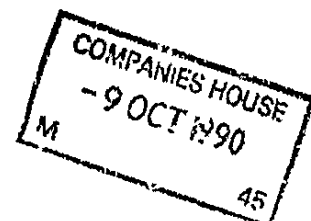


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TAKARE SPECIAL PROJECTS LIMITED
(formerly B.P. Nursing Homes Limited)

DIRECTORS REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1989



TAKARE SPECIAL PROJECTS LIMITED
(formerly B.P. Nursing Homes Limited)

DIRECTORS' REPORT

The directors have pleasure in presenting their report and audited accounts for the year ended 31st December 1989.

Principal activity

The principal activity is that of owners and managers of specialist medical centres.

Business review

The name of the company was changed to Takare Special Projects Limited on 10th March 1989.

The company has continued to trade satisfactorily during the year.

The directors do not recommend the payment of a dividend. The retained profits for the year of £120,014 (1988: £140,210) have been transferred to reserves.

Directors

The following directors served during the year:

K.G. Bradshaw
D. Pritchard
J.C. Mattock (resigned 24th October 1989)
J.R.W. Edwards
N.W. Wray (appointed 29th November 1989)
H.D. Anstead (appointed 28th February 1990)
B. St. John (appointed 28th February 1990)

Mr. K.G. Bradshaw, Mr. D. Pritchard and Mr. N.W. Wray are members of the board of the ultimate holding company and have notified their interests in group companies to that company.

The interest of the other directors in the shares of Takare plc is as follows:

	<u>31st December 1989</u>	<u>31st December 1988</u>
J.R.W. Edwards	2,667	1,905
H.D. Anstead	-	-
B. St. John	-	-

Under the approved senior executive share option scheme, Mr. J.R.W. Edwards has been granted options to subscribe for 37,500 ordinary shares of Takare plc between May 1991 and May 1998 at a price of 215 pence per share and 4,843 ordinary shares of Takare plc between April 1992 and April 1999 at a price of 400 pence per share. He has also been granted options to subscribe for 2,657 ordinary shares of Takare plc between April 1992 and April 1996 at a price of 400 pence per share under the unapproved senior executive share option scheme.

No options to subscribe for shares in group companies have been granted to ... H.D. Anstead or Mr. B. St. John under either scheme.

TAKARE SPECIAL PROJECTS LIMITED
(formerly B.P. Nursing Homes Limited)

DIRECTORS' REPORT
(continued)

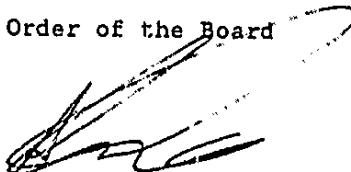
Fixed assets

Movements of fixed assets are shown in note 6 to the accounts.

Auditors

On 1st January 1990 our auditors changed the name under which they practise to KPMG Peat Marwick McLintock and accordingly have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming annual general meeting.

By Order of the Board



Secretary

Himley Mill,
School Road,
Himley,
Dudley.
DY3 4LG

28th February 1990

Peat Marwick McLintock

AUDITORS' REPORT TO THE MEMBERS OF

TAKARE SPECIAL PROJECTS LIMITED
(formerly B.P. Nursing Homes Limited)

We have audited the accounts on pages 4 to 11 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31st December 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Pinter & Mitchell

Birmingham

Chartered Accountants

28th February 1990

28th February 1990

TAKARE SPECIAL PROJECTS LIMITED
(formerly B.P. Nursing Homes Limited)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st DECEMBER 1989

	<u>Note</u>	<u>1989</u> <u>£</u>	<u>1988</u> <u>£</u>
TURNOVER	1	509,863	491,071
Cost of sales		(281,439)	(252,832)
GROSS PROFIT		228,424	238,239
Administrative expenses		(49,092)	(45,059)
Interest payable and similar charges	3	(398)	(590)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	178,934	192,590
Taxation on profit on ordinary activities	5	(58,920)	(52,380)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		120,014	140,210

Movements on reserves are shown in note 11.

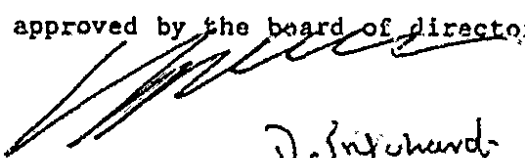
TAKARE SPECIAL PROJECTS LIMITED
(formerly B.P. Nursing Homes Limited)

BALANCE SHEET

AT 31st DECEMBER 1989

	Note	1989		1988	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		321,120		332,875
CURRENT ASSETS					
Debtors	7	1,244,771		925,710	
Cash at bank and in hand		55,645		244,575	
		<u>1,300,416</u>		<u>1,170,285</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(93,968)</u>		<u>(95,606)</u>	
NET CURRENT ASSETS			<u>1,206,448</u>		<u>1,074,679</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,527,568</u>		<u>1,407,554</u>
CAPITAL AND RESERVES					
Called up share capital	10		20,200		20,200
Profit and loss account	11		<u>1,507,368</u>		<u>1,387,354</u>
			<u>1,527,568</u>		<u>1,407,554</u>

These accounts were approved by the board of directors on 28th February 1990.


D. Ingham } DIRECTORS

SOURCE AND APPLICATION OF FUNDS

	1989	1988
	<u>£</u>	<u>£</u>
SOURCE OF FUNDS		
Profit on ordinary activities before taxation		192,590
Adjustments for items not involving the movement of funds:	178,934	
Depreciation	16,531	16,729
Profit on disposal of fixed assets	(17)	-
TOTAL GENERATED FROM OPERATIONS	195,448	209,319
FUNDS FROM OTHER SOURCES		
Proceeds of disposal of fixed assets	4,170	-
Corporation tax transferred from parent company	-	19,620
	4,170	19,620
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	(8,929)	(18,705)
Corporation tax paid	(66,920)	-
	(75,849)	(18,705)
	123,769	210,234
MOVEMENTS IN WORKING CAPITAL		
Debtors	319,061	61,675
Creditors	(6,362)	(2,525)
	312,699	59,150
Movement in net liquid funds:		
Cash at bank and in hand	(188,930)	151,084
	123,769	210,234

TAKARE SPECIAL PROJECTS LIMITED
(formerly B.P. Nursing Homes Limited)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1989

1. Statement of accounting policies

(a) Accounting convention

The accounts have been prepared under the historical cost convention.

(b) Turnover

Turnover represents the amount receivable for services provided.

(c) Depreciation

Depreciation is provided to write off the cost of tangible fixed assets over their estimated useful lives, by applying the following methods and annual rates:

Long leasehold premises	- 2% straight line
Furniture, fixtures and fittings	- short term 10% straight line
	- long term 5% straight line
Motor vehicles	- 25% reducing balance

(d) Deferred taxation

Deferred taxation is provided in respect of the tax effects arising from all timing differences of material amount to the extent that in the opinion of the directors it is probable a liability will arise.

(e) Leased equipment

The costs of operating leases are charged to the profit and loss account in the period in which they are incurred.

TAKARE SPECIAL PROJECTS LIMITED
(formerly B.P. Nursing Homes Limited)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1989
(continued)

2. Staff numbers and costs

The average number of persons employed by the company during the year was as follows:

	<u>1989</u>	<u>1988</u>
	<u>Number</u>	<u>Number</u>
Health care (includes part-time employees)	89	78
Directors	4	3
	<u>93</u>	<u>81</u>

The aggregate payroll costs of these persons were as follows:

	<u>£</u>	<u>£</u>
Wages and salaries	227,623	216,607
Social security costs	15,171	13,259
Other pension costs	-	-
	<u>242,794</u>	<u>229,866</u>

3. Interest payable and similar charges

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Interest on bank loans and overdrafts and other loans wholly repayable within five years	398	590

4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is arrived at after charging:

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Auditors' remuneration	2,000	1,750
Depreciation	16,531	16,729

None of the directors received any emoluments from the company.

5. Taxation on profit on ordinary activities

The charge for taxation is as follows:

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Based on the profit for the year:		
Corporation tax at 35%	64,000	72,000
Over provision in previous period	(5,080)	(19,620)
	<u>58,920</u>	<u>52,380</u>

TAKARE SPECIAL PROJECTS LIMITED
(formerly B.P. Nursing Homes Limited)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1989
(continued)

6. Tangible fixed assets

<u>Cost</u>	Long leasehold land and <u>buildings</u> £	Fixtures and <u>fittings</u> £	Motor vehicles £	<u>Total</u> £
As at 1st January 1989	267,113	177,140	5,405	449,658
Additions	-	3,029	5,900	8,929
Disposals	-	-	(5,405)	(5,405)
As at 31st December 1989	267,113	180,169	5,900	453,182
<u>Depreciation</u>				
As at 1st January 1989	26,502	86,423	3,858	116,783
Charge in year	5,342	11,125	64	16,531
Disposals	-	-	(1,252)	(1,252)
As at 31st December 1989	31,844	97,548	2,670	132,062
<u>Net book value</u>				
As at 31st December 1989	235,269	82,621	3,230	321,120
As at 31st December 1988	240,611	90,717	1,547	332,875

The legal title of the Malvern, Blackburn and Himley Nursing Homes remains with Takare Special Projects Limited, however the beneficial interest in these properties has been transferred to Takare plc.

A bank guarantee given by Lloyds Bank Plc in respect of a loan of £1.3m from 3i plc to Takare plc is secured on St. Catherine's nursing home, the remaining property in the company.

Finance costs incurred on specific property developments have been capitalised as follows:

<u>Cost and net book value</u>	Long leasehold land and <u>buildings</u> £
As at 1st January 1989 and 31st December 1989	927

The company had no capital commitments at 31st December 1989 or at 31st December 1988.

TAKARE SPECIAL PROJECTS LIMITED
(formerly B.P. Nursing Homes Limited)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1989
(continued)

7. Debtors

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Trade debtors	31,319	29,116
Amounts due from holding company	1,209,444	893,996
Other debtors	470	-
Prepayments and accrued income	3,538	2,598
	<u>1,244,771</u>	<u>925,710</u>

The amounts due from holding company are recoverable after more than one year.

8. Creditors: Amounts falling due within one year

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Trade creditors	5,792	1,833
Corporation tax	64,000	72,000
Other taxes and social security	11,290	10,087
Accruals and deferred income	12,886	11,686
	<u>93,968</u>	<u>95,606</u>

9. Potential liability to deferred taxation

No provision for deferred taxation has been made in these accounts.

The full potential liability for deferred taxation calculated at 35% is as follows:

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Accelerated capital allowances	14,942	13,995

10. Called up share capital

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Authorised, issued and fully paid: 20,200 ordinary shares of £1 each	20,200	20,200

TAKARE SPECIAL PROJECTS LIMITED
(formerly B.P. Nursing Homes Limited)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1989
(continued)

11. Profit and loss account

	<u>£</u>
As at 1st January 1989	1,387,354
Retained profit for the year	<u>126,014</u>
As at 31st December 1989	<u>1,507,368</u>

12. Leasing commitments

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Operating lease payments due within one year: In respect of leases for land and buildings terminating after five years	<u>250</u>	<u>250</u>

13. Ultimate holding company

The company's ultimate holding company is Takare plc, a company incorporated in England.

14. Contingent liability

The company has guaranteed the overdrafts of certain fellow subsidiary companies amounting to £112,627 at 31st December 1989.