

**HOME FOR LIFE LIMITED AND SUBSIDIARIES**

ACCOUNTS - 30TH JUNE 1997

Together with

DIRECTORS' AND AUDITORS' REPORTS

ROLAND WADE & CO.  
CHARTERED ACCOUNTANTS  
VICARAGE HILL  
WESTERHAM KENT



## HOME FOR LIFE LIMITED AND SUBSIDIARIES

## DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH JUNE 1997

The Directors present their annual report on the affairs of the Group, together with the accounts and auditors' report, for the year ended 30th June 1997.

## PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Group is the acquisition and sale of reversionary interests in managed retirement housing and freehold residential properties.

The results of the Group for the year are set out in the consolidated profit and loss account on page 4. The accumulated deficit decreased during the year to £9,795,228 as follows:

Accumulated deficit, beginning of year	£(10,799,718)
Profit for the year after taxation	1,004,490
	-----
Accumulated deficit, end of year	£ (9,795,228)
	=====

The Directors do not recommend the payment of a dividend (1996 - £nil).

## DIRECTORS AND THEIR INTERESTS

The Directors who held office during the year were as follows:

A.M.E. Green  
R. A. Green A.I.B.

The Directors who held office at 30th June 1997 had no interests other than those shown below in the shares and loan stock of the Company:

NAME OF DIRECTOR	DESCRIPTION OF INTEREST	30th June 1997	30th June 1996
R.A. Green	Ordinary shares	3,550,000	3,550,000
	Redeemable Preference shares	7,500,000	7,500,000
	Unsecured loan stock	9,388,675	11,033,675

There has been no change in the beneficial interests of the Directors between 30th June 1997 and the date of this report.

## FIXED ASSETS

Information relating to changes in fixed assets is given in Notes 8 and 9 to the accounts.

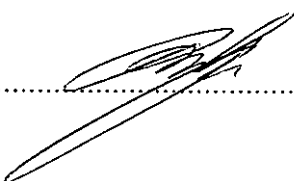
## DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Board of Directors

.....R.A. GREEN - Director

Approved by the Board.....5/11/.....1997

Registered Office:  
6th Floor  
Northway House  
1379 High Road  
Whetstone  
London N20 9LP

AUDITORS' REPORT TO THE SHAREHOLDERS

of

HOME FOR LIFE LIMITED

We have audited the accounts on pages 4 to 13 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

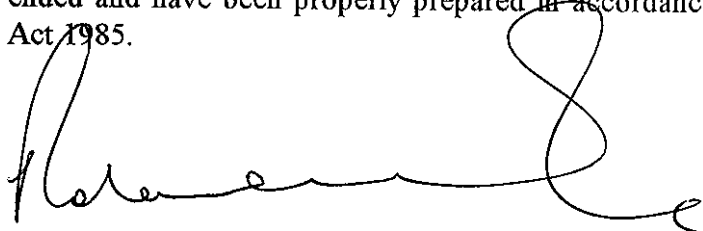
BASIS OF OPINION

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 accounts. It also includes an assessment of the significant estimates and judgements by the directors in the preparation of the accounts, 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 accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of the affairs of the company and the Group at 30th June 1997 and of its profit and cash flow of the Group for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.



ROLAND WADE & CO.  
Chartered Accountants and  
Registered Auditor  
Vicarage Hill  
Westerham  
Kent TN16 1TL

Sd November 1997

## HOME FOR LIFE LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30TH JUNE 1997

1996 £		Notes	£
1,126,661	TURNOVER	1b	2,594,574
(835,134)	Cost of sales		(1,400,437)
<u>291,527</u>	GROSS PROFIT		<u>1,194,137</u>
(143,024)	Administrative expenses	2	(273,338)
51,693	Interest and rents receivable	3	87,584
(13,677)	Interest payable and similar charges	4	(1,755)
	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>1,006,628</u>
-	Tax on profit on ordinary activities	7	(2,138)
<u>186,519</u>	PROFIT FOR THE FINANCIAL YEAR		<u>1,004,490</u>
(10,986,237)	ACCUMULATED DEFICIT, beginning of year		(10,799,718)
<u>£(10,799,718)</u>	ACCUMULATED DEFICIT, end of year		<u>£ (9,795,228)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 30TH JUNE 1997

186,519	Profit for the financial year after taxation		1,004,490
-	Unrealised surplus on revaluation of property	15	299,502
<u>£ 186,519</u>	Total recognised gains relating to the year		<u>£1,303,992</u>

## CONTINUING OPERATIONS

None of the Company's activities were acquired or discontinued during the above two financial years.


The accompanying notes are an integral part of this profit and loss account

## HOME FOR LIFE LIMITED AND SUBSIDIARIES

## BALANCE SHEETS - 30TH JUNE 1997

30th June 1996					
GROUP	COMPANY			GROUP	COMPANY
£	£		Notes	£	£
FIXED ASSETS					
14,300	14,300	Tangible Assets	8	19,361	12,068
-	12,431	Investments	9,15	852,825	137,606
-----	-----			-----	-----
14,300	26,731			872,186	149,674
-----	-----			-----	-----
CURRENT ASSETS					
11,182,422	-	Stocks	10	9,750,159	-
-	11,206,414	Debtors	11	1,750	10,473,357
91,641	67,649	Cash at bank and in hand		325,676	323,443
-----	-----			-----	-----
11,274,063	11,274,063			10,077,585	10,796,800
CREDITORS: Amounts falling					
(4,406)	(16,837)	due within one year	12	(6,822)	(3,525)
-----	-----			-----	-----
11,269,657	11,257,226	NET CURRENT ASSETS		10,070,763	10,793,275
-----	-----			-----	-----
TOTAL ASSETS LESS					
11,283,957	11,283,957	CURRENT LIABILITIES		10,942,949	10,942,949
-----	-----			-----	-----
CREDITORS: Amounts falling					
(11,033,675)	(11,033,675)	due after more than one year	13	(9,388,675)	(9,388,675)
-----	-----			-----	-----
£ 250,282	£ 250,282	NET ASSETS		£ 1,554,274	£ 1,554,274
=====	=====			=====	=====
CAPITAL AND RESERVES					
11,050,000	11,050,000	Called up share capital	14	11,050,000	11,050,000
-	-	Revaluation reserve	15	299,502	-
(10,799,718)	(10,799,718)	Accumulated deficit		(9,795,228)	(9,495,726)
-----	-----			-----	-----
£ 250,282	£ 250,282	SHARE HOLDERS' FUNDS		£ 1,554,274	£ 1,554,274
=====	=====			=====	=====

Signed on behalf of the Board of Directors

.......... R. A. GREEN - Director

Approved by the Board.....5/11..... 1997

## HOME FOR LIFE LIMITED AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 1997

1996 £		Notes	£
772,152	Net cash inflow from operating activities	16a	2,360,182
38,016	Returns on investments and servicing of finance	16b	85,829
-	Taxation		(2,138)
-	Capital Expenditure	16b	(564,838)
810,168			1,879,035
(555,000)	Management of liquid resources	16b	(1,645,000)
£ 255,168	Increase in cash		£ 234,035
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
255,168	Increase in cash in the year	16c	234,035
555,000	Repayment of unsecured loan stock	16c	1,645,000
810,168	Change in net debt		1,879,035
(11,752,202)	Net debt at 1st July 1996	16c	(10,942,034)
£(10,942,034)	Net debt at 30th June 1997		£ (9,062,999)

The accompanying notes are an integral part of this Cash Flow Statement

## HOME FOR LIFE LIMITED AND SUBSIDIARIES

## NOTES TO THE ACCOUNTS - 30TH JUNE 1997

## 1. ACCOUNTING POLICIES

The principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, are as follows:

## (a) Basis of Consolidated Accounts

The accounts are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards. They include the accounts of the Company and all of its subsidiary undertakings, all of which are made up to 30th June 1997.

As provided by Section 230 of the Companies Act 1985, no profit and loss account is presented for the Company. The profit on ordinary activities after taxation of the Company, determined in accordance with the Act, was £1,004,490 (1996 £186,519). No dividends were receivable from subsidiary undertakings in either year.

## (b) Turnover

Turnover comprises proceeds from the sale of interests on reversion of sheltered retirement housing and freehold residential properties and related income.

## (c) Interests in Subsidiary Undertakings

In the accounts of the Company, investments in subsidiary undertakings are stated at cost, save where in the opinion of the Directors there has been a permanent diminution in value.

Dividends receivable from subsidiary undertakings are credited to the profit and loss account of the Company.

## (d) Tangible Fixed Assets

Fixed assets comprise furniture, fixtures and fittings, office equipment, computers and motor vehicles, which are depreciated over their estimated useful lives on a reducing balance basis at the following rates per annum:

Motor vehicles	-	25%
Office equipment and computers	-	25%

## (e) Stocks

Stocks comprise reversionary interests which are stated at the lower of cost and net realisable value. The cost of the reversionary interest is dependent upon the age and life expectancy of the tenant holding a life interest. The cost of stocks does not include interest charges directly related to reversionary interests held, which are expensed in the year to which they relate.



## Notes to Accounts (continued)

## 2. ADMINISTRATIVE EXPENSES

	1997	1996
	£	£
Staff costs (see note 6)	68,776	55,550
Other administrative costs	204,562	87,474
	<u>£273,338</u>	<u>£143,024</u>

## 3. INTEREST AND RENTS RECEIVABLE

	1997	1996
	£	£
Bank interest receivable	1,196	20
Rents receivable	86,388	51,673
	<u>£ 87,584</u>	<u>£51,693</u>

## 4. INTEREST PAYABLE AND SIMILAR CHARGES

	1997	1996
	£	£
On bank loans and overdrafts - repayable within five years not by instalments	£ 1,755	£ 13,677

## 5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	1997	1996
	£	£
Auditors' remuneration for audit services	4,700	4,406
Depreciation and other amounts written off	6,454	4,766

## 6. STAFF COSTS

(a) Particulars of employees (including executive Directors) are shown below:

	1997	1996
	£	£
Wages and salaries	62,961	50,200
Social Security costs	5,815	5,350
	<u>£ 68,776</u>	<u>£ 55,550</u>

The average weekly number of persons employed by the Group during the year was 5 (1996 - 3).

(b) No Directors' remuneration was paid in respect of Directors of the Company for either 1997 or 1996.

## Notes to Accounts (continued)

## 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Although the company made a profit on ordinary activities before taxation in 1997 only £2,138 has been provided for taxation because of past losses.

## 8. TANGIBLE FIXED ASSETS

## GROUP

	VEHICLES £	COMPUTERS & OFFICE EQUIPMENT £	TOTAL £
<b>COST OR VALUATION</b>			
Beginning of year	22,100	8,154	30,254
Addition during year	11,515	-	11,515
	33,615	8,154	41,769
<b>DEPRECIATION</b>			
Beginning of year	12,375	3,579	15,954
Charge for year	5,310	1,144	6,454
End of year	17,685	4,723	22,408
<b>NET BOOK VALUE</b>			
At 30th June 1997	£ 15,930	3,431	19,361
At 30th June 1996	£ 9,725	4,575	14,300

## COMPANY

<b>COST OR VALUATION</b>			
Beginning of year	22,100	8,154	30,254
Addition during year	11,515	-	11,515
Sales at cost	(22,100)	-	(22,100)
	11,515	8,154	19,669
<b>DEPRECIATION</b>			
Beginning of year	12,375	3,579	15,954
Charge for year	2,879	1,143	4,022
On sales	(12,375)	-	(12,375)
End of year	2,879	4,722	7,601
<b>NET BOOK VALUE</b>			
At 30th June 1997	£ 8,636	3,432	12,068
At 30th June 1996	£ 9,725	4,575	14,300

## Notes to Accounts (continued)

## 9. FIXED ASSET INVESTMENTS

## GROUP

During the year the Group revalued a portfolio of rented properties which are to be retained and held as investments for the foreseeable future at open market value of £852,825 (see Note 15).

## COMPANY

	1997	1996
	£	£
Subsidiary undertakings (see below)	£137,606	£12,431
	<u>          </u>	<u>          </u>

The Company owns the whole of the issued share capital of the following subsidiary undertakings, all of which are registered in England:

COMPANY	PRINCIPAL ACTIVITIES	NET ASSETS (LIABILITIES) AT 30TH JUNE 1997
Home for Life (Investments) Ltd	Property investment and trading	£133,853
Home for Life (Properties) Ltd	Property investment and trading	£(83,270)
Home for Life (Housing) Ltd	Property investment and trading	£ 3,753

The Company's investment in subsidiary undertakings is represented by:

COST OF INVESTMENT:	£ 7,062,500
LESS: Amounts written off in previous years	7,050,069
	<u>          </u>
	12,431
ADD: Amount written back in current year	125,175
	<u>          </u>
	£ 137,606
	<u>          </u>

## 10. STOCKS

Stocks at 30th June 1997 of £9,750,159 (1996 - £11,182,422) represent reversionary interests held, stated at the lower of cost and net realisable value. The cost of stocks does not include interest charges directly related to reversionary interests held, which are expensed in the year to which they relate.

## Notes to Accounts (continued)

## 11. DEBTORS

The following amounts, all of which fall due within one year, are included in debtors:

	1997 £	1996 £
<b>GROUP AND COMPANY</b>		
Prepayments and accrued income	£ 1,750	£ -
	<u>          </u>	<u>          </u>
<b>COMPANY</b>		
Amounts receivable from other group undertakings	£10,471,607	£11,206,414
	<u>          </u>	<u>          </u>

Amounts receivable from other group undertakings are unsecured and are repayable on demand.

## 12. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

The following amounts are included in creditors falling due within one year:

	1997 £	1996 £
<b>GROUP</b>		
Accruals and deferred income	4,700	4,406
Taxation	2,122	-
	<u>          </u>	<u>          </u>
	£ 6,822	£ 4,406
	<u>          </u>	<u>          </u>
<b>COMPANY</b>		
Accruals and deferred income	3,525	4,406
Amounts owed to other group undertakings	-	12,431
	<u>          </u>	<u>          </u>
	£ 3,525	£ 16,837
	<u>          </u>	<u>          </u>

Amounts owed to other group undertakings are unsecured and are repayable on demand.

## 13. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

The following amounts are included in creditors falling due after more than one year.

	1997 £	1996 £
<b>COMPANY AND GROUP:</b>		
Loan stock (see below)	£9,388,675	£11,033,675
	<u>          </u>	<u>          </u>

The loan stock did not bear interest during the year and is redeemable by 9th April 2012.

## Notes to Accounts (continued)

## 14. SHARE CAPITAL

	AUTHORISED £	ALLOTTED & CALLED UP £
Ordinary Shares of £1 each	3,600,000	3,550,000
Redeemable preference shares of £1 each	7,500,000	7,500,000
	-----	-----
	£11,100,000	£11,050,000
	=====	=====

The nil coupon redeemable preference shares of £1 each shall be redeemed on 30th June 2000 at par.

## 15. REVALUATION RESERVE

During the year a subsidiary acquired a portfolio of rented properties from another subsidiary at open market value of £852,825, which are to be retained and held as an investment for the foreseeable future. The cost of these properties to the Group was £553,323 and the surplus arising from revaluation of £299,502 has been credited to a revaluation reserve. Open market value was determined by the Directors after receiving professional advice.

## 16. NOTES TO THE CASH FLOW STATEMENT

## (a) Reconciliation of operating profit to net cash inflow operating activities:

	1997 £	1996 £
Operating profit	920,799	148,503
Depreciation charges	6,454	4,766
Decrease in Stocks	1,432,263	618,883
Increase in Debtors	(1,750)	-
Increase in Creditors	2,416	-
	-----	-----
	2,360,182	772,152
	=====	=====

## (b) Gross cash flows:

Returns on investments and servicing of finance		
Interest and rents received	87,584	51,693
Interest paid	(1,755)	(13,677)
	-----	-----
	85,829	38,016
	=====	=====
Capital Expenditure		
Payments to acquire tangible fixed assets	(11,515)	-
Payments to acquire investment properties	(852,825)	-
Revaluation reserve for inter group profit	299,502	-
	-----	-----
	(564,838)	-
	=====	=====

## Notes to accounts (continued)

	1997	1996	
	£	£	
Management of liquid resources			
Repayment of unsecured loan stock	(1,645,000)	(555,000)	
(c) Analysis of changes in net debt			
	At 1.7.96	Cash Flows	At 30.6.97
	£	£	£
Cash at bank and in hand	91,641	234,035	325,676
Debt due after one year	(11,033,675)	1,645,000	(9,388,675)
	(10,942,034)	1,879,035	(9,062,999)

## 17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

On 9th April 1992, the Company and certain of its subsidiary undertakings (together "the Group") entered into a Guarantee and Debenture agreement ("the Agreement") with the Group's banker. Under the terms of the Agreement, all of the Group's assets have been charged to the Group's banker. Each company in the Group has undertaken to pay on demand any sums it may owe to the bank and has guaranteed the bank indebtedness of all of the other companies which are party to the Agreement.