	=====	=====	=====	=====

INTANGIBLE

=====

	<u>1986</u>	<u>1985</u>
	£	£
<u>Goodwill</u>		
<u>Cost</u>		
As at 1st September 1985 and 31st August 1986	152,502	152,502
	=====	=====
<u>Amortisation</u>		
As at 1st September 1985	30,502	15,252
Charge for year	15,250	15,250
	-----	-----
As at 31st August 1986	45,752	30,502
	=====	=====
Written down value at 31st August 1986	106,750	122,000
	=====	=====

6) DEBTORS

=====

	<u>1986</u>	<u>1985</u>
	£	£
Trade Debtors	60,428	55,736
Other Debtors	6,884	10,332
Amounts due from Group Companies	37,000	-
Prepayments and Accrued Income	15,965	14,095
	-----	-----
	120,277	80,163
	=====	=====

B.P. NURSING HOMES LIMITED  
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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST AUGUST 1986  
=====

7) CREDITORS  
=====

Amounts falling due within one year:

	<u>1986.</u>	<u>1985</u>
	£	£
Bank Loans and Overdrafts	165,026	108,388
Trade Creditors	6,158	11,331
Corporation Tax	91,135	617
Other Taxes and Social Security	36,302	61,888
Other Creditors	92,509	157,520
Accruals	74,693	31,247
	-----	-----
	465,823	370,991
	=====	=====

8) CREDITORS  
=====

Amounts falling due after more than one year:

	<u>1986</u>	<u>1985</u>
	£	£
Bank Loans	684,722	712,431
Hire Purchase Agreements	-	2,929
	-----	-----
	684,722	715,360
	=====	=====

9) OTHER OPERATING INCOME  
=====

	<u>1986</u>	<u>1985</u>
	£	£
Management Charge	12,500	10,000
	=====	=====

10) INTEREST RECEIVABLE  
=====

This relates solely to Deposit Interest.

B.P. NURSING HOMES LIMITED  
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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST AUGUST 1986  
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11) AMOUNT WRITTEN OFF INVESTMENT  
=====

This relates to the values of the investments in subsidiary companies.

	<u>1986</u>	<u>1985</u>
	£	£
Amounts written (back)/off investment	(100) ==	100 ==

12) INTEREST PAYABLE  
=====

	<u>1986</u>	<u>1985</u>
	£	£
Interest payable on:-		
Bank Loans and Overdrafts and Loans wholly repayable within five years	37,697	108,889
Bank Loans and Overdrafts and Loans not wholly repayable within five years	92,245	-
Hire Purchase Agreements	4,835	6,068
	-----	-----
	134,777	114,957
	=====	=====

13) OPERATING PROFIT  
=====

This is stated after charging:

	<u>1986</u>	<u>1985</u>
	£	£
Auditors Remuneration	4,796	11,977
Depreciation	84,383	84,513
Goodwill Amortised	15,250	15,250
Directors Remuneration	117,817	101,665
Equipment Rental	19,981	36,395
	=====	=====

B.P. NURSING HOMES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST AUGUST 1986

14) TAXATION

=====

	<u>1986</u>	<u>1985</u>
	£	£
PROFIT AND LOSS ACCOUNT		
=====		
Corporation Tax at 30%	91,135	362
Underprovision in previous years	64	-
Overprovision in previous years	-	(1,074)
Interest on overdue Tax	-	154
Interest Supplement Received	-	(214)
	-----	-----
	91,199	(772)
	=====	=====

BALANCE SHEET

=====

Creditors

Corporation Tax due	91,135	617
	=====	=====

15) STAFF COSTS

=====

	<u>1986</u>	<u>1985</u>
	£	£
Wages and Salaries	723,409	654,751
Social Security Costs	64,371	61,011
Other Pension Costs	66,580	55,405
	-----	-----
	854,360	771,167
	=====	=====

The average number of employees throughout the year was 229.

16) DIRECTORS REMUNERATION

=====

The Directors Remuneration is made up as follows:

	<u>1986</u>	<u>1985</u>
	£	£
Directors Remuneration	51,237	46,260
Directors Pension	66,580	55,405
	-----	-----
	117,817	101,665
	=====	=====
	£	£
Chairman	22,109	18,000
Highest Paid Director	29,128	28,260

## B.P. NURSING HOMES LIMITED

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## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST AUGUST 1986

=====

## 17) DEFERRED TAXATION

=====

No reserve in respect of deferred taxation has been made as, in the opinion of the Directors, the timing differences are unlikely to reverse in the foreseeable future.

The potential liability for deferred taxation when calculated at 35% is £125,155

## 18) EXTRAORDINARY INCOME

=====

On the 12th February 1986 the Company sold its nursing home in Bexhill, Sussex for £1,080,000. Full rollover relief will be claimed and therefore no provision for taxation has been made in these accounts.

## 19) RESERVES

=====

	<u>1986</u>	<u>1985</u>
	£	£
<u>Profit and Loss Account</u>		
Balance at 1st September 1985	406,869	342,843
Profit for the year	581,216	64,026
	-----	-----
Balance at 31st August 1986	988,085	406,869
	=====	=====
 <u>Revaluation Reserve</u>		
Revaluations at 1st September 1985	578,230	589,115
Amortisation during year	(10,385)	(10,885)
Transfer re disposal of assets	(150,000)	-
	-----	-----
	417,345	578,230
Revaluation at 31st August 1986	2,115,056	-
	-----	-----
Balance at 31st August 1986	2,532,401	578,230
	=====	=====
 Distributable reserves	988,085	406,869
Undistributable reserves	2,532,401	578,230
	-----	-----
	3,529,486	985,099
	=====	=====



## B.P. NURSING HOMES LIMITED

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## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST AUGUST 1986

=====

## 20) CAPITAL COMMITMENTS

=====

	<u>1986</u>	<u>1985</u>
	£	£
Amounts contracted for but not provided in the accounts	-	-
Amounts authorised by the Directors but not contracted	2,500,000	-

## 21) LOAN REPAYMENTS

=====

The Loans will be repaid as follows:

	<u>1986</u>	<u>1985</u>
	£	£
Within one year	40,278	49,052
Over one year but within five years	214,815	508,231
Over five years	469,907	204,200
	-----	-----
	725,000	761,483
	=====	=====

## 22) GROUP ACCOUNTS

=====

No group accounts have been prepared in accordance with SSAP 14, as in the opinion of the Directors, they would be of no benefit to the members.

## 23) REVALUATION OF PROPERTIES

=====

The land and buildings were valued on 31st August 1986 by a specialist nursing home valuer. The valuation was carried out on a strict commercial basis, which assumes the continued use as residential housing.