

# **Goldsborough Developments Limited**

## **Annual report for the year ended 29 September 1996**

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## **Directors and advisers**

### **Executive directors**

**G Smith**  
Chairman

**I Fozard**

**D Sabourn**

**D R Morris**

**G R Stevens**

### **Secretary and registered office**

**D R Morris**  
Bridge House  
Outwood Lane  
Horsforth  
LEEDS  
LS18 4UP

### **Registered Auditors**

**Coopers & Lybrand**  
Benson House  
33 Wellington Street  
LEEDS  
LS1 4JP

### **Solicitors**

**Walker Morris**  
Kings Court  
12 King Street  
LEEDS  
LS1 2HL

**Eversheds**  
Cloth Hall Court  
Infirmary Street  
LEEDS  
LS1 2JB

### **Bankers**

**National Westminster Bank plc**  
8 Park Row  
LEEDS  
LS1 1QS

**Midland Bank plc**  
2 Cloth Hall Street  
HUDDERSFIELD  
HD1 2ES

## **Directors' report for the year ended 29 September 1996**

The directors present their report and the audited financial statements for the year ended 29 September 1996.

### **Principal activities**

The principal activities of the company consist of the development of care homes and private hospitals and the operation of private hospitals.

### **Review of business**

The profit and loss account for the year is set out on page 7.

On 29 September 1996, the company acquired the trade and net assets of Regency Hospital Limited and Regency Macclesfield Limited both of which are fellow subsidiary undertakings. On the same date the company also acquired the trade and net assets of the Methley Park Hospital from Goldsborough Limited, a fellow subsidiary undertaking. Further details of the acquisitions, for which consideration was settled through intercompany accounts, are at note 16 to the accounts.

In the opinion of the directors, both the level of business and the year end financial position were satisfactory, and the directors expect a continued improvement in the level of activity in the foreseeable future.

### **Dividends and transfers to reserves**

The directors recommend the payment of a dividend for the year ended 29 September 1996 of £1,050,000 (1995: £Nil). The retained loss for the year of £1,163,000 (1995: £1,445,000 profit) will be deducted from reserves.

### **Directors**

The directors of the company at 29 September 1996, all of whom have been directors for the whole of the year ended on that date were as follows:

G Smith  
I Fozard  
D Sabourn  
D R Morris  
G R Stevens

In accordance with the Articles of Association, G Smith and D Sabourn retire by rotation and, being eligible, offer themselves for re-election.

**Directors' interests in shares of the company**

The directors had no interests in the shares of the company at 29 September 1996 or at any time during the year. The interests of G Smith, I Fozard and G R Stevens in the shares of the ultimate parent company, Goldsborough Healthcare PLC, are set out in the financial statements of that company. The interests of D R Morris in the shares of the ultimate parent company are included in the financial statements of Goldsborough Limited. D Sabourn had no interest in the shares of the ultimate parent company at 29 September 1996 or at any time during the year.

Details of the share options granted to D Sabourn during the year and outstanding at the year end are as follows:

|           | <b>Goldsborough Healthcare PLC<br/>Executive Share Option Scheme</b> | <b>Goldsborough<br/>Healthcare PLC<br/>Savings Related<br/>Share Option<br/>Scheme</b> |
|-----------|--|--|
|           | <b>Period exercisable</b>  |  |
| D Sabourn | 14,706 at 170p<br>4,000 at 135p                                      | 16 Feb 1997 - 16 Feb 2004<br>22 July 1999 - 22 July 2006                               |
|           |  | 1,014 at 136p  |

Options granted under the Savings Related Scheme are normally exercisable within a period of six months after the fifth anniversary of the date of the related savings contract (1 May 1999).

**Fixed assets**

The movements in fixed assets during the year are set out in note 9 to the financial statements.

Whilst the company will continue to maintain its freehold and long leasehold properties in a continual state of sound repair, the directors believe that it is appropriate to depreciate all of the company's operating properties and, therefore, depreciation has been charged during the year.

**Taxation status**

In the opinion of the directors the company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

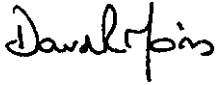
**Insurance of officers**

During the year, the ultimate parent company maintained an insurance policy to indemnify directors and officers of that company and of its subsidiary companies against liabilities in relation to those companies.

## **Auditors**

In accordance with Section 366A of the Companies Act 1985, an elective resolution dispensing with the requirement to hold annual general meetings, and consequently the requirement to reappoint auditors annually, was passed on 28 December 1990.

**By order of the board**

A handwritten signature in dark ink, appearing to read 'D R Morris', is written over the typed name.

**D R Morris**  
**Company Secretary**  
Leeds  
14 January 1997

**Statement of directors' responsibilities**

The directors are required by UK company law to prepare financial statements for each financial year that 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.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 29 September 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**By order of the board**

A handwritten signature in dark ink, appearing to read 'D R Morris', is written over the printed name.

**D R Morris**  
**Company Secretary**  
14 January 1997

## **Report of the auditors to the members of Goldsborough Developments Limited**

We have audited the financial statements on pages 7 to 16.

### **Respective responsibilities of directors and auditors**

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

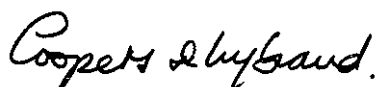
### **Basis of opinion**

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 company's affairs at 29 September 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Coopers & Lybrand**

**Chartered Accountants and Registered Auditors**

Leeds

14 January 1997

**Profit and loss account  
for the year ended 29 September 1996**

|   | Notes | 1996<br>£'000  | 1995<br>£'000 |
|---|-------|----------------|---------------|
| Turnover  | 2     | 11,049         | 10,091        |
| Cost of sales   | 3     | (9,211)        | (8,556)       |
| <b>Gross profit</b>   |       | <b>1,838</b>   | <b>1,535</b>  |
| Administrative expenses                                     |       | (628)          | (22)          |
| <b>Operating profit</b>                                     |       |                |               |
| Continuing operations                                       |       | 1,210          | 1,422         |
| Acquisitions  |       | -              | 91            |
|   | 3     | <b>1,210</b>   | <b>1,513</b>  |
| <b>Profit on ordinary activities before interest</b>        |       | <b>1,210</b>   | <b>1,513</b>  |
| Interest receivable and similar income                      |       | -              | 20            |
| Interest payable and similar charges                        | 5     | (1,443)        | -             |
| <b>(Loss)/profit on ordinary activities before taxation</b> | 6     | <b>(233)</b>   | <b>1,533</b>  |
| Taxation  | 7     | 120            | (88)          |
| <b>(Loss)/profit for the financial year</b>                 |       | <b>(113)</b>   | <b>1,445</b>  |
| Dividends   | 8     | (1,050)        | -             |
| <b>(Deficit)/retained profit for the year</b>               | 18    | <b>(1,163)</b> | <b>1,445</b>  |

The company has no recognised gains and losses other than those included in the profit and loss account above and, therefore, no separate statement of total recognised gains and losses has been presented.

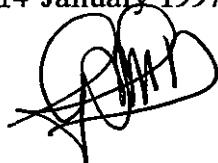
There is no difference between the (loss)/profit on ordinary activities before taxation and the (deficit)/retained profit for the year stated above and their historical cost equivalents.



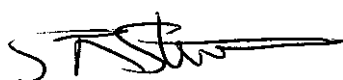
**Balance sheet  
at 29 September 1996**

|   | Notes | 1996<br>£'000 | 1995<br>£'000 |
|---|-------|---------------|---------------|
| <b>Fixed assets</b>                                     |       |               |               |
| Tangible assets   | 9     | 30,814        | 21,142        |
| <b>Current assets</b>                                   |       |               |               |
| Stocks and work in progress                             | 10    | 3,115         | 2,911         |
| Debtors: amounts falling due after more than one year   | 11    | 4,460         | 5,030         |
| Debtors: amounts falling due within one year            | 11    | 2,168         | 1,105         |
| Cash at bank and in hand                                |       | 1,484         | -             |
|   |       | 11,227        | 9,046         |
| Creditors: amounts falling due within one year          | 12    | (2,663)       | (2,007)       |
| <b>Net current assets</b>                               |       | 8,564         | 7,039         |
| <b>Total assets less current liabilities</b>            |       | 39,378        | 28,181        |
| Creditors: amounts falling due after more than one year | 13    | (37,378)      | (24,684)      |
| <b>Net assets</b>                                       |       | 2,000         | 3,497         |
| <b>Capital and reserves</b>                             |       |               |               |
| Called-up share capital                                 | 17    | 2,000         | 2,000         |
| Profit and loss account                                 | 18    | -             | 1,497         |
| <b>Equity shareholders' funds</b>                       | 19    | 2,000         | 3,497         |

The financial statements on pages 7 to 16 were approved by the board of directors on 14 January 1997 and were signed on its behalf by:



**G Smith**  
Director



**G R Stevens**  
Director

**Notes to the financial statements  
for the year ended 29 September 1996****1 Principal 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 applied consistently, is set out below.

**Basis of accounting**

The financial statements have been prepared under the historical cost convention.

**Cash flow statement**

As permitted by Financial Reporting Standard No 1, no cash flow statement is provided as the company is a wholly owned subsidiary undertaking of a company incorporated in the UK.

**Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of certain operating properties includes attributable overheads and interest incurred during construction.

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over their expected useful lives. The principal annual rates used for this purpose are:

|  | %  |
|--|----|
| Freehold and long leasehold properties | 2  |
| Motor vehicles                         | 25 |
| Fixtures and fittings                  | 10 |

**Stocks and work in progress**

Stocks are stated at the lower of cost and net realisable value. Cost of properties under construction includes attributable overheads and interest payable on amounts borrowed to finance construction.

**Turnover**

Turnover, all of which arises from the company's principal activities, represents the total amount, exclusive of value added tax, receivable by the company for the provision of goods and services.

**Finance and operating leases**

Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in tangible fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding. Costs in respect of operating leases are charged on a straight line basis over the lease term.

**Deferred taxation**

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

**2 Turnover and profit on ordinary activities before taxation**

Turnover and profit on ordinary activities before taxation all arise from the company's principal activities in the United Kingdom.

**3 Cost of sales and other operating income and expenses**

1996 results include cost of sales amounting to £Nil (1995: £Nil) and administration income of £Nil (1995: £91,000) in respect of acquisitions made during the year.

Operating profit for 1996 is stated after charging £196,000 (1995: £Nil) of costs incurred defending the company's trade by preventing a takeover bid for its ultimate parent.

The company's freehold and long leasehold operating properties have been depreciated over 50 years with effect from 2 October 1995, resulting in an additional depreciation charge for the year of £334,000.

#### 4 Directors' emoluments and employee information

The average weekly number of persons employed during the year was:

|                                      | 1996<br>Number | 1995<br>Number |
|--------------------------------------|----------------|----------------|
| By job type:                         |                |                |
| Private care activities              | 149            | 148            |
| Administration                       | 4              | 4              |
|                                      | <u>153</u>     | <u>152</u>     |
|                                      | <u>153</u>     | <u>152</u>     |
|                                      |                |                |
|                                      | 1996           | 1995           |
|                                      | £'000          | £'000          |
| Staff costs (for the above persons): |                |                |
| Wages and salaries                   | 1,751          | 1,696          |
| Social security costs                | 135            | 127            |
| Other pension costs (note 15)        | 13             | 15             |
|                                      | <u>1,899</u>   | <u>1,838</u>   |
|                                      | <u>1,899</u>   | <u>1,838</u>   |

The cost of the directors' emoluments for their services to the company during the year and the prior year was borne by Goldsborough Limited.

#### 5 Interest payable and similar charges

|   | 1996<br>£'000 | 1995<br>£'000 |
|---|---------------|---------------|
| On bank loans, overdrafts and other balances:   |               |               |
| Repayable within 5 years, not by instalments    | 27            | -             |
| Repayable wholly or partly in more than 5 years | 1,416         | -             |
|   | <u>1,443</u>  | <u>-</u>      |
|   | <u>1,443</u>  | <u>-</u>      |

#### 6 Profit on ordinary activities before taxation

|   | 1996<br>£'000 | 1995<br>£'000 |
|---|---------------|---------------|
| Profit on ordinary activities before taxation is stated after charging: |               |               |
| Depreciation charge for the year:                                       |               |               |
| Tangible owned fixed assets   | 616           | 196           |
| Tangible fixed assets held under finance leases                         | 52            | 13            |
| Land and buildings - operating leases                                   | 30            | 30            |
|   | <u>698</u>    | <u>239</u>    |
|   | <u>698</u>    | <u>239</u>    |

The remuneration of the company's auditors is borne by a fellow subsidiary undertaking.

## 7 Taxation

|   | 1996<br>£'000 | 1995<br>£'000 |
|---|---------------|---------------|
| United Kingdom corporation tax at 33% (1995: 33%) |               |               |
| - Current year                                    | -             | 88            |
| - Prior year                                      | (120)         | -             |
|   | <u>(120)</u>  | <u>88</u>     |

## 8 Dividends

|   | 1996<br>£'000 | 1995<br>£'000 |
|---|---------------|---------------|
| Ordinary:   |               |               |
| Final proposed of 52.5 pence per share (1995: £Nil) | <u>1,050</u>  | <u>-</u>      |

## 9 Tangible fixed assets

|  | Freehold<br>property<br>£'000 | Long<br>leasehold<br>properties<br>£'000 | Fixtures,<br>fittings and<br>vehicles<br>£'000 | Total<br>£'000 |
|--|-------------------------------|--|--|----------------|
| <b>Cost</b>                                      |                               |  |  |                |
| At 2 October 1995                                | 8,261                         | 10,846                                   | 2,376  | 21,483         |
| Transfers from fellow subsidiary<br>undertakings | 8,487                         | -  | 2,763  | 11,250         |
| Additions  | -                             | 37                                       | 435  | 472            |
| Disposals  | -                             | -  | (6)  | (6)            |
| <b>At 29 September 1996</b>                      | <u>16,748</u>                 | <u>10,883</u>                            | <u>5,568</u>                                   | <u>33,199</u>  |
| <b>Depreciation</b>                              |                               |  |  |                |
| At 2 October 1995                                | -                             | -  | 341  | 341            |
| Charge for the year                              | 139                           | 195                                      | 334  | 668            |
| Transfers from fellow subsidiary<br>undertakings | 157                           | -  | 1,225  | 1,382          |
| Disposals  | -                             | -  | (6)  | (6)            |
| <b>At 29 September 1996</b>                      | <u>296</u>                    | <u>195</u>                               | <u>1,894</u>                                   | <u>2,385</u>   |
| <b>Net book value</b>                            |                               |  |  |                |
| <b>At 29 September 1996</b>                      | <u>16,452</u>                 | <u>10,688</u>                            | <u>3,674</u>                                   | <u>30,814</u>  |
| At 1 October 1995                                | <u>8,261</u>                  | <u>10,846</u>                            | <u>2,035</u>                                   | <u>21,142</u>  |

**10 Stocks and work in progress**

|                               | 1996<br>£'000 | 1995<br>£'000 |
|-------------------------------|---------------|---------------|
| Properties under construction | 2,693         | 2,721         |
| Consumables                   | 422           | 190           |
|                               | <u>3,115</u>  | <u>2,911</u>  |

**11 Debtors**

|  | 1996<br>£'000 | 1995<br>£'000 |
|--|---------------|---------------|
| Amounts falling due within one year            |               |               |
| Trade debtors                                  | 1,648         | 903           |
| Other debtors                                  | 353           | 202           |
| VAT  | 167           | -             |
|  | <u>2,168</u>  | <u>1,105</u>  |
| Amounts falling due after more than one year   |               |               |
| Amounts due from fellow subsidiary undertaking | 1,554         | 756           |
| Amounts due from ultimate parent undertaking   | 2,906         | 4,274         |
|  | <u>4,460</u>  | <u>5,030</u>  |
|  | <u>6,628</u>  | <u>6,135</u>  |

**12 Creditors: amounts falling due within one year**

|                                  | 1996<br>£'000 | 1995<br>£'000 |
|----------------------------------|---------------|---------------|
| Bank overdraft                   | -             | 78            |
| Obligations under finance leases | 119           | 115           |
| Trade creditors                  | 1,863         | 1,088         |
| Other creditors                  | 108           | 8             |
| Accruals                         | 398           | 107           |
| VAT                              | -             | 319           |
| Corporation tax                  | 175           | 292           |
|                                  | <u>2,663</u>  | <u>2,007</u>  |

The bank overdraft is secured by fixed and floating charges on all the assets of the company and is repayable on demand.

**13 Creditors : amounts falling due after more than one year.**

|  | 1996<br>£'000 | 1995<br>£'000 |
|--|---------------|---------------|
| Amounts owed to fellow subsidiary undertakings | 37,039        | 24,483        |
| Obligations under finance leases               | 70            | 201           |
| Other creditors                                | 269           | -             |
|  | <u>37,378</u> | <u>24,684</u> |

**Finance leases**

The net finance leases to which the group is committed are:

|                            | 1996<br>£'000 | 1995<br>£'000 |
|----------------------------|---------------|---------------|
| In one year or less        | 119           | 115           |
| Between one and two years  | 70            | 127           |
| Between two and five years | -             | 74            |
|                            | <u>189</u>    | <u>316</u>    |

**14 Deferred taxation**

In accordance with the company's accounting policy on page 10, no provision has been made for deferred taxation. The total potential liability is as follows:

|  | 1996<br>£'000 | 1995<br>£'000 |
|--|---------------|---------------|
| Tax effect of timing differences due to: |               |               |
| Accelerated capital allowances           | 871           | 513           |
| In respect of unutilised tax losses      | (159)         | -             |
|  | <u>712</u>    | <u>513</u>    |

**15 Pension and similar obligations**

The company contributes to a money purchase scheme for certain employees. Payment arrangements are variable with contributions made by both the company and employees. In addition the company contributes towards a number of personal pension schemes. The total pension cost to the company in the year amounted to £13,000 (1995: £15,000).

## 16 Acquisitions

On 29 September 1996 the company acquired the trade and net assets of Regency Hospital Limited and Regency Macclesfield Limited, both of which are fellow subsidiary undertakings. On the same date the company also acquired the trade and net assets of the Methley Park Hospital from Goldsborough Limited, a fellow subsidiary undertaking. Consideration for all the acquisitions has been settled through intercompany balances. Details of the acquisitions are as follows:

|   | Regency<br>Hospital<br>£'000 | Regency<br>Macclesfield<br>£'000 | Methley<br>Park<br>£'000 | Total<br>£'000 |
|---|------------------------------|----------------------------------|--------------------------|----------------|
| <b>Tangible fixed assets</b>              | 5,512                        | -                                | 4,356                    | 9,868          |
| <b>Current assets</b>                     |                              |                                  |                          |                |
| Stock                                     | 76                           | -                                | 103                      | 179            |
| Debtors due within one year               | 484                          | -                                | 453                      | 937            |
| Debtors due in over one year              | -                            | 3                                | 1,757                    | 1,760          |
| Cash                                      | 957                          | -                                | 3                        | 960            |
| <b>Creditors payable in one year</b>      | (486)                        | (3)                              | (310)                    | (799)          |
| <b>Creditors payable in over one year</b> | (3,900)                      | -                                | (4,159)                  | (8,059)        |
| <b>Net assets acquired</b>                | <u>2,643</u>                 | <u>-</u>                         | <u>2,203</u>             | <u>4,846</u>   |
| <b>Consideration</b>                      |                              |                                  |                          |                |
| Intercompany accounts                     |                              |                                  |                          | <u>4,846</u>   |

## 17 Called-up share capital

|  | 1996<br>£'000 | 1995<br>£'000 |
|--|---------------|---------------|
| <b>Authorised</b>                                      |               |               |
| 2,000,000 (1995: 2,000,000) ordinary shares of £1 each | <u>2,000</u>  | <u>2,000</u>  |
| <b>Allotted, called-up and fully paid</b>              |               |               |
| 2,000,000 (1995: 2,000,000) ordinary shares of £1 each | <u>2,000</u>  | <u>2,000</u>  |

## 18 Profit and loss account

|                             | £'000    |
|-----------------------------|----------|
| At 2 October 1995           | 1,497    |
| Deficit for the year        | (1,163)  |
| Goodwill                    | (334)    |
| <b>At 29 September 1996</b> | <u>-</u> |

Goodwill of £334,000 has been charged to the profit and loss account arising from the acquisition of the Tunbridge Wells Independent Hospital on 21 July 1995.



**19 Reconciliation of movements in shareholders' funds**

|                             | 1996<br>£'000 | 1995<br>£'000 |
|-----------------------------|---------------|---------------|
| Deficit for the year        | (1,163)       | 1,445         |
| Goodwill (see note 18)      | (334)         | -             |
| Opening shareholders' funds | 3,497         | 2,052         |
| Closing shareholders' funds | <u>2,000</u>  | <u>3,497</u>  |

**20 Capital commitments**

|  | 1996<br>£'000 | 1995<br>£'000 |
|--|---------------|---------------|
| Capital expenditure that has been contracted for but has not been provided for in the financial statements | 4,149         | 6,418         |
| Capital expenditure that has been authorised by the directors but has not yet been contracted for          | 3,200         | 3,969         |

**21 Financial commitments**

At 29 September 1996 the company had annual commitments under non-cancellable operating leases in respect of land and buildings as follows:

|                             | 1996<br>£'000 | 1995<br>£'000 |
|-----------------------------|---------------|---------------|
| Expiring in over five years | 30            | 30            |

**22 Group banking arrangements**

The company has entered into unlimited multilateral guarantees to secure the borrowings of certain other group undertakings. At 29 September 1996 the net amount outstanding under these arrangements was approximately £42,250,000 (1995: £35,000,000).

**23 Ultimate parent company**

The ultimate parent company is Goldsborough Healthcare PLC, a company registered in England and Wales. Copies of that company's consolidated financial statements may be obtained from The Secretary, Goldsborough Healthcare PLC, Bridge House, Outwood Lane, Horsforth, Leeds LS18 4UP.