

2141256



CYGNET HEALTH CARE PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST OCTOBER 1990

Company number - 2141256

256

20.8.91

CYGNET HEALTH CARE PLC

DIRECTORS

K. A. R. Wilson - Chairman
J. C. Hughes - Chief executive
J. B. Randle - Non executive

SECRETARY

R. C. Dinham

REGISTERED OFFICE

Godden Green Clinic
Godden Green
Sevenoaks
Kent TN15 0JR

AUDITORS

Noel & Co. Chartered Accountants
8 Prebendal Court, Oxford Road
Aylesbury
Buckinghamshire HP19 3EY

SOLICITORS

Mishcon De Reya
125 High Holborn
London WC1V 6QP

PRINCIPAL BANKERS

Midland Bank plc
47 Cannon Street
London EC4M 5SQ

3i plc
91 Waterloo Road
London SE1 8XP

CYGNET HEALTH CARE PLC

INDEX TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 1990

Page

1	Report of the directors
3	Auditors' report
4	Profit and loss account
5	Balance sheet
6	Statement of source and application of funds
7	Notes to the financial statements

CYGNET HEALTH CARE PLC

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31st October 1990.

PRINCIPAL ACTIVITIES AND REVIEW

The business of the company is acquiring, developing and operating psychiatric and elderly health care facilities.

During the year the company opened an additional psychiatric care unit at the Royal Masonic Hospital, London and an elderly care facility in the refurbished Tabley House, Knutsford, Cheshire. This brings the total bed capacity of the company to 139 short stay psychiatric patients and 93 for long stay elderly care as follows:

<u>Acute psychiatric units</u>	<u>Bed capacity</u>
Cygnets Wing, Churchill Clinic, London	14
Godden Green Clinic, Sevenoaks, Kent	54
Harrogate Clinic, Harrogate, North Yorkshire	34
Lindisfarne Suite, Nuffield Hospital, Newcastle-Upon-Tyne	13
Stanford Wing Royal Masonic Hospital, London	24
	<hr/> 139
 <u>Elderly care</u>	
Tabley House, Knutsford, Cheshire	54
Tupwood Gate Nursing Home, Caterham, Surrey	39
	<hr/> 93

During the year the company incurred an operating loss prior to interest and extraordinary items of £937,806. This loss is substantially accounted for by costs incurred in the development of Tabley House. Interest charges rose to £836,979 from £184,827 as a result of higher interest rates and increased levels of borrowings for the company's development at Tabley House.

Exceptional profits of £203,904 arose from property disposals.

The company's properties have been written down by £3,850,956 to a value determined by independent advisors at 31st October 1990. The write down has been reflected as an extraordinary charge in the accounts.

As a result of the losses incurred and the write down of property values during the financial year the company, with the support of its institutional shareholders, entered into a capital reconstruction and debt refinancing which was completed on 1st March 1991. This was detailed in the circular to shareholders dated 7th February 1991. The principal terms of the reconstruction and refinancing were the issue £800,086 new ordinary and new preference shares and the conversion of £4,124,695 of the debt into non performing loan stock which does not bear interest before July 1992. The additional finance was provided by the company's institutional shareholders, bankers and the company's founder J. C. Hughes, and reflects their confidence in the future of the company. The detail of the refinancing is set out in note 18 to the financial statements.

Performance of the elderly care units continues to be mixed. Tupwood Gate is operating close to full capacity but the growth in occupancy levels at Tabley House continues to be slower than anticipated.

The company's acute psychiatric units experienced a steady increase in occupancy during the year although not as rapid as originally forecast. Since the year end psychiatric unit occupancy has continued to improve and the newly opened psychiatric unit at Royal Masonic Hospital is already profitable.

With increased occupancy levels and a reduction in the interest burden following the refinancing, the directors expect the company to return to profitability this year.

CYGNET HEALTH CARE PLC

REPORT OF THE DIRECTORS - continued

DIVIDEND AND TRANSFER TO RESERVES

The directors do not recommend payment of a dividend.

It is proposed that the loss of £5,411,679 is transferred to reserves.

FIXED ASSETS

The movements in fixed assets during the year are set out in note 8 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interests in the company were as stated below.

	<u>Class of share</u>	<u>Number of shares</u>	
		<u>1990</u>	<u>1989</u>
J. C. Hughes, Chairman to 1st March 1991 and Chief Executive	Founders' shares	414,065	414,065
	Ordinary shares	156,260	156,260
	Class 'B' preference shares	65,000	65,000
P. F. S. Gwatkin (Appointed 1st April 1990 Resigned 1st November 1990)		-	-
J. D. Marsh (Resigned 1st March 1991)	Founders' shares	50,000	50,000
	Ordinary shares	200,000	200,000
P. J. Ramsey (Resigned 7th December 1989)		-	-
J. B. Randle		-	-
R. L. Richards (Appointed 1st February 1990 Resigned 1st October 1990)		-	-
K. A. R. Wilson, Chairman (Appointed 1st March 1991)		-	-

At 31st October 1989 and 1990, immediate relatives of Mr J. C. Hughes held 210,500 shares, comprising 30,760 founders, 123,040 ordinary, and 56,700 class 'B' preference shares.

Ramsay Health Care Limited, in which Mr P. J. Ramsay had a controlling interest, was the registered shareholder of the 191,980 founder shares and 767,920 ordinary shares at 31st October 1989. This shareholding was sold on 7th December 1989.

On 1st March 1991 Mr J. C. Hughes subscribed for 200,000 new preference shares of £1 each and 1000 new ordinary shares of 1p each as part of the capital reconstruction and debt refinancing.

As part of the refinancing the offices of chairman and chief executive were separated and the board was strengthened by the addition of K. A. R. Wilson who was appointed chairman on 1st March 1991.

AUDITORS

Noel & Co. Chartered Accountants were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985 are willing to be re-appointed.

By Order of the Board

Date: 21st June 1991

R. C. Dinham

Company secretary

CYGNET HEALTH CARE PLC

AUDITORS' REPORT TO THE MEMBERS OF CYGNET HEALTH CARE PLC

We have audited the financial statements on pages 4 to 13 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st October 1990 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

NOEL & CO. Chartered Accountants

8 Prebendal Court, Oxford Road
Aylesbury
Buckinghamshire HP19 3EY

Date: 21st June 1991

CYGNET HEALTH CARE PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST OCTOBER 1990

	Notes	1990 £	1989 £
TURNOVER		2,730,813	726,278
Operating costs		(3,668,619)	(1,549,564)
		(937,806)	(823,286)
Other operating income		203,904	819,647
OPERATING LOSS	2	(733,902)	(3,639)
Interest receivable	3	10,158	106,317
Interest payable	4	(836,979)	(184,827)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,560,723)	(82,149)
Tax on loss on ordinary activities		-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(1,560,723)	(82,149)
Extraordinary item	7	(3,850,956)	-
LOSS FOR THE FINANCIAL YEAR		(5,411,679)	(82,149)
Accumulated losses brought forward:			
As previously reported		(20,366)	(271,470)
Prior year adjustment		(456,570)	(123,317)
		(476,936)	(394,787)
ACCUMULATED LOSSES CARRIED FORWARD		£ (5,888,615)	£ (476,936)

The notes on pages 7 to 13 form part of these financial statements

CYGNET HEALTH CARE PLC

BALANCE SHEET AT 31ST OCTOBER 1990

	Notes	£	1990 £	£	1989 £
FIXED ASSETS					
Tangible assets	8		7,665,819		10,384,075
CURRENT ASSETS					
Stocks	9	3,802			1,978
Debtors	10	880,779			945,672
Cash at bank and in hand		51,992			151,287
			<u>936,573</u>		<u>1,098,937</u>
CREDITORS: Amounts falling due within one year	11	(2,048,741)		(1,313,073)	
NET CURRENT LIABILITIES			<u>(1,112,168)</u>		<u>(214,136)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			6,553,651		10,169,939
CREDITORS: Amounts falling due after more than one year	12		(6,250,000)		(4,250,000)
			<u>£ 303,651</u>		<u>£ 5,919,939</u>
CAPITAL AND RESERVES					
Called up share capital	13		5,402,525		5,392,525
Share premium	14		303,656		302,140
Revaluation reserve	15		486,085		702,210
Profit and loss account			<u>(5,888,615)</u>		<u>(476,936)</u>
			<u>£ 303,651</u>		<u>£ 5,919,939</u>

The financial statements were approved by the board on 21st June 1991 and signed on its behalf by

J. C. Hughes

K. A. R. Wilson

Directors

The notes on pages 7 to 13 form part of these financial statements.

CYGNET HEALTH CARE PLC

**STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31ST OCTOBER 1990**

	£	1990	£	1989	£
TOTAL ABSORBED BY OPERATIONS					
Loss on ordinary activities before tax		(1,560,723)		(82,149)	
Extraordinary items before tax		(3,850,956)		-	
		(5,411,679)		(82,149)	
Adjustment for items not involving the movement of funds:					
Depreciation	129,413		38,087		
Loss/(profit) on disposal of tangible assets	5,362		(693,089)		
Extraordinary items	3,850,956		-		
Option monies forfeited	-		(76,558)		
		3,985,731		(731,560)	
		(1,425,948)		(813,709)	
SOURCE OF FUNDS					
Proceeds on disposal of tangible assets	12,248		1,347,165		
Proceeds from issue of shares	11,516		2,003,698		
Long term bank loan	2,000,000		3,390,000		
		2,023,764		6,740,863	
		597,816		5,927,154	
APPLICATION OF FUNDS					
Purchase of tangible assets	1,495,848		6,670,059		
		(1,495,848)		(6,670,059)	
	£	(898,032)	£	(742,904)	
DECREASE IN WORKING CAPITAL					
Increase in stocks		1,824		1,978	
Decrease in debtors		(64,893)		815,641	
Increase in creditors due within one year		(756,735)		(406,467)	
		(819,804)		411,152	
Decrease in net liquid funds:					
Cash at bank and in hand		(99,295)		(361,952)	
Bank loans and overdrafts		21,067		(792,104)	
	£	(898,032)	£	(742,904)	

The notes on pages 7 to 13 form part of these financial statements.

CYGNET HEALTH CARE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 1990

1. ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

1.2 STATEMENT OF COMPLIANCE WITH ACCOUNTING STANDARDS

The accounts have been prepared in accordance with applicable accounting standards.

1.3 TURNOVER

Turnover represents the total invoice value, excluding value added tax, of services provided during the year.

1.4 DEPRECIATION

Depreciation is provided on tangible fixed assets on a straight line basis over their expected useful lives as follows:

Short leasehold property	5-20 years
Furniture, fixtures and equipment	5-10 years
Motor vehicles	5 years

No depreciation is provided on freehold or long leasehold land or property as it is the company's policy to maintain these so as to extend their useful lives.

2. OPERATING LOSS

	1990 £	1989 £
The operating loss is stated after charging:-		
Depreciation	129,413	38,087
Auditors' remuneration	10,000	8,025
Hire of equipment	3,970	3,728
Operating lease rentals:-		
Land and buildings	19,478	11,004
	<u>19,478</u>	<u>11,004</u>

The operating loss is also stated after the inclusion in other operating income of exceptional profits of £236,903 (1989 - £721,953) on the disposal of properties.

3. INCOME FROM INVESTMENTS

	1990 £	1989 £
Other interest receivable	10,158	106,317
	<u>10,158</u>	<u>106,317</u>

CYGNET HEALTH CARE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 1990

4. INTEREST PAYABLE	1990	1989
	£	£
Bank overdrafts	98,424	34,577
On loans	738,555	150,250
	<u>£ 836,979</u>	<u>£ 184,827</u>

5. DIRECTORS AND EMPLOYEES	1990	1989
	£	£
Staff costs:-		
Wages and salaries	1,819,706	746,055
Social security costs	162,472	62,833
Other pension costs	9,425	2,602
	<u>£ 1,991,603</u>	<u>£ 811,490</u>

The average weekly number of employees during the year was made up as follows:

	Number	Number
Full time	116	55
Part time	87	64
	<u>203</u>	<u>119</u>

Directors' emoluments for the year	<u>£ 139,850</u>	<u>£ 85,329</u>
------------------------------------	------------------	-----------------

The division of directors' emoluments, excluding pension contributions, is as follows:-

Chairman and highest paid director	<u>£ 75,000</u>	<u>£ 75,000</u>
------------------------------------	-----------------	-----------------

Other directors' remuneration fell within the following ranges:

	Number	Number
£Nil - £5,000	4	3
£50,001 - £55,000	1	-

Directors emoluments include £26,500 compensation for loss of office.

6. PENSION COSTS

Pension costs represent contributions to a money purchase scheme for all eligible employees.

7. EXTRAORDINARY ITEM

	1990	1989
	£	£
Amount written off on the valuation of properties at the year end	3,850,956	-
	<u>£ 3,850,956</u>	<u>£ -</u>

CYGNET HEALTH CARE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 1990

8. TANGIBLE FIXED ASSETS

<u>Cost or valuation</u>	<u>Beginning of year £</u>	<u>Additions £</u>	<u>Amounts written off on valuation £</u>	<u>Disposals £</u>	<u>End of year £</u>
Properties:					
Freehold	5,959,729	1,933	(1,461,662)	-	4,500,000
Long leasehold	3,665,592	814,827	(2,605,419)	-	1,875,000
Short leasehold	24,665	280,628	-	(505)	304,788
Furniture, fixtures and equipment	700,714	358,519	-	(2,128)	1,057,105
Motor vehicles	79,771	39,941	-	(15,779)	103,933
	<u>10,430,471</u>	<u>1,495,848</u>	<u>(4,067,081)</u>	<u>(18,412)</u>	<u>7,840,826</u>

<u>Depreciation</u>	<u>Beginning of year £</u>	<u>Charge for year £</u>	<u>Revaluation adjustment £</u>	<u>Disposals £</u>	<u>End of year £</u>
Properties:					
Freehold	-	-	-	-	-
Short leasehold	966	4,882	-	(147)	5,701
Furniture, fixtures and equipment	35,951	102,059	-	(655)	137,355
Motor vehicles	9,479	22,472	-	-	31,951
	<u>46,396</u>	<u>129,413</u>	<u>-</u>	<u>(802)</u>	<u>175,007</u>

	<u>Beginning of year £</u>	<u>End of year £</u>
<u>Net book value</u>	<u>£ 10,384,075</u>	<u>£ 7,665,819</u>

The properties were revalued on 10th December 1990 by David & Company specialist nursing and rest home surveyors and valuers on the basis of open market value for current use.

9. STOCKS

	<u>1990 £</u>	<u>1989 £</u>
Provisions and consumables	3,802	1,978
	<u>£ 3,802</u>	<u>£ 1,978</u>

10. DEBTORS

	<u>1990 £</u>	<u>1989 £</u>
Trade debtors	586,487	221,172
Other debtors	273,670	709,255
Prepayments and accrued income	20,622	15,245
	<u>£ 880,779</u>	<u>£ 945,672</u>

CYGNET HEALTH CARE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 1990

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1990 £	1989 £
Bank overdraft	771,037	792,104
Trade creditors	323,550	107,459
Taxes and social security costs	119,608	33,414
Other creditors	368,756	333,408
Accruals and deferred income	465,790	46,688
	<u>£ 2,048,741</u>	<u>£ 1,313,073</u>

The bank overdraft is secured by a specific charge on the company's trade debtors and by a floating charge on all assets of the company.

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1990 £	1989 £
Loans	6,250,000	4,250,000
	<u>£ 6,250,000</u>	<u>£ 4,250,000</u>

Loans

Not wholly repayable within five years:

Variable Rate Secured Partly		
Non Performing Loan Notes 1991-2002	3,850,000	-
Other	200,000	-
Wholly repayable within five years	2,200,000	4,250,000
	<u>£ 6,250,000</u>	<u>£ 4,250,000</u>
Instalments not due within five years	<u>£ 2,818,750</u>	<u>£ -</u>

There is no interest payable before 30th June 1992 on the non performing notes. Thereafter interest is payable at 3% over LIBOR. The notes are repayable by equal six monthly instalments from June 1993 to december 2002. The term loan of £2,200,000 from 3i plc has interest payable at 3% over LIBOR and is repayable in full in December 1992 or if certain conditions are met by equal instalments over ten years from that date.

The partly non performing loan notes and the term loan are secured by fixed charges on the company's tangible fixed assets and by floating charges on all assets of the company.

CYGNET HEALTH CARE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 1990

13. SHARE CAPITAL	1990 £	1989 £
<u>Authorised</u>		
2,000,000 Founders' shares of £1 each	2,000,000	2,000,000
23,000,000 Ordinary shares of £1 each	23,000,000	23,000,000
1,250,000 Class 'A' 10% convertible redeemable preference shares of £1 each	1,250,000	1,250,000
1,531,250 Class 'B' 12.5% convertible redeemable preference shares of £1 each	1,531,250	1,531,250
	<u>£ 27,781,250</u>	<u>£ 27,781,250</u>
<u>Allotted, called up and fully paid</u>		
980,505 Founders' shares of £1 each	980,505	978,505
1,672,020 Ordinary shares of £1 each	1,672,020	1,664,020
1,250,000 Class 'A' 10% convertible redeemable preference shares of £1 each	1,250,000	1,250,000
1,500,000 Class 'B' 12.5% convertible redeemable preference shares of £1 each	1,500,000	1,500,000
	<u>£ 5,402,525</u>	<u>£ 5,392,525</u>
 14. SHARE PREMIUM ACCOUNT		
	1990 £	1989 £
Balance at 1st November 1989	302,140	25,000
Premium on shares issued during the year	1,516	375,000
Share premium - other movements	-	(97,860)
Balance at 31st October 1990	<u>£ 303,656</u>	<u>£ 302,140</u>
 15. REVALUATION RESERVE		
	1990 £	1989 £
Balance at 1st November 1989	702,210	-
Revaluation during the year	(216,125)	702,210
Balance at 31st October 1990	<u>£ 486,085</u>	<u>£ 702,210</u>

CYGNET HEALTH CARE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 1990

16. PROFIT AND LOSS ACCOUNT

	1990 £	1989 £
Accumulated losses at 1st November 1989	(20,366)	(271,470)
Prior year adjustment	(456,570)	(123,317)
Accumulated losses at 1st November 1989 as restated	(476,936)	(394,787)
Retained loss for the year	(5,411,679)	(82,149)
Accumulated losses at 31st October 1990	£ (5,888,615)	£ (476,936)

The company has changed its accounting policies for goodwill and pre-opening expenses to a more prudent basis following recent trading results and declines in property values. Goodwill which had previously been debited to a negative capital reserve and amortised over 10 years is now eliminated against revenue reserves immediately on acquisition. Pre-opening expenses which had previously been capitalised and amortised over 5 years are now expensed when incurred.

17. CAPITAL COMMITMENTS

	1990 £	1989 £
Details of capital commitments at the accounting date are as follows:-		
Contracted for but not provided in the financial statements	-	269,023
Authorised but not contracted for	-	100,000

CYGNET HEALTH CARE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 1990

18. POST BALANCE SHEET EVENTS

On 1st March 1991 the company completed a capital reconstruction and debt refinancing.

Existing classes of shares have been converted into new shares and additional new shares have been issued for cash and conversion of debt.

The new classes of shares are as follows:

- New ordinary shares of 1p each
- New preference shares of £1 each
- 'A' ordinary shares of 50p each
- New deferred shares of 50p each

Existing classes of shares have been converted as follows:

- For each 'A' preference share - Two 'A' ordinary shares
- For each 'B' preference share - Two 'A' ordinary shares
- For each ordinary share - One 'A' ordinary share and
one new deferred share
- For each founders share - One 'A' ordinary share and
one new deferred share

800,000 of £1 new preference shares have been issued for £600,000 in cash and £200,000 on conversion of debt. 8,600 ordinary shares of 1p each have been issued for cash.

The new ordinary shares rank pari passu with the 'A' ordinary shares except that each new existing share will entitle the holder to 0.0104167% of the enlarged voting share capital of the company, a total of 89.5833%.

The new deferred shares have no rights to dividends or to voting and only minimal rights in the event of a winding up.

The 'A' ordinary shares represent in total 10.4167% of the enlarged share capital.

£3,850,000 of debt and £274,695 of accrued interest have been converted into non performing loan notes that will not bear interest before July 1992 or in certain circumstances until January 1993. Thereafter they bear interest at an annual rate of 3% over London Inter Bank Offer Rate. In addition interest of £171,405 for periods between 8th September 1990 and 31st December 1990 has been waived.

The long term element of debt finance at 31st October 1991 takes account of the refinancing and loan subsequently converted to new preference shares as the refinancing has clarified the timing of when the company's debt becomes due for repayment.