

G

CHFP025

Please do not
write in this
margin

Please complete
legibly, preferably
in black type, or
bold block lettering

Note
Please read the notes
on page 3 before
completing this form.

* insert full name
of company

§ insert name(s) and
address(es) of all
the directors

† delete as
appropriate

§ delete whichever
is inappropriate

COMPANIES FORM No. 155(6)a

Declaration in relation to
assistance for the acquisition
of shares

155(6)a

Pursuant to section 155(6) of the Companies Act 1985

To the Registrar of Companies
(Address overleaf - Note 5)

For official use

Company number

[]

2653123

Name of company

* AVALON NURSING HOMES LIMITED

David Duncan of flat 46, The Piper Building, Peterborough Road,
London SW7 3EF

[the sole director] of the above company do solemnly and sincerely declare that:

The business of the company is:

(a) that of a []
(b) that of a person authorised under section 1 of the Insurance Companies Act 1982 to carry on
the business of []

(c) something other than the above

The company is proposing to give financial assistance in connection with the acquisition of shares in the

[company] []

The assistance is for the purpose of [that acquisition] []
[]

The number and class of the shares acquired or to be acquired is: 100,000 Ordinary Shares
of £1 each and 200 Deferred Ordinary Shares of £1 each

Presentor's name address and
reference (if any):

Berwin Leighton Paisner
, Adelaide House, London
Bridge, London, , EC4R 9HA

GOB/B1478.41(doc #2300392)
92 LONDON/CHANCERY LANE

For official Use
General Section



A15
COMPANIES HOUSE
A10
COMPANIES HOUSE

0796
05/03/03
21/02/03

The assistance is to be given to: (note 2) Barchester Healthcare Limited
(registered number 2792285) of Suite 201, The Chambers, Chelsea Harbour SW10 0XF

Please do not
write in this
margin

Please complete
legibly, preferably
in black type, or
bold block
lettering

The assistance will take the form of:

Please see the attached Exhibit 1

The person who ~~has acquired~~ will acquire† the shares is:

† delete as
appropriate

Barchester Healthcare Homes limited (registered number 2849519) of Suite
201, The Chambers, Chelsea Harbour, London SW10 0XF

The principal terms on which the assistance will be given are:

Please see the attached Exhibit 2

The amount of cash to be transferred to the person assisted is £

NIL

The value of any asset to be transferred to the person assisted is £

NIL

12 February 2003

Please do not
write in this
margin

Please complete
legibly, preferably
in black type, or
bold block lettering

* delete either (a) or
(b) as appropriate

~~I/we~~ have formed the opinion, as regards the company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts. (note 3)

(a) [~~I/we~~ have formed the opinion that the company will be able to pay its debts as they fall due during the year immediately following that date]* (note 3)

(b) [~~It is intended to commence the winding up of the company within 12 months of that date, and ~~we~~ have formed the opinion that the company will be able to pay its debts in full within 12 months of the commencement of the winding up.~~]* (note 3)

And ~~I/we~~ make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at 10 Philpot Lane, London EC3M
8BR

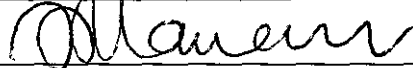
Declarants to sign below

Drunson

Day Month Year
on

1	2	0	2	2	0	0	3
---	---	---	---	---	---	---	---

A Commissioner for Oaths:
10 Philpot Lane,
London EC3M 8BR.
England
(Andrew J. Claudet)

before me 
A Commissioner for Oaths or Notary Public or Justice of
the Peace or a Solicitor having the powers conferred on
a Commissioner for Oaths.

NOTES

- 1 For the meaning of "a person incurring a liability" and "reducing or discharging a liability" see section 152(3) of the Companies Act 1985.
- 2 Insert full name(s) and address(es) of the person(s) to whom assistance is to be given; if a recipient is a company the registered office address should be shown.
- 3 Contingent and prospective liabilities of the company are to be taken into account - see section 156(3) of the Companies Act 1985.
- 4 The auditors report required by section 156(4) of the Companies Act 1985 must be annexed to this form.
- 5 The address for companies registered in England and Wales or Wales is:-

The Registrar of Companies
Companies House
Crown Way
Cardiff
CF14 3UZ

or, for companies registered in Scotland:-

The Registrar of Companies
37 Castle Terrace
Edinburgh
EH1 2EB

AVALON NURSING HOMES LIMITED

Exhibit 1

- 1 The execution by the Company of a debenture (the "Mortgage Debenture") between the Company and The Royal Bank of Scotland Plc (the "Bank") containing fixed and floating charges over the whole of the Company's property, undertaking and assets.
- 2 The execution by the Company of an unlimited guarantee (the "Guarantee") pursuant to which the Company will guarantee the payment of, amongst other things, all moneys and liabilities due or incurred by Barchester Healthcare Homes Limited (the "Buyer") to the Bank.
- 3 The execution of a legal charge in favour of the Bank (the "Legal Charge") over the Company's following properties:
 - 3.1 Aschcombe House Nursing Home, Worting Road, Basingstoke, Hants RG1 7YU;
 - 3.2 High Habberley Nursing Home, Habberley Road, Habberley, Kidderminster, Worcs DY11 5RJ;
 - 3.3 Hollyfields Nursing Home, Habberley Road, Habberley, Kidderminster, Worcs DY11 5RJ; and
 - 3.4 St Thomas' Nursing Home, St Thomas' Close, Basingstoke, Hants, RG21 2NW.

AVALON NURSING HOMES LIMITED

Exhibit 2

- 1 Under the Debenture, the Company covenants to discharge the Company's obligations (being its liabilities to the Royal Bank of Scotland plc (the "Bank") of any kind and in any currency (whether present or future, actual or contingent and whether incurred alone or jointly with another) together with the Bank's charges and commissions, interest and expenses) and as a continuing security for such discharge and with full title guarantee, charges to the Bank:
 - 1.1 by way of legal mortgage all the freehold and leasehold property now vested in or charged to the Company including any Registered Land;
 - 1.2 by way of fixed charge all estates or interests in any freehold or leasehold property now and in the future vested in or charged to the Company (other than the property charged as aforesaid);
 - 1.3 by way of fixed charge all the fixtures and fittings from time to time attached to any freehold and leasehold property of the Company;
 - 1.4 by way of fixed charge all plant and machinery, vehicles and computer equipment of the Company present and future not regularly disposed of in the ordinary course of business and all associated warranties and maintenance contracts;
 - 1.5 by way of fixed charge all furniture, furnishings, equipment, tools and other chattels of the Company present and future not regularly disposed of in the ordinary course of business;
 - 1.6 by way of legal charge all rents receivable from any lease granted out of any freehold and leasehold property of the Company;
 - 1.7 by way of fixed charge all the goodwill and uncalled capital of the Company present and future;
 - 1.8 by way of fixed charge all stocks, shares and other securities of the Company present and future;

- 1.9 by way of fixed charge all stocks, shares and other securities of the Company present and future (other than those charged as aforesaid) and all income and rights derived from or attached to the same;
- 1.10 by way of fixed charge all intellectual property rights choses in action and claims of the Company present and future and the proceeds of any insurance from time to time affecting the Property;
- 1.11 by way of fixed charge the benefit of any currency or interest rate swap, cap or collar or other hedging agreement or any futures transaction or treasury instrument made with the Bank or any third party;
- 1.12 by way of fixed charge all book debts and other debts of the Company present and future and the proceeds of payment or realisation of each of them until the receipt of the proceeds from time to time into the Company's account with the Bank (or such other account as the Bank may specify from time to time);
- 1.13 by way of fixed charge all funds standing to the credit of the Company from time to time on any account with the Bank or any other bank or financial institution or organisation including all receipts from time to time paid into the Company's account with the Bank (or such other account as the Bank may specify from time to time); and
- 1.14 by way of floating charge all undertaking and all property assets and rights of the Company present and future not subject to a fixed charge as aforesaid.
- 2 Under the Guarantee, the Company guarantees to discharge on demand Barchester Healthcare Homes Limited's (the "Buyer") obligation (being the Buyer's liabilities to the Bank of any kind and in any currency (whether present or future, actual or contingent and whether incurred alone or jointly with another) together with the Bank's charges and commission interest and expenses payable by the Buyer) with interest from the date of demand.
- 3 Under the Legal Charge the Company covenants to discharge on demand its obligations (being all of its liabilities to the Bank of any kind and in any currency (whether present or future, actual or contingent and whether incurred alone or jointly with another) together with the Bank's charges and commission interest and expenses) and as a continuing security for such discharge and with full title guarantee charges to the Bank:

3.1 by way of legal mortgage of all legal interests and otherwise by way of fixed charge the Company's properties at:

3.1.1 Aschcombe House Nursing Home, Worting Road, Basingstoke, Hants RG1 7YU;

3.1.2 High Habberley Nursing Home, Habberley Road, Habberley, Kidderminster, Worcs DY11 5RJ;

3.1.3 Hollyfields Nursing Home, Habberley Road, Habberley, Kidderminster, Worcs DY11 5RJ; and

3.1.4 St Thomas' Nursing Home, St Thomas' Close, Basingstoke, Hants, RG21 2NW.

(to the full extent of the Company's interest in the said properties or its proceeds of sale);

3.2 by way of fixed charge:

3.2.1 all the plant, machinery and fixtures and fittings of the Company now and in the future at the above-mentioned properties; and

3.2.2 all furniture, furnishings, equipment, tools and other chattels of the Company now and in the future at the above-mentioned properties and not regularly disposed of in the ordinary course of business;

3.3 the present and future goodwill of any business carried on at the above-mentioned properties by and on behalf of the Company and the proceeds of any insurance from time to time affecting the properties or the charged assets.



Plym House
3 Longbridge Road
Plymouth
PL6 8LT
United Kingdom

Tel +44 (0) 1752 632292
Fax +44 (0) 1752 632110
DX 98914 Plympton

Private & confidential

The Royal Bank of Scotland Plc
London Corporate Centre
Waterhouse Square
138-142 Holborn
London
EC1N 2TH

Our ref vs/715

Contact Ian Brokenshire
01752 632292

12 February 2003

Dear Sirs

Report by the auditors of Avalon Nursing Homes Limited ('the Company') to The Royal Bank of Scotland Plc ('the bank')

This report is given in accordance with our engagement letter dated 12 February 2003 in connection with the proposed arrangement whereby the Company will give financial assistance for the purchase of its own shares, particulars of which are given in the attached copy of the statutory declaration made this day by the directors pursuant to Section 155(6) of the Companies Act 1985 ('the Act').

The purpose of this report is to assist the bank in considering whether the proposed arrangement is permitted under Section 155(2) of the Act and it is not intended to be used, quoted or referred to for any other purpose.

We have examined the board memorandum (a copy of which is attached, initialled by us for the purpose of identification), for which the directors are solely responsible and have enquired into the Company's state of affairs so far as necessary for us to review the bases for the board memorandum. Our enquiry did not constitute an audit under the provisions of the Companies Act 1985.

We confirm that as at the close of business on 12 February 2003 the aggregate of the Company's assets as stated in its accounting records exceeded the aggregate of its liabilities as so stated.

We are not aware of anything to indicate that the opinion expressed by the directors in the board memorandum is unreasonable in all the circumstances.

Yours sincerely

KPMG LLP
KPMG LLP



KPMG LLP,
KPMG LLP, a UK limited liability partnership,
is a member of KPMG International,
a Swiss association

KPMG LLP is registered to
carry on audit work by the
Institute of Chartered
Accountants in England and

Wales and authorised by
the Financial Services
Authority for investment
business activities

Registered in England No OC301540
Registered office:
8 Salisbury Square,
London EC4Y 8BB



Plym House
3 Longbridge Road
Plymouth
PL6 8LT
United Kingdom

Tel +44 (0) 1752 632292
Fax +44 (0) 1752 632110
DX 98914 Plympton

Private & confidential

The Directors of Avalon Nursing Homes Limited
C/o D Duncan Esq
Barchester Healthcare Limited
Suite 201
The Chambers
Chelsea Harbour
London
SW10 0XF

Our ref vs/715

Contact Ian Brokenshire
01752 632292

12 February 2003

Dear Sirs

Auditors' report to the directors of Avalon Nursing Homes Limited pursuant to Section 156(4) of the Companies Act 1985

We have examined the attached statutory declaration of the directors dated 12 February 2003 in connection with the proposal that the company should give financial assistance for the purchase of the company's ordinary shares. We have enquired into the state of the company's affairs in order to review the bases for the statutory declaration.

We are not aware of anything to indicate that the opinion expressed by the directors in their declaration as to any of the matters mentioned in Section 156(2) of the Companies Act 1985 is unreasonable in all the circumstances.

Yours faithfully

KPM G LLP

KPMG LLP



KPMG LLP,
KPMG LLP, a UK limited liability partnership,
is a member of KPMG International,
a Swiss association

KPMG LLP is registered to
carry on audit work by the
Institute of Chartered
Accountants in England and

Wales and authorised by
the Financial Services
Authority for investment
business activities

Registered in England No OC301540
Registered office:
8 Salisbury Square,
London EC4Y 8BB



Avalon Nursing Homes Limited

**Board memorandum to support
directors' declaration relating to
financial assistance**

12 February 2003

KPMG

This report contains 21 pages

Appendices contain page

cj/715



1	Introduction	1
2	Procedures adopted by the directors	3
3	Mechanics of proposed transaction	5
4	Estimated net assets prior to provision of financial assistance and immediately thereafter	8
5	Projections of Barchester Group	10
6	Banking facilities, headroom and covenants	15
7	Sensitivities	17
8	Conclusions	18

1 Introduction

1.1 Proposed transaction

1.1.1 It is proposed that Barchester Healthcare Limited ("Barchester"), funded principally by The Royal Bank of Scotland ("the bank") will purchase the entire share capital of Avalon (Guernsey) Limited and certain issued shares in Avalon Nursing Homes Limited ("Avalon" "the companies").

1.1.2 This transaction is referred to hereafter as "the acquisition".

1.1.3 Barchester Healthcare Limited and its subsidiaries ("Barchester Group") have bank facilities totalling £85m.

1.2 Financial assistance to be given

1.2.1 In order to assist the funding of the acquisition, Barchester will enter into various financing arrangements by which Avalon will provide guarantees and security for the liabilities of Barchester Healthcare Limited to the bank. The directors of Avalon Nursing Homes Limited (hereafter referred to as "the directors") have been informed by advisers that such arrangements would be in breach of the financial regulations contained within the terms of the Companies Act unless Avalon complies with the provisions of Sections 155 to 158. This also applies to Avalon (Guernsey) Limited under Guernsey law.

1.2.2 The financial assistance, which will be provided by Avalon, consists of an unlimited guarantee by Avalon of Barchester's liabilities to the bank and a debenture by Avalon in support of Barchester's liabilities (including a legal charge over Avalon Nursing Homes Limited's freehold properties).

1.2.3 The directors and the companies intend to comply with the provisions of Guernsey law and Sections 155 to 158 of the Companies Act and make the necessary statutory declarations.

1.3 Purpose of memorandum

1.3.1 This memorandum has been prepared by the directors of Avalon Nursing Homes Limited to support their opinion as at 12 February 2003 that:

- (a) the company has net assets (as defined by s154(2) of the Companies Act 1985);
- (b) the net assets of the company will not be reduced as a result of the provision of financial assistance by the company for the purchase by Barchester of the share capital of Avalon; and hence
- (c) the conditions of section 155(2) of the Companies Act 1985 are satisfied in respect of the company.

1.3.2 This memorandum also details the basis on which the directors of Avalon Nursing Homes Limited are making statutory declarations relating to the company, under section 155(6)(a) of the Companies Act 1985 in relation to financial assistance, that:

- (a) the aggregate of the company's assets will exceed the aggregate of its liabilities immediately following the date on which the assistance is proposed to be given and that there will be no grounds on which at that date the company could then be found to be unable to pay its debts; and

- (b) the company will be able to pay its debts as they fall due during the year immediately following the date on which the financial assistance is proposed to be given.

1.3.3 This memorandum has also been prepared by the directors of Avalon (Guernsey) Limited to support their opinion as at 12 February 2003 that after the assistance is given the Company will satisfy the "solvency test" (as defined) to the effect that:

- (a) the Company is able to discharge its liabilities as they become due in the normal course of its business; and
- (b) the value of the Company's assets is greater than the aggregate of the amount of its liabilities, the nominal value of its issued shares and any amounts standing to the credit of its share premium account and its capital redemption reserve fund.
- (c) After due consideration of valuations of assets and estimates of liabilities ("Valuations and Estimates") which were reasonable in all the circumstances, the directors accordingly concluded that the Company will be able to discharge its liabilities as they become due as above.

1.3.4 This memorandum details the basis on which the directors of Avalon (Guernsey) Limited declare that immediately after the financial assistance is given, the Company will be able to discharge its liabilities as they become due in the normal course of its business and the value of the Company's assets will be greater than the aggregate of its liabilities, the nominal amount of its issued shares, any amount standing to the credit of the Company's share premium account and any amount standing to the credit of the Company's capital redemption reserve, and thus the requirements of the relevant Ordinance would be satisfied.

2 Procedures adopted by the directors

2.1 Approach adopted to statutory declaration

- 2.1.1 In order to consider the solvency of Avalon immediately prior to the giving of financial assistance, the directors have estimated the net assets of the companies at 12 February 2003 on the basis set out in section 4 of this memorandum. In this section, the directors have also addressed the question of whether the giving of financial assistance by the companies would reduce the net assets of each company or, if so reduced, whether the financial assistance is being provided out of the companies' distributable profits.
- 2.1.2 While it is the net assets of both companies and their ability to pay their debts as they fall due in the next twelve months that is the subject of the statutory declaration, the directors are of the opinion that it is not appropriate, given the close relationship between Avalon and Barchester Group including the existence of banking cross guarantees and cross defaults to consider the position of Avalon in isolation from Barchester Group.
- 2.1.3 Accordingly, the directors of the Avalon companies, in considering whether it is reasonable for them to express in their statutory declaration the opinion that each company will be able to pay its debts as they fall due during the year immediately following the date of the financial assistance, have considered the projected financial position of the Barchester Group, in the year following the provision of financial assistance.
- 2.1.4 The directors have therefore prepared in respect of the Barchester Group profit projections, a cash flow projection and projected balance sheets, incorporating the financing structure for the transaction. Details of these projections are set out in Appendix I and discussed in section 5 below.

2.2 History of previous budgets

- 2.2.1 Historically, Barchester Group management have prepared budgets using an integrated profit, cash flow and balance sheet model. Detailed assumptions are made, starting with projected costs for the profit and loss account and cash flows with the balance sheet being calculated from those assumptions.
- 2.2.2 A comparison of historical results against budget for the year ended 31 December 2001 and the year ended 31 December 2002 is summarised below.

Figure 1: Historical budgeting performance – Barchester Group

	Year ended 31 December 2001			Year ended 31 December 2002		
	Actual £000	Budget £000	Variance £000	Actual £000	Budget £000	Variance £000
Turnover	27,527	26,707	820	37,696	35,993	1,703
Gross profit	5,978	5,658	320	8,188	7,594	594
Gross profit %	22.7%	22%		21.7%	21.1%	
Net profit	3,054	2,746	308	3,983	3,536	447
Net profit %	11.1%	10.3%		10.6%	9.8%	
Net assets	26,953	26,657	296	28,192	27,703	489

Source: Management accounts

Turnover

- 2.2.3 Turnover is above budget in both the year to 31 December 2001 and to 31 December 2002 due to higher than budgeted occupancy and fee rates. Budgeted turnover is historically prudent and the variance in both periods does not exceed 5%.
- 2.2.4 Turnover has increased in 2002 compared to 2001 due a number of acquisitions in 2002.

Gross margin

- 2.2.5 Variances in gross margin are in line with those arising on turnover in the periods under review. Budgeted profitability is historically prudent compared to actual results.

Net assets

- 2.2.6 Net assets are above budget at 31 December 2001 and at 31 December 2002. Projected net assets are calculated based on the projected profit and cashflows for the period. Capital expenditure is assumed to be incurred in accordance with budget, which leads to variances in net assets due to timing differences when compared to the actual spending profile for capital projects.
- 2.2.7 Overall, the variances are not significant for the purposes of this memorandum.

3 Mechanics of proposed transaction

3.1 Pre-completion adjustments to Avalon Nursing Homes Limited's balance sheet

- 3.1.1 Avalon Nursing Homes Limited had an excess of total assets over total liabilities of £3.5m at 31 March 2002 and £3.9m at 31 October 2002. This is set out below, together with the forecast balance sheet effects of the trading activities between 31 October 2002 and 12 February 2003. The financial statements and management account from which these figures have been derived are attached as appendix II and III.

Figure 2: Avalon Nursing Homes Limited balance sheet and pre-completion adjustments

	31 March 2002 Audited financial statements £000	31 October 2002 Unaudited management accounts £000	Period ended 12 February 2003 forecast trading effects £000	Balance sheet forecast at completion 12 February 2003 £000
Fixed assets	7,833	7,834	-	7,834
Current assets (including cash)	46	102	169	271
Third party liabilities	(4,036)	(3,659)	-	(3,659)
Taxation	(341)	(409)	-	(409)
	<u>3,502</u>	<u>3,868</u>	<u>169</u>	<u>4,037</u>

Source: March 2002 financial statements, October 2002 management accounts, Barchester projections

- 3.1.2 The trading effects for the three months ending 12 February 2003 have been forecast based on performance in the 6 months to October 2002. Occupancy levels and bed rates have not changed significantly in this time and it is reasonable to assume that this will continue. The effect of non trading transactions have not been taken into account, so that, for example, it has been assumed that any fixed assets additions are approximately equal to the depreciation charge.

3.2 Pre-completion adjustments to Avalon (Guernsey Limited's balance sheet

- 3.2.1 Avalon Guernsey Limited had an excess of total assets over total liabilities of £100 at 31 March 2002. This is set out below, together with the forecast balance sheet effects of the company's activities between 31 March 2002 and 12 February 2003. The financial statements and management account from which these figures have been derived are attached as appendix IV.

Figure 3: Avalon (Guernsey) Limited balance sheet and pre-completion adjustments

	5 April 2002 Audited financial statements £	9 months ended 12 February 2003 forecast trading effects £	Balance sheet forecast at completion 12 February 2003 £
Fixed assets	606	-	606
Current assets (including cash)	1,765	-	1,765
Third party liabilities	(2,271)	-	(2,271)
	<hr/> 100 <hr/>	<hr/> - <hr/>	<hr/> 100 <hr/>

3.2.2 Avalon (Guernsey) Limited is a holding company only which receives dividends from Avalon Nursing Homes Limited. There are limited other income and expenditure items recorded in the company and any dividends received are paid out net of expenditure so that the profit and loss reserve is £nil.

3.2.3 In the period to October 2002 Avalon Nursing Homes Limited has paid over £52,000 of dividends. For the purposes of this memorandum it is assumed that these dividends received by the holding company in the period to 12 February 2003 will be exactly matched by payments out of the company, leaving net assets unchanged.

Opening cash position

- 3.2.4 A summary of the opening cash position of Barchester Group immediately prior to the acquisition is set out below.

Figure 4: Opening cash position of Barchester Group

	£000	£000
Cash per 31 December 2002 unaudited balance sheet	100	
Bank loan per 31 December 2002 unaudited balance sheet	(42,900)	
Trading cash movements projected to 12 February 2003	272	
Cash movements for projected capital expenditure to 12 February 2003	(472)	
		(43,000)
Payable to shareholders of Avalon		(11,515)
Inter-company financing		4,500
Deal costs		(30)
		(50,045)
Estimated opening bank position at 12 February 2003		
<i>Source: Barchester projections, management accounts, sale & purchase agreement</i>		

- 3.2.5 The sale & purchase agreement states that Barchester will repay the bank indebtedness and sellers loans as part of the £11.5 million consideration payable. The balance of the consideration is then to be paid to the shareholders of the company.
- 3.2.6 The acquisition is to be funded by £4.5m cash from Barchester's parent company in Jersey, Grove Limited, and the balance from the £85m loan facility.

4 Estimated net assets prior to provision of financial assistance and immediately thereafter

4.1 Net asset position at time financial assistance is given

4.1.1 The directors of Avalon have considered the net asset position of Avalon as at 12 February 2003, prior to the giving of financial assistance, and are of the opinion that at this time the book value of assets exceeds liabilities by £4 million.

4.1.2 The calculations and assumptions used are set out below.

Figure 5: Estimated net assets of Avalon prior to provision of financial assistance

	Forecast 12 February 2003 £000
Net assets at 31 October 2002 per unaudited management accounts	3,868
Estimated trading results for three months ended 12 February 2003	169
	<hr/>
Estimated net assets at date of financial assistance (12 February 2003)	4,037
	<hr/>
Represented by:	
Share capital	100
Share premium and other reserves	20
Profit and loss account	3,917
	<hr/>
	4,037
	<hr/>
<i>Source: Avalon Management Accounts, Barchester projections, sale & purchase agreements</i>	

4.1.3 The above figures do not take into account fair value adjustment that will be made to the consolidated accounts of Barchester Group, under Financial Reporting Standard 7 'Fair values in Acquisition Accounting'. This adjustment will increase the net book value of Avalon's fixed assets by approximately £3.7m.

4.2 Impact of the giving of financial assistance on net assets

- 4.2.1 The directors of Avalon have also considered the impact of the acquisition of shares in Avalon by Barchester and the provision of financial assistance by Avalon on the net assets of the company.
- 4.2.2 In the opinion of the directors of Avalon, the obligations assumed by Avalon under the terms of security documentation supporting the financial arrangements for the acquisition are neither certain nor likely to be called, given the financial projections and funding arrangements for Barchester Group outlined in sections 5 and 6 below.
- 4.2.3 Accordingly, the directors of Avalon have reached the conclusion that the security documentation and all other aspects of the proposed acquisition of shares in Avalon by Barchester will not result in new or additional liabilities arising in Avalon. Therefore, they consider that the provision of financial assistance by the company will have no effect on the net assets of the company, which immediately following the giving of financial assistance, will be the same as at the time immediately prior to the provision of financial assistance.

5 Projections of Barchester Group

5.1 Profit projections to 12 February 2004

- 5.1.1 The profit projections for the Barchester Group for the 13 months to 12 February 2004 are set out below. Also set out below are historical (audited) figures for Barchester for the years ended 31 December 2001 and 2002, for Avalon for the year ended 31 March 2002 and 7 months ended 31 October 2002, and forecast figures for Avalon for the period to 12 February 2003. Details of the projected figures are given in Appendix I. The financial statements of Barchester Group for the year ended 31 December 2001 are attached as Appendix IV and the management accounts to 31 December 2002 are attached in Appendix V.
- 5.1.2 The Barchester Group forecast trading results include figures from planned acquisitions throughout 2003/04 based on managements' knowledge of each of the Homes/Companies to be acquired.
- 5.1.3 As explained in section 2.1.2 above, the directors are of the opinion that it is not appropriate to consider the proposed position of Avalon in isolation from Barchester Group. Hence, this table does not include Avalon's projected results for the period ended 12 February 2004 as a separate column.

Figure 6: Summary of pro-forma trading results of Avalon and Barchester Group

	Avalon			Barchester Group		
	Year ended	7 months ended	Period ended	Year ended	Year ended	13 months ended
	31/03/02	31/10/02	12/02/03	31/12/01	31/12/02	12/02/04
	Audited £000	Unaudited £000	Forecast £000	Audited £000	Unaudited £'000	Forecast £000
Turnover	4,358	2,716	1,164	27,527	37,696	63,679
Gross profit	1,260	1,032	443	5,331	7,367	14,281
Overheads	(605)	(472)	(203)	(1,201)	(1,633)	(2,632)
Operating profit (net profit before interest)	655	560	240	4,130	5,734	11,649
Gross margin %	28.9%	37.9%	38%	19.3%	19.5%	22.4%
Operating profit %	15.0%	20.6%	20.6%	15.0%	15.2%	18.3%

Source: Management accounts, financial statements, Barchester projections

Turnover*Avalon*

Turnover is consistent with prior periods.

Barchester Group

Occupancy rates do not change significantly over the period under review, whilst bed numbers have increased during 2002 and are projected to increase further in 2003 through acquisition.

Bed rates are forecast to decrease due to the inclusion of some purely residential homes that attract lower rates. In addition in 2003 the projections include the acquisition of some homes in the North of England that have a lower bed rates than homes in the existing Barchester Group.

Bed numbers are forecast to increase from 1,666 in December 2002 to 2,544 by July 2003 an increase of 52%.

Gross margin*Avalon*

Gross margin has improved since the year ended 31 March 2002 due primarily to a reduction in agency staff used by Avalon.

Barchester Group

Gross margin is forecast to improve primarily due to the reduced reliance on agency staff following recruitment of permanent staff from overseas.

Operating profit

As with gross margin the main reason for the improvement in operating profit is reduced levels of agency staff.

5.2 Projected balance sheets

- 5.2.1 A summary forecast balance sheet for Barchester Group at 12 February 2004 is set out overleaf, together with the forecast post-completion balance sheet for Barchester Group at 12 February 2003. The latest available group balance sheet is for 31 December 2001 and has also been included.
- 5.2.2 The forecast and projected balance sheets have been based on the anticipated trading activity of the Group for the period and future cashflows. The assumptions are based on Barchester managements' knowledge of the business and historical performance (including unaudited management accounts).

Figure 7: Projected balance sheets - Barchester Group

	31 December 2001	12 February 2003	12 February 2004
	Audited	Forecast post- completion	Projected
	£000	£000	£000
Fixed assets	52,991	98,129	125,685
Net current assets (excl.costs)	(601)	561	(630)
Cash	(198)	(100)	1,291
Inter company loans from Grove Limited	-	(15,000)	(15,000)
Bank loans	(25,186)	(52,415)	(75,290)
Net assets	27,006	31,175	36,056
Called up share capital and other reserves	19,196	19,196	19,196
Profit and loss account	7,810	11,979	16,860
	27,006	31,175	36,056

Source: Barchester projections, management accounts, financial statements

Tangible assets

5.2.3 The forecast post-completion net book value of Barchester Group's freehold land and buildings is £85.1 million at 12 February 2003. During 2003 further additions of homes are forecast so that fixed assets at 12 February 2004 are projected to be £125.6 million.

5.2.4 These acquisitions are to be financed partially by an intercompany loan of £15 million and the balance from the £85 million loan facility currently in place for the Group.

Cash

5.2.5 The Group is forecast to move to a cash positive position during 2003/04.

5.3 Cash flow projections

- 5.3.1 A summary of Barchester Group's cash flow projections for the 13 months to 12 February 2004, compared to cashflows for the year ended 31 December 2001 and 31 December 2002 and the period ended 12 February 2003 post completion is set out below. Detailed monthly analysis is given in Appendix I.

Figure 8: Cash flow projections – Barchester Group

	Year ended 31/12/01 Audited £000	Year ended 31/12/02 Unaudited £000	Period ended 12/02/03 Projected £000	13 months 12/02/04 Projected £000
Operating profit	4,850	6,555	574	13,028
Movement in working capital	(262)	(1,451)	(75)	(975)
Net cash inflow from operating activities	4,588	5,104	499	12,053
Bank loan interest paid	(1,152)	(1,665)	(227)	(4,717)
Net cash inflow before taxation	3,436	3,439	272	7,336
Corporation tax paid	-	-	-	-
Capital expenditure	(9,438)	(818)	(472)	(6,145)
Acquisitions and disposals	(2,447)	(28,886)	(11,515)	(36,890)
Net cash outflow before financing	(8,449)	(26,265)	(11,715)	(35,699)
Net bank loan receipts	8,283	15,062	7,015	32,390
Net other loan receipts	-	11,500	4,500	4,500
Cash movement	(166)	297	(200)	1,191
<i>Source: Financial statements, Barchester projections</i>				

- 5.3.2 The principal reasons for the cash flow movements set out in the table on the previous page are as follows:

- Capital expenditure in 2001 was primarily the acquisition/development of Woodside House (£1,100,000), Seymour House (£3,000,000), Keycol (£2,200,000) and Southerndown (£1,760,000).
- Expenditure on acquisitions and developments in 2001 relates to the acquisition of Esprit Fort Limited in June 2001.
- Acquisitions and development expenditure in 2002 includes the acquisition of Davill Healthcare Limited, Adlington Manor Limited and Anglia Retirement Homes Limited.



12 February 2003

- The cashflow to 12 February 2003 includes primarily the acquisition of Avalon.
- During the year to 12 February 2004 additional acquisitions totalling £37 million are projected. Target acquisitions have been identified for this expenditure.
- Due to the availability of tax losses, the directors do not anticipate a significant corporation tax liability in 2002. A tax liability of approximately £2.1 million has been projected for the 13 month period to 12 February 2004. This is not included within the cash projections above.

6 Banking facilities, headroom and covenants

6.1 Facilities available to Barchester Group

6.1.1 Details of the financing facilities available to Barchester Group from the bank are set out in the re-financing agreement in place with RBS. In total the group has a facility of £85m available of which £43m has already been draw down at 31 December 2002. In addition to this loan facility Barchester Group have a £0.5m overdraft facility.

6.1.2 As the facilities provided by the bank are the subject of legally binding agreements, the directors have no reason to believe that this finance will not be available, and the statutory declarations on financial assistance have been made by the directors on the assumption that these facilities are available to Barchester Group on completion of the transaction.

6.2 Headroom within overdraft facility compared to net borrowings

6.2.1 A summary of the projected position at the end of each month from 12 February 2003 to 12 February 2004 and the headroom, which this gives, is set out below. Actuals for 31 December 2001 and 31 December 2002 have also been included.

6.2.2 Loan headroom is calculated based on the net borrowings compared to the total loan facility of £85m.

Figure 9: Outline of projected headroom compared to net borrowings

	Actual/projected cash/(overdraft) £000	Maximum facility £000	Cash headroom £000	Net Borrowings £000	Loan headroom £000
31 December 2001	(198)	(500)	302	(25,186)	
31 December 2002	100	(500)	600	(43,000)	42,000
12 February 2003	(100)	(500)	400	(43,000)	42,000
12 March 2003	(272)	(500)	228	(43,172)	41,828
12 April 2003	(345)	(500)	155	(52,760)	32,240
12 May 2003	(285)	(500)	215	(55,100)	29,900
12 June 2003	(279)	(500)	221	(75,569)	9,431
12 July 2003	(279)	(500)	221	(75,569)	9,431
12 August 2003	(147)	(500)	353	(75,437)	9,563
12 September 2003	60	(500)	560	(75,230)	9,770
12 October 2003	235	(500)	735	(75,054)	9,946
12 November 2003	504	(500)	1,004	(74,786)	10,214
12 December 2003	887	(500)	1,387	(74,403)	10,597
12 January 2004	1,090	(500)	1,590	(74,200)	10,800
12 February 2004	1,291	(500)	1,791	(73,997)	11,003

Source: Projections, banking agreements, management accounts, financial statements

6.2.3 Based upon these projections and level of facility, Barchester Group has sufficient headroom within the figures for the directors to make the statement that they consider that Avalon will be able to meet its debts as they fall due over the next twelve months.

6.3 Projected compliance with covenants

6.3.1 Non-financial covenants

6.3.2 The general non-financial covenants which Barchester Group will need to adhere to in order to comply with the terms of the banking arrangements are detailed in the bank facility agreement. The directors at present consider that the company should be able to comply with these covenants.

6.3.3 Financial covenants

6.3.4 The facility agreement set out financial covenants relating to the following:

- The ratio of 'Consolidated Net Cash Flow' to 'Consolidated Debt Service Liability' must be not less than 1.25:1 for all of the dates set out in the loan agreements.
- Net borrowings to EBITDA shall not exceed the following ratios: 6 months to June 03 - 6.5:1; June to December 2003 - 7:1 and 6 months to June 2004 - 6:1.
- Consolidated EBITDA : consolidated borrowing costs should exceed 2.25:1

6.3.5 Breach of these covenants would constitute a default of banking conditions, and funds advanced by the bank would in principle become repayable on demand.

6.3.6 Details of all financial covenant calculations are set out below. Terms used in the covenants are defined in the loan agreements in appendix V.

6.3.7 Financial covenant calculations

	Target	Period to 12 February 2003	12 months to 12 February 2004
Interest cover	1.25	1.35	2.02
Net borrowings to EBITDA	6		5.20
EBITDA to borrowing costs	2.25	2.60	2.95
<i>Interest cover</i>			
Operating profit pre dep'n		778	15,660
Normal capital expenditure		(472)	(6,145)
Adjusted profit		306	9,515
Interest		227	4,717
Loan repayment		0	0
Interest		227	4,717

7 Sensitivities

7.1 Objective of sensitivity analysis and sensitivities considered

- 7.1.1 In order to provide additional assurance that the directors can express the opinion in respect of the company that it will be able to pay its debts as they fall due, the directors of Avalon have considered the implication for the post transaction projections of certain of the key trading and cash flow assumptions set out in section 5 above not being met.
- 7.1.2 The Directors have estimated the minimum level of profit that the Group will need to achieve in order to comply with the financial covenants set out in section 6 above.
- 7.1.3 Interest and loan repayments for the 13 month period to 12 February 2004 are £4,717,000 compared to profits after normal capital expenditure of £9,515,000. The interest/loan repayment covenant allows a ratio of 1.25 to 1. Therefore profits after normal capital expenditure would have to fall by £1,100,000 for this covenant to be breached.
- 7.1.4 Historical performance of the Barchester Group indicates that it is profitable and for the years 31 December 2000 and 2001 respectively a profit before interest of £3,374,000 and £4,031,000 was achieved. The projected profit for the 13 month period is £11,649,000 which is not unreasonable given the increase in the number of available beds to the Barchester Group as a result of this and other acquisitions in 2002 and 2003/04 and historical budgeting performance.



12 February 2003

8 Conclusions

8.1 Barchester Group Directors approval of projections and board memorandum

- 8.1.1 The projections set out in the memorandum are solely the responsibility of the Barchester Group Directors.
- 8.1.2 The Barchester Group Directors are aware of the statutory requirements to make a statutory declaration in respect of financial assistance, and are not aware of anything to prevent them from doing so.
- 8.1.3 The Barchester Group Directors are of the opinion that, having made due and careful enquiry, taking into account the financing and other facilities available, the Barchester Group will have sufficient working capital for its present requirements, that is, for at least twelve months, from the date that financial assistance is given.
- 8.1.4 The Barchester Group Directors have reviewed the content of this board memorandum and are not aware of any omissions or errors which would impact the Avalon Nursing Homes Limited's Directors' statutory declaration and Avalon (Guernsey) Limited Directors' declaration.
- 8.1.5 The Barchester Group Directors' approval of these projections and board memorandum is evidenced by their signatures below:

Signed on behalf of the Board of Barchester Healthcare Limited

P. Duncan Director Dated *12/2/2003*

12 February 2003

8.2 Conditions precedent to the provision of financial assistance

8.2.1 From the directors knowledge of events since that date and their estimate of the likely course of the company's business, as described in section 4 of this memorandum, the directors have formed the opinion that:

- As at 12 February 2003 immediately after the assistance is given the Company will satisfy the "solvency test" (as defined) to the effect that:
 - (a) the Company is able to discharge its liabilities as they become due in the normal course of its business; and
 - (b) the value of the Company's assets is greater than the aggregate of the amount of its liabilities, the nominal value of its issued shares and any amounts standing to the credit of its share premium account and its capital redemption reserve fund.
 - (c) After due consideration of valuations of assets and estimates of liabilities ("Valuations and Estimates") which were reasonable in all the circumstances, the directors accordingly concluded that the Company will be able to discharge its liabilities as they become due as above.
- Immediately after the financial assistance is given, the Company will be able to discharge its liabilities as they become due in the normal course of its business and the value of the Company's assets will be greater than the aggregate of its liabilities, the nominal amount of its issued shares, any amount standing to the credit of the Company's share premium account and any amount standing to the credit of the Company's capital redemption reserve, and thus the requirements of the relevant Ordinance would be satisfied.

.....*[Signature]*.....

~~Dated~~ *Directors*

.....12/2/03.....

Dated



12 February 2003

8.3 Conditions precedent to the provision of financial assistance

- 8.3.1 As at 31 March 2002 the aggregate assets of Avalon Nursing Homes Limited as stated in its accounting records exceeded the aggregate of its liabilities as so stated.
- 8.3.2 From the directors knowledge of events since that date and their estimate of the likely course of the company's business, as described in section 4 of this memorandum, the directors have formed the opinion that:
- The aggregate of the company's assets will exceed the aggregate of its liabilities immediately before the proposed financial assistance is given;
 - As noted in section 4, in view of the nature of the financial assistance to be provided, the directors are also of the opinion that the giving thereof does not reduce the net assets of the company.

8.4 Statutory declaration

- 8.4.1 The directors are of the opinion that having carefully considered and adopted the contents of this memorandum that they are able to make a statutory declaration under Section 155(6) of the Companies Act in the prescribed form.
- 8.4.2 This board memorandum has been approved and adopted by the directors of Avalon Nursing Homes Limited as denoted by their signatures below:

.....*[Signature]*.....

~~Dated~~ *Director*

.....12/2/03.....

Dated

Barclay's Healthcare Limited

2003 Projected Profit and Loss Account

Home

Total

	January	February	March	April	May	June	July	August	September	October	November	December	January	February	Total	Margin (%)
Revenue	3,891,601	3,609,892	4,457,107	4,566,423	4,740,700	4,605,745	5,361,165	5,396,637	5,258,866	5,474,669	5,321,652	5,497,122	5,497,122	5,497,122	69,175,821	
Wages	2,534,952	2,299,230	2,757,237	2,828,360	2,914,767	2,820,701	3,316,089	3,276,952	3,120,097	3,291,103	3,063,905	3,380,825	3,380,825	3,380,825	42,365,867	61.24%
Food	167,701	161,410	190,943	191,165	198,560	192,642	229,416	230,423	224,025	233,229	226,437	234,186	234,186	234,186	2,948,508	5.4%
Other Costs	411,014	379,036	482,245	455,191	469,668	455,191	531,319	531,319	514,660	531,319	514,660	531,319	531,319	531,319	6,849,782	9.90%
Operating Profit	777,933	770,215	1,046,683	1,091,707	1,157,505	1,137,210	1,284,341	1,357,943	1,400,084	1,419,019	1,516,650	1,350,791	1,350,791	1,350,791	17,011,664	24.59%
Depreciation	88,705	88,705	95,705	99,705	99,705	99,705	115,205	115,205	115,205	115,205	115,205	115,205	115,205	115,205	1,493,864	2.16%
Homes Profit	689,229	681,510	950,978	992,002	1,057,801	1,037,506	1,169,137	1,242,739	1,284,879	1,303,814	1,401,445	1,235,587	1,235,587	1,235,587	15,517,799	22.43%
Administration Costs	203,842	196,591	203,842	201,425	203,842	201,425	203,842	203,842	201,425	203,842	201,425	203,842	203,842	203,842	2,836,873	4.10%
Net Operating Profit	485,386	484,919	747,136	790,577	853,958	836,081	965,294	1,038,896	1,083,454	1,099,972	1,200,020	1,031,744	1,031,744	1,031,744	12,680,926	18.33%
Net Interest payable	220,462	189,280	266,651	268,032	400,131	384,180	394,566	392,551	376,414	386,592	371,897	380,683	380,683	380,683	4,792,808	
Profit	264,924	295,639	480,485	522,545	453,828	451,900	570,728	646,345	707,040	713,380	828,123	651,061	651,061	651,061	7,888,118	
Taxation	-79,477	-88,692	-144,145	-156,763	-138,148	-135,570	-171,218	-193,903	-212,112	-214,014	-248,437	-195,318	-195,318	-195,318	-2,366,435	
Profit after tax	185,447	206,947	336,339	365,781	315,679	316,330	399,509	452,441	494,928	499,366	579,686	455,743	455,743	455,743	5,521,683	
Operating Margin	20.0%	21.3%	23.5%	23.9%	24.4%	24.7%	24.0%	25.2%	26.6%	25.9%	28.5%	24.6%	24.6%	24.6%	24.6%	
Operating Margin (excl home care)	20.7%	22.2%	24.3%	24.7%	25.2%	25.5%	24.6%	25.9%	27.4%	26.6%	29.3%	25.2%	25.2%	25.2%	25.2%	
Operating Margin (excl home care at Net Operating Margin)	21.5%	22.8%	24.6%	25.0%	25.3%	25.6%	24.7%	26.0%	27.5%	26.7%	29.4%	25.3%	25.3%	25.3%	25.3%	
Op Profit Per Reg Bed	12.5%	13.4%	16.8%	17.3%	18.0%	18.2%	18.0%	19.3%	20.6%	20.1%	22.5%	18.8%	18.8%	18.8%	18.3%	
Available Beds	4,671	5,008	5,551	5,851	5,799	5,888	5,535	5,852	6,235	6,116	6,754	5,822	5,822	5,822	5,947	
Occupied Beds	1,961	2,005	2,205	2,270	2,350	2,350	2,732	2,732	2,732	2,732	2,732	2,732	2,732	2,732	2,462	
Occupancy	1,719	1,764	1,973	2,040	2,050	2,055	2,436	2,446	2,457	2,476	2,484	2,486	2,486	2,486	2,199	
Fee Rates	87.7%	88.0%	88.9%	89.9%	87.2%	87.4%	89.2%	89.5%	89.9%	90.6%	90.9%	91.0%	91.0%	91.0%	89.3%	
	483	482	486	498	499	499	477	479	479	479	480	480	480	480	485	

Per E33 = 2.032
Kalen 188

2.220

W Loh

Barchester Healthcare Homes Limited

2003 Projected Cash Flow

	2003 January	2003 February	2003 March	2003 April	2003 May	2003 June	2003 July	2003 August	2003 September	2003 October	2003 November	2003 December	2003 January	2003 February	2003 Total
Opening Balance	100,000	(100,855)	(272,617)	(344,985)	(284,994)	(279,494)	(278,961)	(146,605)	59,794	235,331	504,079	886,663	1,089,355	1,292,722	100,000
Operating profit	777,933	770,215	1,046,693	1,091,707	1,157,505	1,137,210	1,284,341	1,357,943	1,400,084	1,419,019	1,516,650	1,350,791	1,350,791	1,350,791	14,310,081
Administration costs	(203,842)	(196,591)	(203,842)	(201,425)	(203,842)	(201,425)	(203,842)	(203,842)	(201,425)	(203,842)	(201,425)	(203,842)	(203,842)	(203,842)	-2,429,188
Working capital	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	-900,000
Operating cash flow	499,091	498,624	767,840	819,282	878,663	860,785	1,005,499	1,079,101	1,123,659	1,140,176	1,240,225	1,071,949	1,071,949	1,071,949	10,980,893
Share buy back	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Development	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	-4,800,000
Normal CAPEX	(72,557)	(72,557)	(72,557)	(72,557)	(72,557)	(72,557)	(72,557)	(72,557)	(72,557)	(72,557)	(72,557)	(72,557)	(72,557)	(72,557)	-870,684
Capital Cash flow	(472,557)	(472,557)	(472,557)	(472,557)	(472,557)	(472,557)	(472,557)	(472,557)	(472,557)	(472,557)	(472,557)	(472,557)	(472,557)	(472,557)	-5,670,684
Interest on loan	(227,723)	(197,492)	(356,743)	(281,584)	(399,656)	(386,764)	(399,656)	(399,656)	(475,764)	(399,656)	(386,764)	(399,656)	(399,656)	(360,979)	-4,321,112
Loan repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Interest on overdraft	333	(336)	(909)	(1,150)	(950)	(932)	(930)	(489)	199	784	1,680	2,956	3,631	4,309	258
Total borrowings cost	(227,389)	(197,828)	(357,652)	(282,734)	(400,606)	(387,695)	(400,586)	(400,145)	(475,564)	(398,871)	(385,083)	(396,700)	(396,025)	(356,670)	-4,320,854
Cash movement in the month	(200,855)	(171,761)	(72,369)	59,991	5,500	533	132,356	206,399	175,537	268,748	382,584	202,691	203,367	242,721	989,355
Closing overdraft balance	(100,855)	(272,617)	(344,985)	(284,994)	(279,494)	(278,961)	(146,605)	59,794	235,331	504,079	886,663	1,089,355	1,292,722	1,535,443	1,089,355
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(32,390,000)
Operating loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RBS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ECSC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing loan balance	-42,900,000	-42,900,000	-52,415,000	-54,815,000	-75,290,000	-75,290,000	-75,290,000	-75,290,000	-75,290,000	-75,290,000	-75,290,000	-75,290,000	-75,290,000	-75,290,000	-75,290,000
Total Borrowings	-43,000,855	-43,172,617	-52,759,985	-55,099,994	-75,569,494	-75,568,961	-75,436,605	-75,230,206	-75,054,669	-74,785,921	-74,403,337	-74,200,645	-73,997,278	-73,754,557	(74,200,645)

Date: 18/12/2002
Time: 15:22:51

Avalon Nursing Homes Consol Budget Report

Page: 1

From: Month 7, October 2002
To: Month 7, October 2002

Chart of Accounts:

Default Chart of Accounts

	Period				Year to Date			
	Actual	Ratio(%)	Budget	Variance	Actual	Ratio(%)	Budget	Variance
Income								
Fees - Nursing	146,642.42	35.37	146,317.00	325.42	1,037,823.18	38.18	1,020,980.00	16,843.18
Fees - EMI	265,450.28	64.03	250,611.00	14,839.28	1,672,790.68	61.54	1,727,621.00	(54,830.32)
Fees - Day Care	520.00	0.13	0.00	520.00	3,226.00	0.12	0.00	3,226.00
Sundry Income	3,141.10	0.76	2,050.00	1,091.10	16,403.14	0.60	14,350.00	2,053.14
Rechargeable Costs	(1,205.11)	(0.29)	(2,050.00)	844.89	(12,110.50)	(0.45)	(14,350.00)	2,239.50
Management & Consultancy Fees	0.00	0.00	3,150.00	(3,150.00)	0.00	0.00	22,050.00	(22,050.00)
	414,548.69	100.00	400,078.00	14,470.69	2,718,132.50	100.00	2,770,651.00	(52,518.50)
Purchases								
Discount & Procurement Fees	0.00	0.00	0.00	0.00	1,669.46	0.06	0.00	1,669.46
	0.00	0.00	0.00	0.00	1,669.46	0.06	0.00	1,669.46
Expenditure								
Wages, Salaries & NI	188,461.91	45.46	198,254.34	(9,792.43)	1,290,092.52	47.46	1,386,269.38	(96,176.86)
Holiday & Other Payroll Costs	15,243.70	3.68	14,850.00	393.70	85,018.77	3.13	102,756.00	(17,737.23)
Agency Fees	30,673.97	7.40	11,150.00	19,523.97	202,043.36	7.43	78,050.00	123,993.36
Training and Recruitment	7,915.47	1.91	7,440.00	475.47	40,575.84	1.49	52,080.00	(11,504.16)
Staff Welfare	1,354.14	0.33	0.00	1,354.14	3,279.15	0.12	3,507.00	(227.85)
Food and Drink	14,679.51	3.54	13,334.00	1,345.51	92,736.26	3.41	91,522.00	1,214.26
Medical Services & Supplies	7,710.23	1.86	5,000.00	2,710.23	44,178.27	1.63	35,000.00	9,178.27
Replacement Linen & Uniforms	342.74	0.08	975.00	(632.26)	6,043.46	0.22	6,825.00	(781.54)
Crockery & Kitchen Utensils	252.70	0.06	430.00	(177.30)	1,488.40	0.05	3,010.00	(1,521.60)
Laundry and Cleaning	3,753.40	0.91	3,590.00	163.40	26,579.33	0.98	25,130.00	1,449.33
Refuse Collection	2,668.10	0.64	1,720.00	948.10	8,776.74	0.32	12,040.00	(3,263.26)
Kitchen Sundries	101.91	0.02	200.00	(98.09)	901.03	0.03	1,400.00	(498.97)
Property Repairs	6,067.67	1.46	8,775.00	(2,707.33)	45,354.56	1.67	61,425.00	(16,070.44)
Lighting and Heating	3,336.18	0.80	5,189.00	(1,852.82)	28,451.80	1.05	27,241.00	1,210.80
Rent and Rates	5,978.43	1.44	3,975.33	2,003.10	31,001.52	1.14	27,827.31	3,174.21
Rental/Leasing of Equipment	1,642.18	0.40	1,510.00	132.18	10,965.35	0.40	10,570.00	395.35
Insurance	3,067.00	0.74	1,500.00	1,567.00	24,621.17	0.91	10,500.00	14,121.17
Brochures	0.00	0.00	160.00	(160.00)	402.00	0.01	1,120.00	(718.00)
Advertising	1,821.49	0.44	1,680.00	141.49	16,716.46	0.61	11,760.00	4,956.46
Printing, Postage & Stationery	1,272.75	0.31	1,245.00	27.75	9,674.80	0.36	8,715.00	959.80
Computer Costs	817.87	0.20	1,285.00	(467.13)	5,179.06	0.19	8,995.00	(3,815.94)
Telephone	1,025.91	0.25	1,240.00	(214.09)	10,479.87	0.39	8,680.00	1,799.87
Miscellaneous	4,719.41	1.14	3,320.00	1,399.41	16,989.30	0.63	23,240.00	(6,250.70)
Travel & Entertainment	1,106.99	0.27	1,180.00	(73.01)	7,364.10	0.27	8,260.00	(895.90)
Auditing & Accounting Fees	3,761.87	0.91	1,750.00	2,011.87	10,929.37	0.40	12,250.00	(1,320.63)
Professional Fees	0.00	0.00	683.00	(683.00)	940.00	0.03	4,781.00	(3,841.00)
Legal Fees	600.00	0.14	600.00	0.00	4,450.00	0.16	4,200.00	250.00
Residents Welfare	689.18	0.17	750.00	(60.82)	5,401.85	0.20	5,250.00	151.85
Suscriptions & Donations	103.20	0.02	305.00	(201.80)	632.65	0.02	2,135.00	(1,502.35)
Miscellaneous	555.34	0.13	260.00	295.34	2,101.39	0.08	1,820.00	281.39
Bad Debts	0.00	0.00	200.00	(200.00)	0.00	0.00	1,400.00	(1,400.00)
Bank Charges	222.86	0.05	850.83	(627.97)	8,214.31	0.30	5,955.81	2,258.50
Bank & Other Interest	23,905.68	5.77	20,837.00	3,068.68	165,914.03	6.10	154,103.00	11,811.03
Depreciation of Fixed Assets	16,412.00	3.96	16,412.00	0.00	114,884.00	4.23	114,884.00	0.00
Dividends	7,462.50	1.80	7,462.50	0.00	52,237.50	1.92	52,237.50	0.00
	357,726.29	86.29	338,113.00	19,613.29	2,374,618.22	87.36	2,364,939.00	9,679.22
Net Profit/(Loss):	56,822.40	13.71	61,965.00	(5,142.60)	341,844.82	12.58	405,712.00	(63,867.18)

End of Report

Date: 18/12/2002
Time: 15:22:35

Avalon Nursing Homes Consol
Balance Sheet

Page: 1

From: Month 7, October 2002
To: Month 7, October 2002

Chart of Account:

Default Chart of Accounts

	<u>Period</u>	<u>Year to Date</u>
Fixed Assets		
Freehold Property	0.00	7,445,899.32
Furniture, Fixtures & Fittings	8,738.64	1,081,491.64
Motor Vehicles	13,616.01	144,162.68
Depreciation	(16,412.00)	(837,221.21)
	5,942.65	7,834,332.43
Current Assets		
Stock & WIP	0.00	3,447.27
Trade Debtors	12,491.60	53,648.52
Debtors	(2,310.30)	42,734.38
Loans	(345.00)	1,635.00
Petty Cash	(239.69)	987.84
Bank Current Account	63,891.45	0.00
	73,488.06	102,453.01
Current Liabilities		
Trade & Other Creditors	19,360.33	397,054.13
Bank Loans	0.00	2,897,505.24
Taxation	0.00	408,926.62
Inter Company Accounts	3,247.98	(55,139.98)
Bank Overdraft	0.00	419,762.56
	22,608.31	4,068,108.57
Current Assets less Liabilities:	50,879.75	(3,965,655.56)
Net Assets:	56,822.40	3,868,676.87
Capital & Reserves		
Share Capital	0.00	145,030.00
Reserve	0.00	1,609,365.98
Profit and Loss Account B/Fwd	0.00	1,772,436.07
P&L Account	56,822.40	341,844.82
	56,822.40	3,868,676.87

End of Report

Date: 18/12/2002
Time: 15:15:49

Avalon Nursing Head office Budget Report

Page: 1

From: Month 7, October 2002
To: Month 7, October 2002

Chart of Accounts:

Default Layout of Accounts

	Period				Year to Date			
	Actual	Ratio(%)	Budget	Variance	Actual	Ratio(%)	Budget	Variance
Income								
Sundry Income	0.00	0.00	0.00	0.00	863.42	100.00	0.00	863.42
Management & Consultancy Fees	0.00	0.00	3,150.00	(3,150.00)	0.00	0.00	22,050.00	(22,050.00)
	0.00	0.00	3,150.00	(3,150.00)	863.42	100.00	22,050.00	(21,186.58)
Purchases								
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expenditure								
Wages, Salaries & NI	14,949.21	0.00	15,699.34	(750.13)	107,761.56	12,480.78	109,895.38	(2,133.82)
Holiday & Other Payroll Costs	2,412.39	0.00	1,745.00	667.39	5,138.59	595.14	12,215.00	(7,076.41)
Agency Fees	0.00	0.00	150.00	(150.00)	1,057.50	122.48	1,050.00	7.50
Training and Recruitment	5,409.29	0.00	5,100.00	309.29	21,944.03	2,541.52	35,700.00	(13,755.97)
Staff Welfare	654.14	0.00	0.00	654.14	2,006.20	232.36	1,800.00	206.20
Food and Drink	0.00	0.00	50.00	(50.00)	0.00	0.00	350.00	(350.00)
Replacement Linen & Uniforms	0.00	0.00	0.00	0.00	587.50	68.04	0.00	587.50
Laundry and Cleaning	60.00	0.00	65.00	(5.00)	420.00	48.64	455.00	(35.00)
Property Repairs	0.00	0.00	240.00	(240.00)	642.07	74.36	1,680.00	(1,037.93)
Lighting and Heating	42.00	0.00	53.00	(11.00)	255.23	29.56	277.00	(21.77)
Rent and Rates	1,290.00	0.00	1,295.33	(5.33)	11,666.05	1,351.14	9,067.31	2,598.74
Insurance	3,067.00	0.00	1,500.00	1,567.00	24,621.17	2,851.59	10,500.00	14,121.17
Brochures	0.00	0.00	60.00	(60.00)	402.00	46.56	420.00	(18.00)
Advertising	834.25	0.00	1,200.00	(365.75)	4,885.84	565.87	8,400.00	(3,514.16)
Printing, Postage & Stationery	419.86	0.00	530.00	(110.14)	4,164.22	482.29	3,710.00	454.22
Computer Costs	797.88	0.00	1,285.00	(487.12)	5,159.07	597.52	8,995.00	(3,835.93)
Telephone	181.55	0.00	440.00	(258.45)	4,199.99	486.44	3,080.00	1,119.99
Motor Expenses	4,178.29	0.00	2,980.00	1,198.29	15,204.82	1,761.00	20,860.00	(5,655.18)
Travelling & Entertainment	974.19	0.00	1,100.00	(125.81)	7,208.40	834.87	7,700.00	(491.60)
Audit & Accounting Fees	3,761.87	0.00	1,750.00	2,011.87	10,929.37	1,265.82	12,250.00	(1,320.63)
Professional Fees	0.00	0.00	683.00	(683.00)	940.00	108.87	4,781.00	(3,841.00)
Legal Fees	600.00	0.00	600.00	0.00	4,450.00	515.39	4,200.00	250.00
Residents Welfare	67.90	0.00	10.00	57.90	374.85	43.41	70.00	304.85
Suscriptions & Donations	50.00	0.00	200.00	(150.00)	118.00	13.67	1,400.00	(1,282.00)
Miscellaneous	130.67	0.00	100.00	30.67	691.07	80.04	700.00	(8.93)
Bad Debts	0.00	0.00	200.00	(200.00)	0.00	0.00	1,400.00	(1,400.00)
Bank Charges	211.41	0.00	770.83	(559.42)	7,913.37	916.51	5,395.81	2,517.56
Bank & Other Interest	23,905.68	0.00	20,633.00	3,272.68	165,914.03	19,215.91	152,675.00	13,239.03
Depreciation of Fixed Assets	9,942.00	0.00	9,942.00	0.00	69,594.00	8,060.27	69,594.00	0.00
Dividends	7,462.50	0.00	7,462.50	0.00	52,237.50	6,050.07	52,237.50	0.00
	81,402.08	0.00	75,844.00	5,558.08	530,486.43	61,440.14	540,858.00	(10,371.57)
Net Profit/(Loss):	(81,402.08)	0.00	(72,694.00)	(8,708.08)	(529,623.01)	(61,340.14)	(518,808.00)	(10,815.01)

End of Report

Date: 29/11/2002

Time: 10:29:16

Ashcombe House Nursing Home

Page: 1

Budget ReportFrom: Month 7, October 2002
To: Month 7, October 2002

Chart of Accounts:

Default Layout of Accounts

	Period				Year to Date			
	Actual	Ratio(%)	Budget	Variance	Actual	Ratio(%)	Budget	Variance
Income								
Fees - Nursing	82,649.79	100.03	73,143.00	9,506.79	546,347.54	100.03	510,589.00	35,758.54
Sundry income	0.00	0.00	50.00	(50.00)	0.00	0.00	350.00	(350.00)
Rechargeable costs	(21.60)	(0.03)	(50.00)	28.40	(157.70)	(0.03)	(350.00)	192.30
	82,628.19	100.00	73,143.00	9,485.19	546,189.84	100.00	510,589.00	35,600.84
Cost of Sales								
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expenditure								
Wages salaries & NI	32,780.15	39.67	34,503.00	(1,722.85)	232,825.15	42.63	241,305.00	(8,479.85)
Holiday & other payroll costs	2,345.51	2.84	2,468.00	(122.49)	15,145.39	2.77	17,054.00	(1,908.61)
SSNMP	303.60	0.37	153.00	150.60	2,438.93	0.45	1,056.00	1,382.93
fees	9,645.99	11.67	2,000.00	7,645.99	45,433.56	8.32	14,000.00	31,433.56
training	221.00	0.27	140.00	81.00	774.00	0.14	980.00	(206.00)
Staff recruitment	264.00	0.32	100.00	164.00	1,514.30	0.28	700.00	814.30
Staff welfare	0.00	0.00	0.00	0.00	0.00	0.00	297.00	(297.00)
Food & drink	2,484.85	3.01	2,210.00	274.85	15,220.55	2.79	15,257.00	(36.45)
Medical services	250.00	0.30	160.00	90.00	1,786.00	0.33	1,120.00	666.00
Incontinence products	228.41	0.28	500.00	(271.59)	2,810.59	0.51	3,500.00	(689.41)
Other Medical supplies	836.20	1.01	200.00	636.20	3,081.62	0.56	1,400.00	1,681.62
Replacement linen & uniforms	27.96	0.03	125.00	(97.04)	542.80	0.10	875.00	(332.20)
Crockery & Kitchen utensils	0.00	0.00	50.00	(50.00)	247.86	0.05	350.00	(102.14)
Laundry & Cleaning	542.68	0.66	560.00	(17.32)	3,582.45	0.66	3,920.00	(337.55)
Refuse Collection	1,733.04	2.10	370.00	1,363.04	3,217.26	0.59	2,590.00	627.26
Kitchen Sundries	50.52	0.06	50.00	0.52	490.73	0.09	350.00	140.73
Property Repairs	25.27	0.03	570.00	(544.73)	1,137.09	0.21	3,990.00	(2,852.91)
Repairs to services	473.35	0.57	600.00	(126.65)	3,905.22	0.71	4,200.00	(294.78)
Other Maintenance & repairs	924.46	1.12	330.00	594.46	2,034.88	0.37	2,310.00	(275.12)
Lighting & heating	665.47	0.81	1,248.00	(582.53)	5,687.12	1.04	6,552.00	(864.88)
Rent & rates	90.00	0.11	80.00	10.00	625.33	0.11	560.00	65.33
Water Rates	234.89	0.28	250.00	(15.11)	1,627.69	0.30	1,750.00	(122.31)
Registration Fees	128.92	0.16	138.00	(9.08)	923.25	0.17	966.00	(42.75)
Rental/Leasing of equipment	205.51	0.25	260.00	(54.49)	1,438.57	0.26	1,820.00	(381.43)
Brochures	0.00	0.00	25.00	(25.00)	0.00	0.00	175.00	(175.00)
Marketing	69.33	0.08	80.00	(10.67)	69.33	0.01	560.00	(490.67)
Printing Postage & Stationery	200.31	0.24	110.00	90.31	778.32	0.14	770.00	8.32
Travel expenses	(118.33)	(0.14)	150.00	(268.33)	739.64	0.14	1,050.00	(310.36)
Training & entertainment	0.00	0.00	85.00	(85.00)	528.58	0.10	595.00	(66.42)
Residents Welfare	0.00	0.00	20.00	(20.00)	8.60	0.00	140.00	(131.40)
Subscriptions & Donations	0.00	0.00	125.00	(125.00)	173.89	0.03	875.00	(701.11)
Miscellaneous	0.00	0.00	15.00	(15.00)	0.00	0.00	105.00	(105.00)
Miscellaneous	357.74	0.43	30.00	327.74	665.75	0.12	210.00	455.75
Bank charges	2.61	0.00	20.00	(17.39)	90.49	0.02	140.00	(49.51)
Bank & other interest	0.00	0.00	51.00	(51.00)	0.00	0.00	357.00	(357.00)
Depreciation of fixed assets	1,430.00	1.73	1,430.00	0.00	10,010.00	1.83	10,010.00	0.00
	56,403.44	68.26	49,206.00	7,197.44	359,554.94	65.83	341,889.00	17,665.94
Net Profit/(Loss):	26,224.75	31.74	23,937.00	2,287.75	186,634.90	34.17	168,700.00	17,934.90

End of Report

Date: 03/12/2002

Time: 10:34:42

St. Thomas' Nursing Home

Page: 1

Budget Report

From: Month 7, October 2002

To: Month 7, October 2002

Chart of Accounts:

Default Layout of Accounts

	Period				Year to Date			
	Actual	Ratio(%)	Budget	Variance	Actual	Ratio(%)	Budget	Variance
Income								
Fees - EMI	183,619.66	99.23	174,183.00	9,436.66	1,181,533.83	99.85	1,196,181.00	(14,647.17)
Sundry income	1,926.54	1.04	1,500.00	426.54	8,848.85	0.75	10,500.00	(1,651.15)
Rechargeable costs	(509.06)	(0.28)	(1,500.00)	990.94	(7,018.10)	(0.59)	(10,500.00)	3,481.90
	185,037.14	100.00	174,183.00	10,854.14	1,183,364.58	100.00	1,196,181.00	(12,816.42)
Cost of Sales								
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expenditure								
Wages salaries & NI	78,014.98	42.16	76,100.00	1,914.98	520,605.51	43.99	531,894.00	(11,288.49)
Holiday & other payroll costs	5,078.68	2.74	4,993.00	85.68	30,529.65	2.58	34,489.00	(3,959.35)
SSP	168.02	0.09	306.00	(137.98)	1,686.10	0.14	2,112.00	(425.90)
Fees	11,605.20	6.27	5,000.00	6,605.20	57,360.63	4.85	35,000.00	22,360.63
Training	273.00	0.15	300.00	(27.00)	3,197.00	0.27	2,100.00	1,097.00
Staff recruitment	951.86	0.51	900.00	51.86	8,389.27	0.71	6,300.00	2,089.27
Staff welfare	700.00	0.38	0.00	700.00	625.00	0.05	630.00	(5.00)
Food & drink	6,395.57	3.46	5,482.00	913.57	38,529.46	3.26	37,314.00	1,215.46
Medical services	2,322.75	1.26	870.00	1,452.75	6,504.00	0.55	6,090.00	414.00
Incontinence products	262.25	0.14	1,000.00	(737.75)	9,342.83	0.79	7,000.00	2,342.83
Other Medical supplies	790.68	0.43	500.00	290.68	6,478.53	0.55	3,500.00	2,978.53
Replacement linen & uniforms	0.00	0.00	500.00	(500.00)	1,871.22	0.16	3,500.00	(1,628.78)
Crockery & Kitchen utensils	235.90	0.13	230.00	5.90	637.16	0.05	1,610.00	(972.84)
Laundry & Cleaning	1,167.99	0.63	1,670.00	(502.01)	10,148.99	0.86	11,690.00	(1,541.01)
Refuse Collection	624.79	0.34	650.00	(25.21)	3,905.59	0.33	4,550.00	(644.41)
Kitchen Sundries	0.00	0.00	50.00	(50.00)	0.00	0.00	350.00	(350.00)
Property Repairs	198.13	0.11	1,625.00	(1,426.87)	1,200.93	0.10	11,375.00	(10,174.07)
Repairs to services	1,985.25	1.07	1,400.00	585.25	19,097.40	1.61	9,800.00	9,297.40
Other Maintenance & repairs	391.31	0.21	475.00	(83.69)	2,587.05	0.22	3,325.00	(737.95)
Lighting & heating	1,114.09	0.60	1,920.00	(805.91)	10,171.84	0.86	10,080.00	91.84
Rent & rates	293.28	0.16	80.00	213.28	828.61	0.07	560.00	268.61
Water Rates	2,194.00	1.19	550.00	1,644.00	3,436.00	0.29	3,850.00	(414.00)
Registration Fees	287.50	0.16	288.00	(0.50)	1,897.50	0.16	2,016.00	(118.50)
Rental/Leasing of equipment	760.33	0.41	660.00	100.33	4,864.07	0.41	4,620.00	244.07
Brochures	0.00	0.00	25.00	(25.00)	0.00	0.00	175.00	(175.00)
Marketing	914.74	0.49	200.00	714.74	6,907.26	0.58	1,400.00	5,507.26
Printing Postage & Stationery	449.12	0.24	280.00	169.12	2,878.86	0.24	1,960.00	918.86
Contribution Costs	19.99	0.01	0.00	19.99	19.99	0.00	0.00	19.99
Interest	20.05	0.01	280.00	(259.95)	1,846.86	0.16	1,960.00	(113.14)
Travel expenses	439.12	0.24	85.00	354.12	577.32	0.05	595.00	(17.68)
Travelling & entertainment	53.60	0.03	20.00	33.60	67.90	0.01	140.00	(72.10)
Residents Welfare	420.16	0.23	285.00	135.16	2,334.99	0.20	1,995.00	339.99
Subscriptions & Donations	53.20	0.03	60.00	(6.80)	514.65	0.04	420.00	94.65
Miscellaneous	0.00	0.00	40.00	(40.00)	39.85	0.00	280.00	(240.15)
Bank charges	3.65	0.00	20.00	(16.35)	83.09	0.01	140.00	(56.91)
Bank & other Interest	0.00	0.00	51.00	(51.00)	0.00	0.00	357.00	(357.00)
Depreciation of fixed assets	1,680.00	0.91	1,680.00	0.00	11,760.00	0.99	11,760.00	0.00
	119,869.19	64.78	108,575.00	11,294.19	770,925.11	65.15	754,937.00	15,988.11
Net Profit/(Loss):	65,167.95	35.22	65,608.00	(440.05)	412,439.47	34.85	441,244.00	(28,804.53)

Date: 29/11/2002
Time: 12:16:26

Hollyfields Nursing Home

Budget Report

Page: 1

From: Month 7, October 2002
To: Month 7, October 2002

Chart of Accounts:

Default Layout of Accounts

	Period				Year to Date			
	Actual	Ratio(%)	Budget	Variance	Actual	Ratio(%)	Budget	Variance
Income								
Fees - EMI	81,830.62	99.31	76,428.00	5,402.62	491,256.85	99.28	531,440.00	(40,183.15)
Fees - Day care	520.00	0.63	0.00	520.00	3,226.00	0.65	0.00	3,226.00
Sundry income	51.00	0.06	0.00	51.00	342.41	0.07	0.00	342.41
	82,401.62	100.00	76,428.00	5,973.62	494,825.26	100.00	531,440.00	(36,614.74)
Cost of Sales								
Discount & procurement fees	0.00	0.00	0.00	0.00	1,669.46	0.34	0.00	1,669.46
	0.00	0.00	0.00	0.00	1,669.46	0.34	0.00	1,669.46
Expenditure								
Wages salaries & NI	32,559.15	39.51	37,224.00	(4,664.85)	206,467.37	41.73	260,308.00	(53,840.63)
Holiday & other payroll costs	2,416.00	2.93	2,591.00	(175.00)	11,436.09	2.31	17,906.00	(6,469.91)
MP	253.00	0.31	153.00	100.00	2,611.08	0.53	1,056.00	1,555.08
Travel fees	7,866.61	9.55	2,000.00	5,866.61	82,079.58	16.59	14,000.00	68,079.58
Training	0.00	0.00	150.00	(150.00)	375.00	0.08	1,050.00	(675.00)
Staff recruitment	646.32	0.78	300.00	346.32	1,569.21	0.32	2,100.00	(530.79)
Staff welfare	0.00	0.00	0.00	0.00	397.95	0.08	420.00	(22.05)
Food & drink	3,355.78	4.07	2,926.00	429.78	21,148.98	4.27	20,197.00	951.98
Medical services	125.00	0.15	135.00	(10.00)	983.00	0.20	945.00	38.00
Incontinence products	735.91	0.89	600.00	135.91	3,927.13	0.79	4,200.00	(272.87)
Other Medical supplies	1,057.41	1.28	250.00	807.41	3,658.62	0.74	1,750.00	1,908.62
Replacement linen & uniforms	229.95	0.28	150.00	79.95	1,501.41	0.30	1,050.00	451.41
Crockery & Kitchen utensils	0.00	0.00	100.00	(100.00)	238.37	0.05	700.00	(461.63)
Laundry & Cleaning	1,408.12	1.71	705.00	703.12	7,830.02	1.58	4,935.00	2,895.02
Refuse Collection	44.80	0.05	300.00	(255.20)	346.73	0.07	2,100.00	(1,753.27)
Kitchen Sundries	0.00	0.00	50.00	(50.00)	67.09	0.01	350.00	(282.91)
Property Repairs	162.05	0.20	450.00	(287.95)	459.01	0.09	3,150.00	(2,690.99)
Repairs to services	435.38	0.53	750.00	(314.62)	5,251.62	1.06	5,250.00	1.62
Other Maintenance & repairs	115.09	0.14	300.00	(184.91)	1,800.37	0.36	2,100.00	(299.63)
Lighting & heating	575.08	0.70	960.00	(384.92)	5,869.54	1.19	5,040.00	829.54
Rent & rates	69.45	0.08	80.00	(10.55)	483.90	0.10	560.00	(76.10)
Water Rates	739.12	0.90	400.00	339.12	3,581.72	0.72	2,800.00	781.72
Registration Fees	56.84	0.07	171.00	(114.16)	1,038.93	0.21	1,197.00	(158.07)
Rental/leasing of equipment	458.93	0.56	390.00	68.93	3,140.84	0.63	2,730.00	410.84
Brochures	0.00	0.00	25.00	(25.00)	0.00	0.00	175.00	(175.00)
Marketing	0.00	0.00	100.00	(100.00)	2,408.18	0.49	700.00	1,708.18
Printing Postage & Stationery	30.23	0.04	155.00	(124.77)	762.32	0.15	1,085.00	(322.68)
Telephone	(28.86)	(0.04)	195.00	(223.86)	1,504.46	0.30	1,365.00	139.46
Medical expenses	11.40	0.01	85.00	(73.60)	433.43	0.09	595.00	(161.57)
Traveling & entertainment	0.00	0.00	20.00	(20.00)	0.00	0.00	140.00	(140.00)
Residents Welfare	181.12	0.22	180.00	1.12	1,471.46	0.30	1,260.00	211.46
Subscriptions & Donations	0.00	0.00	15.00	(15.00)	0.00	0.00	105.00	(105.00)
Miscellaneous	66.93	0.08	50.00	16.93	255.56	0.05	350.00	(94.44)
Bank charges	2.55	0.00	20.00	(17.45)	73.19	0.01	140.00	(66.81)
Bank & other Interest	0.00	0.00	51.00	(51.00)	0.00	0.00	357.00	(357.00)
Depreciation of fixed assets	1,180.00	1.43	1,180.00	0.00	8,260.00	1.67	8,260.00	0.00
	54,753.36	66.45	53,211.00	1,542.36	381,432.16	77.08	370,426.00	11,006.16
Net Profit/(Loss):	27,648.26	33.55	23,217.00	4,431.26	111,723.64	22.58	161,014.00	(49,290.36)

End of Report

Date: 28/11/2002

Time: 16:42:51

High Habberley House

Page: 1

Budget Report

From: Month 7, October 2002

To: Month 7, October 2002

Chart of Accounts:

Default Layout of Accounts

	Period				Year to Date			
	Actual	Ratio(%)	Budget	Variance	Actual	Ratio(%)	Budget	Variance
Income								
Fees - Nursing	63,992.63	99.24	73,174.00	(9,181.37)	491,475.64	99.71	510,391.00	(18,915.36)
Sundry income	1,163.56	1.80	500.00	663.56	6,348.46	1.29	3,500.00	2,848.46
Rechargeable costs	(674.45)	(1.05)	(500.00)	(174.45)	(4,934.70)	(1.00)	(3,500.00)	(1,434.70)
	64,481.74	100.00	73,174.00	(8,692.26)	492,889.40	100.00	510,391.00	(17,501.60)
Cost of Sales								
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expenditure								
Wages salaries & NI	30,158.42	46.77	34,728.00	(4,569.58)	222,432.93	45.13	242,867.00	(20,434.07)
Holiday & other payroll costs	2,116.00	3.28	2,288.00	(172.00)	15,258.00	3.10	15,812.00	(554.00)
MP	150.50	0.23	153.00	(2.50)	774.94	0.16	1,056.00	(281.06)
Agency fees	1,556.17	2.41	2,000.00	(443.83)	16,112.09	3.27	14,000.00	2,112.09
Training	150.00	0.23	150.00	0.00	692.61	0.14	1,050.00	(357.39)
Staff recruitment	0.00	0.00	300.00	(300.00)	2,120.42	0.43	2,100.00	20.42
Staff welfare	0.00	0.00	0.00	0.00	250.00	0.05	360.00	(110.00)
Food & drink	2,443.31	3.79	2,666.00	(222.69)	17,837.27	3.62	18,404.00	(566.73)
Medical services	0.00	0.00	135.00	(135.00)	750.00	0.15	945.00	(195.00)
Incontinence products	964.98	1.50	400.00	564.98	3,488.62	0.71	2,800.00	688.62
Other Medical supplies	136.64	0.21	250.00	(113.36)	1,367.33	0.28	1,750.00	(382.67)
Replacement linen & uniforms	84.83	0.13	200.00	(115.17)	1,540.53	0.31	1,400.00	140.53
Crockery & Kitchen utensils	16.80	0.03	50.00	(33.20)	365.01	0.07	350.00	15.01
Laundry & Cleaning	574.61	0.89	590.00	(15.39)	4,597.87	0.93	4,130.00	467.87
Refuse Collection	265.47	0.41	400.00	(134.53)	1,307.16	0.27	2,800.00	(1,492.84)
Kitchen Sundries	51.39	0.08	50.00	1.39	343.21	0.07	350.00	(6.79)
Property Repairs	22.59	0.04	550.00	(527.41)	763.69	0.15	3,850.00	(3,086.31)
Repairs to services	775.24	1.20	1,200.00	(424.76)	4,543.01	0.92	8,400.00	(3,856.99)
Other Maintenance & repairs	559.55	0.87	285.00	274.55	1,932.22	0.39	1,995.00	(62.78)
Lighting & heating	939.54	1.46	1,008.00	(68.46)	6,468.07	1.31	5,292.00	1,176.07
Rent & rates	83.00	0.13	80.00	3.00	579.90	0.12	560.00	19.90
Water Rates	335.62	0.52	375.00	(39.38)	3,189.74	0.65	2,625.00	564.74
Registration Fees	175.81	0.27	188.00	(12.19)	1,122.90	0.23	1,316.00	(193.10)
Rental/leasing of equipment	217.41	0.34	200.00	17.41	1,521.87	0.31	1,400.00	121.87
Brochures	0.00	0.00	25.00	(25.00)	0.00	0.00	175.00	(175.00)
Marketing	3.17	0.00	100.00	(96.83)	2,445.85	0.50	700.00	1,745.85
Printing Postage & Stationery	173.23	0.27	170.00	3.23	1,091.08	0.22	1,190.00	(98.92)
Phones	971.50	1.51	175.00	796.50	2,188.92	0.44	1,225.00	963.92
Telephone expenses	90.60	0.14	85.00	5.60	245.15	0.05	595.00	(349.85)
Travel & entertainment	79.20	0.12	20.00	59.20	79.20	0.02	140.00	(60.80)
Residents Welfare	20.00	0.03	150.00	(130.00)	1,046.66	0.21	1,050.00	(3.34)
Subscriptions & Donations	0.00	0.00	15.00	(15.00)	0.00	0.00	105.00	(105.00)
Miscellaneous	0.00	0.00	40.00	(40.00)	449.16	0.09	280.00	169.16
Bank charges	2.64	0.00	20.00	(17.36)	54.17	0.01	140.00	(85.83)
Bank & other Interest	0.00	0.00	51.00	(51.00)	0.00	0.00	357.00	(357.00)
Depreciation of fixed assets	2,180.00	3.38	2,180.00	0.00	15,260.00	3.10	15,260.00	0.00
	45,298.22	70.25	51,277.00	(5,978.78)	332,219.58	67.40	356,829.00	(24,609.42)
Net Profit/(Loss):	19,183.52	29.75	21,897.00	(2,713.48)	160,669.82	32.60	153,562.00	7,107.82

End of Report

Company Number: 2653123

AVALON NURSING HOMES LTD

ANNUAL REPORT

YEAR ENDED 31 MARCH 2002



PKF

AVALON NURSING HOMES LTD

COMPANY INFORMATION

Directors	M J Newman C J Atkinson S A Newman
Secretary	K S Lewis
Company Number	2653123
Registered Office	2 Kings Court Harwood Road Horsham West Sussex RH13 5UR
Auditors	PKF Pannell House Park Street Guildford Surrey GU1 4HN
Solicitors	Downs 156 High Street Dorking Surrey RH4 1BQ
Bankers	Bank of Scotland St James's Gate 14/16 Cockspur Street London SW1Y 5BL

AVALON NURSING HOMES LTD

CONTENTS

	Page
DIRECTORS' REPORT	1
STATEMENT OF DIRECTORS' RESPONSIBILITIES	2
AUDITORS' REPORT	3
PROFIT AND LOSS ACCOUNT	4
NOTE OF HISTORICAL COST PROFITS AND LOSSES	5
BALANCE SHEET	6
CASH FLOW STATEMENT	7
NOTES TO THE FINANCIAL STATEMENTS	8 - 17

The following pages do not form part of the statutory accounts:

DETAILED PROFIT AND LOSS ACCOUNT	17
----------------------------------	----

AVALON NURSING HOMES LTD
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2002

The directors submit their report and the financial statements for the year ended 31 March 2002.

Results and dividends

The profit for the year, after taxation, amounted to £147,600 (2001 - £392,336).

The directors recommend a dividend of £80,550 leaving a balance of £67,050 which is transferred to retained reserves.

Principal activity and review of the business

The company's principal activity was the operation of nursing homes. The directors consider the results for the year and the financial position at the end of the year to be satisfactory.

Directors

The directors who served during the year and their interests in the company's issued share capital at the balance sheet date and at the start of the year (or date of appointment, if later) were:

	Ordinary shares of £1 each		Special deferred shares of £1 each	
	2002	2001	2002	2001
M J Newman	-	-	-	-
C J Atkinson	-	-	230	230
S A Newman	5,275	5,275	-	-

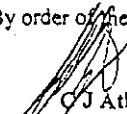
M J Newman holds, via a beneficial interest in a family trust, 62,615 (2001 - 62,615) ordinary £1 shares in the company.

Auditors

The auditors, PKF, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

18 December 2002

By order of the board


C J Atkinson
Director

AVALON NURSING HOMES LTD
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements 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 financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements 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 enable them to ensure that the financial statements 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.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
AVALON NURSING HOMES LTD

We have audited the financial statements of Avalon Nursing Homes Ltd for the year ended 31 March 2002 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 judgments 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 as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Guildford, UK

2 January 2003

PAF

PKF
Registered Auditors

AVALON NURSING HOMES LTD
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2002

	Notes	2002 £	2001 £
TURNOVER	2	4,358,055	3,937,368
Cost of sales		(3,098,192)	(2,900,386)
GROSS PROFIT		1,259,863	1,036,982
Administrative expenses		(604,956)	(389,154)
OPERATING PROFIT	3	654,907	647,828
Loss on disposal of fixed assets		-	(4,963)
		654,907	642,865
Interest receivable and similar income	6	1,672	2,041
Interest payable and similar charges	7	(292,738)	(344,383)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		363,841	300,523
TAXATION	8	(216,241)	91,813
PROFIT FOR THE FINANCIAL YEAR		147,600	392,336
DIVIDENDS	9	(80,550)	(80,550)
		67,050	311,786

All amounts relate to continuing operations.

There were no recognised gains or losses for the year other than those included in the profit and loss account.

AVALON NURSING HOMES LTD
NOTE OF HISTORICAL COST PROFITS AND LOSSES

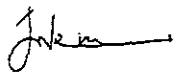
	2002 £	2001 £
Reported profit on ordinary activities before taxation	363,841	300,523
Difference between a historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	<u>7,200</u>	<u>7,200</u>
Historical cost profit on ordinary activities before taxation	<u>371,041</u>	<u>307,723</u>
Historical cost profit for the year retained after taxation	<u>74,250</u>	<u>318,986</u>

AVALON NURSING HOMES LTD
BALANCE SHEET
31 MARCH 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible	10	7,833,093	7,932,824
CURRENT ASSETS			
Stocks	11	3,447	4,418
Debtors	12	40,654	48,595
Cash at bank and in hand		1,609	1,361
		<u>45,710</u>	<u>54,374</u>
CREDITORS: amounts falling due within one year	13	<u>(1,184,688)</u>	<u>(1,324,012)</u>
NET CURRENT LIABILITIES		<u>(1,138,978)</u>	<u>(1,269,638)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,694,115</u>	<u>6,663,186</u>
CREDITORS: amounts falling due after more than one year	14	(2,850,950)	(3,033,587)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(341,331)	(194,815)
NET ASSETS		<u><u>3,501,834</u></u>	<u><u>3,434,784</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	100,230	100,230
Share premium account		19,800	19,800
Revaluation reserve	19	1,609,366	1,702,866
Profit and loss account	19	1,772,438	1,611,888
SHAREHOLDERS' FUNDS	20	<u><u>3,501,834</u></u>	<u><u>3,434,784</u></u>

The financial statements were approved by the board on *18 December 2002*.

Signed on behalf of the board of directors



M J Newman - Director

AVALON NURSING HOMES LTD
CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2002

	2002 £	2001 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	654,907	647,828
Depreciation of tangible fixed assets	169,699	167,496
Decrease in debtors	4,216	7,579
Decrease in stocks	971	817
(Decrease)/increase in creditors	(122,657)	172,572
Net cash inflow from operating activities	<u>707,136</u>	<u>996,292</u>
 CASH FLOW STATEMENT (note 21)		
Net cash inflow from operating activities	707,136	996,292
Returns on investments and servicing of finance	(251,452)	(500,882)
Taxation	(25,132)	11,665
Capital expenditure	(69,968)	(230,295)
Equity dividends paid	(60,412)	-
	<u>300,172</u>	<u>276,780</u>
Financing	(119,562)	(11,429)
Increase in cash	<u>180,610</u>	<u>265,351</u>
 Reconciliation of net cash flow to movement in net debt (note 22)		
Increase in cash in the year	180,610	265,351
Cash outflow from decrease in debt	-	74,308
New capital leases	83,425	(40,542)
Cash outflow from decrease in finance leases	36,137	37,121
Repayment of loan to related party	-	(100,000)
	<u>300,172</u>	<u>236,238</u>
Change in net debt	300,172	236,238
Net debt at 1 April 2001	(3,694,481)	(3,930,719)
Net debt at 31 March 2002	<u>(3,394,309)</u>	<u>(3,694,481)</u>

AVALON NURSING HOMES LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets, and in accordance with applicable accounting standards

(b) Turnover

Turnover comprises fees receivable from the company's principal activity.

(c) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings	2 % straight line
Furniture, fixtures & fittings	10 % reducing balance
Motor vehicles	20 % reducing balance

Freehold land is not depreciated.

(d) Finance and operating leases

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

Operating lease rentals are charged in the profit and loss account as incurred.

(e) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

(f) Deferred taxation

Following the implementation of FRS 19 "Deferred Tax", full provision is made for deferred taxation. Previously, provision was made for deferred tax using the liability method to the extent that it was probable that a liability would crystallise. This change in policy has had no effect on the provision for the current or prior year.

(g) Pension costs

Contributions to personal pension policies on behalf of certain employees are charged to the profit and loss account in the year in which they are paid.

AVALON NURSING HOMES LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

2 TURNOVER

Turnover is attributable to one class of business.

All turnover arose within the United Kingdom.

3 OPERATING PROFIT

The operating profit is stated after charging:

	2002 £	2001 £
Depreciation of tangible fixed assets:		
- owned by the company	159,574	151,690
- held under finance lease or hire purchase contracts	10,125	15,806
Audit fees	7,343	9,688
Operating lease rentals:		
- plant & machinery	14,017	13,495
- other	10,050	10,050
	<u>200,109</u>	<u>190,639</u>

4 DIRECTORS' EMOLUMENTS AND BENEFITS

The company contributes to the personal pension policies of three directors.

5 STAFF COSTS

Staff costs, including directors' emoluments, were as follows:

	2002 £	2001 £
Wages and salaries	2,017,859	1,876,874
Social security costs	140,288	133,542
Other pension costs	25,390	21,010
	<u>2,183,537</u>	<u>2,031,426</u>

The average monthly number of employees, including executive directors, during the year was:

	No	No
Administration	6	4
Nursing staff	184	179
	<u>190</u>	<u>183</u>

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £	2001 £
Other interest receivable	1,672	2,041
	<u>1,672</u>	<u>2,041</u>

AVALON NURSING HOMES LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Bank loans and overdrafts	290,089	336,993
Finance charges under finance lease and hire purchase contracts	2,649	7,390
	<u>292,738</u>	<u>344,383</u>

8 TAXATION

(a) Analysis of charge in year

	2002 £	2001 £
UK corporation tax		
Current tax on income for the year	69,725	26,500
Adjustments in respect of prior periods	-	(17,890)
Advance corporation tax written off	-	7,903
Total UK taxation	<u>69,725</u>	<u>16,513</u>
Deferred tax		
Current tax on income for the year	146,516	(108,326)
	<u>216,241</u>	<u>(91,813)</u>

(b) Factors affecting tax charge for year

The tax assessed for the year is greater than the standard rate of corporation tax in the UK (30 per cent). Reconciling items are explained below:

Profit on ordinary activities before tax	363,841	300,523
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	109,152	90,157
Effects of:		
Expenses not deductible for tax	4,017	3,877
Capital allowances in excess of depreciation	(31,778)	(52,708)
Net decrease in general provisions	(6,000)	(3,000)
Revenue expenditure capitalised in accounts	-	(3,766)
Adjustment in respect of prior years	-	(9,987)
Marginal relief	(5,666)	(8,060)
	<u>69,725</u>	<u>16,513</u>

AVALON NURSING HOMES LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

9 DIVIDENDS

	2002 £	2001 £
Ordinary shares		
Interim paid	60,412	80,550
Final proposed	20,138	-
Total dividends	<u>80,550</u>	<u>80,550</u>
of which:		
Dividends on equity shares	<u>80,550</u>	<u>80,550</u>

10 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Motor vehicles £	Furniture, fixtures & fittings £	Total £
Cost or valuation				
At 1 April 2001	7,411,625	130,547	943,291	8,485,463
Additions	11,136	-	58,832	69,968
At 31 March 2002	<u>7,422,761</u>	<u>130,547</u>	<u>1,002,123</u>	<u>8,555,431</u>
Depreciation				
At 1 April 2001	93,500	39,554	419,585	552,639
Charge for year	93,500	18,199	58,000	169,699
At 31 March 2002	<u>187,000</u>	<u>57,753</u>	<u>477,585</u>	<u>722,338</u>
Net book amount				
At 31 March 2002	<u>7,235,761</u>	<u>72,794</u>	<u>524,538</u>	<u>7,833,093</u>
At 31 March 2001	<u>7,318,125</u>	<u>90,993</u>	<u>523,706</u>	<u>7,932,824</u>

The net book amounts of motor vehicles above include £40,502 (2001 - £50,627) in respect of assets held under finance leases or hire purchase contracts.

AVALON NURSING HOMES LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

10 TANGIBLE FIXED ASSETS (continued)

The company's freehold land and buildings were revalued in October 1997 at an amount of £7,264,403. These assets were revalued by the directors, based upon a professional valuation, on the operational existing use basis.

On the historical cost basis, land and buildings would have been included as follows:

	2002	2001
	£	£
Cost	5,719,896	5,719,896
Cumulative depreciation	(258,900)	(172,600)
Net book amount	<u>5,460,996</u>	<u>5,547,296</u>

11 STOCKS

	2002	2001
	£	£
Raw materials	<u>3,447</u>	<u>4,418</u>

12 DEBTORS

	2002	2001
	£	£
Due within one year		
Trade debtors	31,401	31,952
Other debtors	9,253	12,918
ACT recoverable	-	3,725
	<u>40,654</u>	<u>48,595</u>

AVALON NURSING HOMES LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

13 CREDITORS

	2002	2001
	£	£
Amounts falling due within one year		
Bank loans and overdrafts (note 15)	538,031	708,572
Trade creditors	133,090	142,933
Corporation tax	67,595	26,727
Other tax and social security	32,770	27,839
Proposed dividends	20,138	-
Net obligations under finance lease and hire purchase contracts(note 16)	6,937	28,155
Other creditors	386,127	389,786
	<u>1,184,688</u>	<u>1,324,012</u>

The bank overdraft is secured by a fixed and floating charge over all the company's undertakings, properties and assets.

14 CREDITORS

	2002	2001
	£	£
Amounts falling due after more than one year		
Bank loans (note 15)	2,850,950	2,944,196
Net obligations under finance lease and hire purchase contracts(note 16)	-	14,919
Other creditors	-	74,472
	<u>2,850,950</u>	<u>3,033,587</u>

15 LOANS

Loans fall due for payment as follows:

	2002	2001
	£	£
Bank loans		
Within one year	91,248	81,427
Between one and two years	99,010	88,636
Between two and five years	350,491	315,828
After more than five years	2,401,449	2,539,732
	<u>2,942,198</u>	<u>3,025,623</u>

The bank loans are secured by a fixed and floating charge over all the company's undertakings, properties and assets.

The above loans are repayable in full by 12 January 2018. Interest is being charged at fixed rates of between 8.375% and 8.185% until 5 May 2003 and thereafter at 1.25% over base rate.

AVALON NURSING HOMES LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

16 FINANCE LEASES

Net obligations under finance lease and hire purchase agreements fall due as follows:

	2002	2001
	£	£
Within one year	6,937	28,155
Between one and five years	-	14,919
	<u>6,937</u>	<u>43,074</u>

Finance lease and hire purchase creditors are secured on the assets concerned.

17 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 April 2001	194,815
Charged to profit and loss	146,516
At 31 March 2002	<u>341,331</u>

Deferred tax is analysed as follows:

	2002	2001
	£	£
Capital allowances	341,331	198,815
Other timing differences	-	(4,000)
	<u>341,331</u>	<u>194,815</u>

Freehold properties are included in the financial statements at valuation. No deferred tax has been recognised on the revaluation. If these assets were to be sold at their revalued amounts, it is estimated that tax of £416,700 would be payable.

18 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid No	£
At 1 April 2001 and 31 March 2002			
Ordinary shares of £1 each	100,000	100,000	100,000
Special deferred shares of £1 each	230	230	230
	<u>100,230</u>	<u>100,230</u>	<u>100,230</u>

AVALON NURSING HOMES LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

19 RESERVES

Revaluation reserve	£
At 1 April 2001	1,702,866
Depreciation transferred from profit and loss account	(93,500)
At 31 March 2002	<u>1,609,366</u>
 Profit and loss account	 £
At 1 April 2001	1,611,888
Profit for the year	147,600
Dividends	(80,550)
Depreciation transferred to revaluation reserve	93,500
At 31 March 2002	<u>1,772,438</u>

20 SHAREHOLDERS' FUNDS

	2002 £	2001 £
Shareholders' funds at 1 April 2001	3,434,784	3,122,998
Profit for the year	147,600	392,336
Dividends	(80,550)	(80,550)
Shareholders' funds at 31 March 2002	<u>3,501,834</u>	<u>3,434,784</u>

21 GROSS CASH FLOWS

	2002 £	2001 £
Returns on investments and servicing of finance		
Interest received	1,672	2,041
Interest paid	(250,475)	(392,633)
Interest element of finance lease rentals	(2,649)	(7,390)
Dividends paid	-	(102,900)
	<u>(251,452)</u>	<u>(500,882)</u>
 Taxation		
Corporation tax paid	(29,227)	-
UK corporation tax received	4,095	11,665
	<u>(25,132)</u>	<u>11,665</u>

AVALON NURSING HOMES LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

21 GROSS CASH FLOWS (continued)

	2002 £	2001 £
Capital expenditure		
Payments to acquire tangible fixed assets	(69,968)	(237,295)
Receipts from sales of tangible fixed assets	-	7,000
	<u>(69,968)</u>	<u>(230,295)</u>
Financing		
Loans repaid	(83,425)	(74,308)
Capital element of finance lease rentals	(36,137)	(37,121)
Loan repayments received	-	100,000
	<u>(119,562)</u>	<u>(11,429)</u>

22 ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2001 £	Cash flows £	Other changes £	At 31 March 2002 £
Cash at bank and in hand	1,361	248	-	1,609
Overdrafts	(627,145)	180,362	-	(446,783)
		180,610		
Debt due within 1 year	(81,427)	81,427	(91,248)	(91,248)
Debt due after 1 year	(2,944,196)	1,998	91,248	(2,850,950)
Finance leases	(43,074)	36,137	-	(6,937)
Total	<u>(3,694,481)</u>	<u>300,172</u>	<u>-</u>	<u>(3,394,309)</u>

23 TRANSACTIONS WITH RELATED PARTIES

Included in other creditors due within one year is an amount of £77,847 which represents a balance with Avalon Care Homes Limited, a company under common control. The balance arises from finance and administration costs being due to that company. The balance at 31 March 2001 amounted to £74,472 and was included under creditors falling due after more than one year.

The company is party to an overdraft facility of £1,250,000 jointly with Avalon Care Homes Limited. The company is also party to a cross guarantee in respect of the bank borrowings of Avalon Care Homes Limited.

Other creditors due in less than one year include an amount of £25,000 (2001 - £25,000) due to C J Atkinson, a director.

24 PENSION COSTS

The pension cost charge for the year, amounting to £25,390 (2001 - £21,010) represents contributions payable by the company to the personal pension policies of certain employees.

AVALON NURSING HOMES LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

25 PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The company is controlled by Avalon (Guernsey) Limited.

In the opinion of the directors this is the company's ultimate parent company, a company incorporated in Guernsey.

Avalon (Guernsey) Limited is ultimately controlled by Mr M J Newman.

Barchester Healthcare PLC

Directors' report and consolidated
financial statements

Registered number 2792285

31 December 2001

Contents

Directors and advisors	1
Chairman's report	2
Directors' report	3
Statement of directors' responsibilities	5
Independent auditors' report to the members of Barchester Healthcare PLC	6
Consolidated profit and loss account	7
Consolidated balance sheet	8
Parent company balance sheet	9
Consolidated cash flow statement	10
Notes	11

Directors and advisors

Directors	Denis Brosnan (Chairman) Patrick A Byrne David Duncan Edward Irwin David Lloyd Eamon McElroy Owen McGartoll Michael Parsons Francesca Welbore Ker
Secretary	Owen McGartoll
Registered Office	Suite 201 The Chambers Chelsea Harbour London SW10 0XF
Auditors	KPMG Plym House 3 Longbridge Road Marsh Mills Plymouth PL6 8LT
Solicitors	Berwin Leighton Adelaide House London Bridge London EC4R 9HA
Bankers	The Royal Bank of Scotland plc AIB Bank Plc
Registrars	Barchester Healthcare PLC c/o Unit 3 19/20 York Road Dun Laoghaire County Dublin Ireland

Chairman's report

In the year ended 31 December 2001 profits have continued to grow significantly at existing operations and acquisitions and development sites have been purchased in the year that will allow growth for the future.

As at 31 December 2001 the group had eighteen nursing homes and a total of 1,288 beds. During the year, the group acquired three homes with 181 beds, with a potential to develop an additional 56 beds at one of them. It also developed a 42 bed new build home in Chipping Norton that has opened very successfully in January 2002 and is building a 56 bed home with Intermediate Care facilities which is due to open in Norwich in June 2002.

Since the year end the group has completed on two further homes with 64 beds in total and the potential to add an additional 75 beds; two development sites have also been acquired with outline planning permissions to build at least 120 beds.

Results for the year ended 31 December 2001

The consolidated profit attributable to shareholders for the year was Stg £2.842 million (2000: Stg £2.081 million) on a turnover of Stg £27.527 million (2000: Stg £22.673 million).

The consolidated balance sheet at 31 December 2001 shows shareholders' funds of Stg £27.006 million compared with Stg £24.136 million at 31 December 2000.

Review of operations

In general, operating conditions were challenging for the independent UK nursing home sector although some cause for greater optimism started to emerge. In this context, the group continued to increase its strong position in the private pay and specialist care markets. As a result the group's performance showed substantial improvement from an operating profit of Stg £3.374 million in 2000 to a profit of Stg £4.130 million in the year. The group now enjoys a distinct positioning as a high quality, long-term care provider commanding premium rates by concentrating largely on the private pay and specialist care segments. This is the part of the market least affected by funding shortfalls and Local Authority problems and having the greatest long term potential.

Outlook

The group will continue to focus on building up occupancy and increasing fee rates by targeting the private pay market and through the introduction of more specialist care. The group now has a spread of top quality care products ranging from domiciliary care, through care of the frail elderly, the younger disabled, close care, to our Memory Lane units specialising in dementia care. Intermediate Care facilities are starting to be added as a response to government initiatives in this area of care. Your directors are confident that in 2002 the group will continue to improve its financial performance by continuing to pursue its quality edge.

Further suitable acquisitions are being sought, new build projects planned and additional capacity added at existing homes.

The group now has twenty-one nursing homes and a total of 1,394 beds. Of these beds, 92% are purpose built, 85% are in single rooms, and 85% have full en-suite facilities. This probably constitutes the highest quality portfolio in the sector and places the group well for changes in the regulatory framework. The group's mission of pursuing *quality* in everything it does is producing good results and will continue to do so. The portfolio of homes will be groomed and further expanded but always within the strict context of never compromising quality.

The operating environment is improving with a dramatic shrinkage of supply, a more enlightened government view on fees, and more affluent and demanding elderly residents insisting on higher standards in long-term care. The group stands to benefit from all these influences.

Finally, I would like to express my appreciation both to my fellow directors and to the management and staff of our healthcare operations for their contributions during 2001.

Denis Brosnan
Chairman

2002

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2001.

Principal activity

The principal activity of the company continues to be the administration of a group involved in the ownership and management of nursing and residential care facilities for the elderly.

Business review

A review of the business during the year and of prospective future developments is contained within the Chairman's report on page 2.

Result for the year

The financial result for the year is set out in the consolidated profit and loss account on page 7. The directors do not recommend the payment of a dividend for the year.

Share capital

Details of the share capital of the company are given in note 16 to the financial statements.

In November 2001, Denis Brosnan and Owen McGartoll, directors of the company, exercised 15,000 and 3,000 share options on Stg 25p shares respectively, at an option price of Stg 27p per share. Owen McGartoll also exercised a further 53,331 share options on Stg 25p shares at an option price of Stg 44.35p per share.

Directors and directors' interests

The directors who held office during the year and their interests in the ordinary shares of the company were as follows:

	31 December 2001 No.	31 December 2000 No.
Denis Brosnan	83,348	768,348
Patrick A Byrne	450,000	450,000
David Duncan	6,174	6,174
Edward Irwin	8,277	8,277
David Lloyd *	131,719	131,719
Eamon McElroy	43,907	43,907
Owen McGartoll **	212,102	155,771
Michael Parsons	2,567,530	2,600,000
Francesca Welbore Ker	1,666,867	-

* Includes 113,452 (2000: 113,452) shares held through a Pension Fund.

** Includes 167,941 (2000: 12,094) shares held through a Pension Fund.

Details of ordinary shares held under option by the directors are given in note 4 to the financial statements.

Directors' report *(continued)*

Subsidiaries

Details of the company's subsidiary undertakings are given in note 10 to the financial statements.

On 13 February 2001, both Country Life Care Centres Limited and Cabinrate Properties Limited were struck off the register of companies.

On 28 June 2001, Barchester Healthcare Homes Limited, a subsidiary undertaking of the company, acquired the entire issued share capital of Esprit Fort Limited.

Employees

The directors recognise the importance of human resources. Practices to provide good communications and relations with employees include providing employees with information on matters of concern to them as employees.

The company continues to give full and fair consideration to applications from disabled persons. If an employee becomes disabled the company endeavours to continue his employment if this is practical and in appropriate cases training is given.

Market value of land and buildings

In the opinion of the directors, the market value of the land and buildings of the group exceeds the book values of these assets at 31 December 2001.

Policy on payment of suppliers

The company has no trade creditors. However the group does have trade creditors and although it does not follow any code or standard on payment it endeavours to ensure all payments are made within mutually agreed credit terms. The number of days' purchases outstanding for the group at 31 December 2001 is calculated at 26 days (2000: 25 days). It is the group's intention to continue to apply the policy in the forthcoming year.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Owen McGartoll
Secretary

Suite 201
The Chambers
Chelsea Harbour
London
SW10 0XF

15 April 2002

Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



Plym House
3 Longbridge Road
Marsh Mills
Plymouth
PL6 8LT
United Kingdom

Independent auditors' report to the members of Barchester Healthcare PLC

We have audited the financial statements on pages 7 to 25.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 group'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 affairs of the company and of the group as at 31 December 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

26 April 2002

Consolidated profit and loss account
for the year ended 31 December 2001

	Note	2001 Stg £000	2000 Stg £000
Group turnover	1		
Continuing operations		27,527	21,832
Acquisitions		-	841
		<hr/>	<hr/>
Cost of services		27,527 (22,196)	22,673 (18,312)
		<hr/>	<hr/>
Gross profit		5,331	4,361
Administrative expenses		(1,201)	(987)
		<hr/>	<hr/>
Group operating profit	2,3		
Continuing operations		4,130	3,253
Acquisitions		-	121
		<hr/>	<hr/>
Net interest	6	4,130 (1,238)	3,374 (1,293)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		2,892	2,081
Tax on profit on ordinary activities	7	(50)	-
		<hr/>	<hr/>
Retained profit for the financial year		2,842	2,081
		<hr/>	<hr/>

A statement of movements in reserves is given in note 17.

There were no recognised gains or losses other than those detailed in the profit and loss account above.

Consolidated balance sheet
at 31 December 2001

	<i>Note</i>	2001 Stg £000	2000 Stg £000
Fixed assets			
Intangible assets	8	1,059	1,115
Tangible assets	9	51,932	39,987
		<u>52,991</u>	<u>41,102</u>
Current assets			
Stocks	11	61	48
Debtors	12	1,810	1,832
Cash at bank and in hand		-	136
		<u>1,871</u>	<u>2,016</u>
Creditors: amounts falling due within one year	13	<u>(4,385)</u>	<u>(3,209)</u>
Net current liabilities		<u>(2,514)</u>	<u>(1,193)</u>
Total assets less current liabilities		<u>50,477</u>	<u>39,909</u>
Creditors: amounts falling due after more than one year	14	<u>(23,471)</u>	<u>(15,773)</u>
Net assets		<u>27,006</u>	<u>24,136</u>
Capital and reserves			
Called up share capital	16	12,710	12,692
Share premium account	17	6,486	6,476
Capital redemption reserve	17	186	186
Profit and loss account	17	7,624	4,782
		<u>27,006</u>	<u>24,136</u>
Equity shareholders' funds		<u>27,006</u>	<u>24,136</u>

These financial statements were approved by the board of directors on 15 April 2002 and were signed on its behalf by:

Denis Brosnan
Director

Parent company balance sheet
at 31 December 2001

	<i>Note</i>	2001	2000
		Stg £000	Stg £000
Fixed assets			
Investments	10	8,556	10,439
Current assets			
Debtors	12	44,011	16,426
Cash at bank and in hand		715	56
		<hr/>	<hr/>
Creditors: amounts falling due within one year	13	44,726 (1,649)	16,482 (20)
		<hr/>	<hr/>
Net current (liabilities)/assets			
Due within one year		(931)	2,770
Debtors due after more than one year		44,008	13,692
		<hr/>	<hr/>
		43,077	16,462
		<hr/>	<hr/>
Total assets less current liabilities		51,633	26,901
Creditors: amounts falling due after more than one year	14	(23,471)	(1,396)
		<hr/>	<hr/>
Net assets		28,162	25,505
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	16	12,710	12,692
Share premium account	17	6,486	6,476
Capital redemption reserve	17	186	186
Profit and loss account	17	8,780	6,151
		<hr/>	<hr/>
Equity shareholders' funds		28,162	25,505
		<hr/>	<hr/>

These financial statements were approved by the board of directors on its behalf by:

2002 and were signed on

Denis Brosnan
Director

Consolidated cash flow statement
for the year ended 31 December 2001

	<i>Note</i>	2001 Stg £000	2000 Stg £000
Cash flow statement			
Cash inflow from operating activities	24	4,588	3,928
Returns on investments and servicing of finance	25	(1,152)	(1,268)
Capital expenditure and financial investment	25	(9,438)	(4,027)
Acquisitions and disposals	25	(2,447)	(953)
		<hr/>	<hr/>
Cash outflow before use of liquid resources and financing		(8,449)	(2,320)
Financing	26	8,283	1,941
		<hr/>	<hr/>
Decrease in cash in the year		(166)	(379)
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net debt (note 27)			
Decrease in cash in the year		(166)	(379)
Cash inflow from new loan finance		(9,215)	(5,220)
Cash outflow from capital element of finance lease payments		9	6
Cash outflow from repayment of loans		1,184	2,844
Cash (inflow)/outflow from advances to directors		(233)	233
		<hr/>	<hr/>
Change in debt resulting from cash flows		(8,421)	(2,516)
New finance leases		-	(8)
Net debt at beginning of year		(16,768)	(14,244)
		<hr/>	<hr/>
Net debt at end of year	27	(25,189)	(16,768)
		<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Basis of consolidation

The group financial statements consolidate the accounts of Barchester Healthcare PLC and all its subsidiary undertakings. Subsidiary undertakings acquired or disposed of during the year are consolidated from the date of acquisition or up to the date of disposal.

In accordance with Section 230(4) of the Companies Act 1985, Barchester Healthcare PLC is exempt from the requirement to present its own profit and loss account.

Goodwill

Purchased goodwill (both positive and negative) arising on consolidation in respect of acquisitions before 1 January 1998, when FRS 10 *Goodwill and intangible assets* was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of twenty years.

Fixed assets and depreciation

Depreciation is provided by the group to write off the cost less the estimated residual value of tangible fixed assets in equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	50 years
Fixtures and fittings	-	10 years
Plant and equipment	-	5 to 10 years
Motor vehicles	-	4 years

Freehold land is not depreciated.

The estimated residual value of the group's freehold buildings reflects the high quality nature of these assets and the group's practice to maintain these assets in a continual state of sound repair and to make improvements thereto from time to time.

The cost of land and buildings includes interest on the capital employed in nursing home developments and development costs associated with initiating and monitoring the construction of nursing homes. Such interest is capitalised only up until the date of opening of the relevant home. The rate of interest used is the average cost of funds during the period.

Notes *(continued)*

1 **Accounting policies** *(continued)*

Leases

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover relates to the income received from residents of the group's nursing and care homes, and arises entirely in the United Kingdom.

2 **Analysis of continuing operations**

The total consolidated operating profit for continuing operations in 2001 includes cost of services of Stg £nil (2000: Stg £720,000) relating to acquisitions.

Notes (continued)

3 Operating profit

	2001 Stg £000	2000 Stg £000
<i>Operating profit is stated after charging</i>		
Auditors' remuneration:		
Audit (including Stg £2,000 (2000: Stg £2,000) in respect of the company)	16	16
Other services	33	24
Depreciation of tangible fixed assets	664	507
Amortisation of goodwill	56	18
Hire of other assets - operating leases	64	37
	<u> </u>	<u> </u>

4 Directors

	2001 Stg £000	2000 Stg £000
Aggregate emoluments	300	210
Company pension contributions to money purchase schemes	45	31
	<u> </u>	<u> </u>
	345	241
	<u> </u>	<u> </u>

The aggregate emoluments paid to the highest paid director amounted to Stg £189,000 (2000: Stg £126,000). In addition, company pension contributions of Stg £36,000 (2000: Stg £23,000) were made to a money purchase scheme on his behalf.

The following directors have been granted options to subscribe for shares in the company:

	At start of year	Exercised in year	Lapsed in year	Granted in year	At end of year	Exercise price Stg £	Date from which exercisable	Expiry date
Denis Brosnan	15,000	(15,000)	-	-	-	0.27	-	-
	118,377	-	(118,377)	118,377	118,377	0.4435	19 December 2001	18 December 2006
	592,649	-	(592,649)	592,649	592,649	0.4435	8 July 2001	7 July 2006
Owen McGartoll	3,000	(3,000)	-	-	-	0.27	-	-
	23,675	(23,675)	-	-	-	0.4435	-	-
	29,656	(29,656)	-	-	-	0.4435	-	-
	-	-	-	100,000	100,000	0.4435	10 December 2001	9 December 2006
Michael Parsons	500,000	-	(500,000)	500,000	500,000	0.4435	18 July 2001	17 July 2006
David Duncan	20,000	-	-	-	20,000	0.4435	23 December 1999	22 December 2004
	100,000	-	(100,000)	100,000	100,000	0.4435	15 July 2001	14 July 2006
	-	-	-	80,000	80,000	0.4435	10 December 2001	9 December 2006

Notes (continued)

5 Staff numbers and costs

The average number of persons employed (including directors) during the year was 1,642 (2000: 1,453).

The aggregate payroll costs of these persons were as follows:

	2001 Stg £000	2000 Stg £000
Wages and salaries	17,076	14,033
Social security costs	1,156	820
Other pension costs	125	80
	<hr/> 18,357	<hr/> 14,933
	<hr/> <hr/>	<hr/> <hr/>

6 Net interest

	2001 Stg £000	2000 Stg £000
On bank loans and overdrafts	1,244	1,300
Finance charges payable in respect of finance leases	2	2
	<hr/> 1,246	<hr/> 1,302
Interest receivable	(8)	(6)
Foreign exchange rate movement	-	(3)
	<hr/> 1,238	<hr/> 1,293
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

7 Taxation

Analysis of charge in year

	2001 Stg £000	2000 Stg £000
<i>UK corporation tax</i>		
Current tax on income for the year	50	-

Tax losses amounting to Stg £3,205,000 (2000: Stg £5,613,000) are available to relieve future profits of the group.

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2000: lower) than the standard rate of corporation tax in the UK of 30% (2000: 30%). The differences are explained below.

	2001 Stg £000	2000 Stg £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,892	2,081
Current tax at 30% (2000: 30%)	868	624
<i>Effects of:</i>		
Expenses not deductible for tax purposes (primarily goodwill amortisation)	44	35
Timing differences for which deferred tax is not provided	(136)	(187)
Marginal rate relief	(4)	-
Utilisation of brought forward tax losses	(722)	(472)
Total current tax charge (see above)	50	-

Factors that may affect future tax charges

The tax charge for the year ending 31 December 2002 is also expected to be lower than the standard rate of corporation tax in the UK of 30% due to the availability of unutilised tax losses.

Notes (continued)

8 Intangible fixed assets

	Goodwill Stg £000
Group	
<i>Cost</i>	
At beginning of and end of year	1,133
<i>Amortisation</i>	
At beginning of year	18
Charge for year	56
At end of year	74
<i>Net book value</i>	
At 31 December 2001	1,059
At 31 December 2000	1,115

Goodwill arose on the acquisition of the trade and assets of Community Care, a domiciliary care provider, on 31 August 2000. The group acquired the rights to the Community Care name, access to a customer database, and an established trading history and reputation. As no assets or liabilities were acquired, the consideration payable is entirely represented by goodwill. Consideration was made up as follows:-

	2000 Stg £000
Group	
Purchase consideration, including legal fees and other associated costs	953
Contingent earn-out accrued based on first year profits	180
Total consideration payable and goodwill	1,133

The goodwill arising is being amortised over a period of twenty years, which is the directors' best estimate of its useful economic life.

Notes (continued)

9 Tangible fixed assets

Group	Assets in the course of construction Stg £000	Freehold land and buildings Stg £000	Plant and equipment Stg £000	Total Stg £000
Cost				
At beginning of year	-	36,956	7,032	43,988
Additions	3,096	8,488	1,036	12,620
Disposals	-	-	(31)	(31)
At end of year	3,096	45,444	8,037	56,577
Depreciation				
At beginning of year	-	-	4,001	4,001
Charge for year	-	110	554	664
Eliminated on disposals	-	-	(20)	(20)
At end of year	-	110	4,535	4,645
Net book value				
At 31 December 2001	3,096	45,334	3,502	51,932
At 31 December 2000	-	36,956	3,031	39,987

Interest capitalised and included in the cost of freehold land and buildings amounts to Stg £1,096,000 (2000: Stg £1,048,000).

Included in the total net book value of plant is Stg £7,000 (2000: Stg £15,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation charged on these assets in the year was Stg £8,000 (2000: Stg £4,000).

The depreciation charged on freehold land and buildings in the year represents the effect of a change in estimated residual values applied since the beginning of the year.

Notes (continued)

10 Fixed asset investments

Company	Shares in subsidiary undertakings Stg £000
<i>Cost and net book value</i>	
At beginning of year	10,439
Amounts eliminated on striking off of subsidiary undertakings	(1,883)
At end of year	8,556

The company held interests in the following subsidiary undertakings during the year:

	Country of registration	Principal activity during the year	Class and percentage of shares held within the group
Barchester Healthcare Homes Ltd	England	Ownership and management of nursing and care homes	Ordinary - 100%
Country Life Care Centres Ltd	England	Non-trading (company struck off on 13 February 2001)	Ordinary - 100%
Cabinrate Properties Ltd	England	Non-trading (company struck off on 13 February 2001)	Ordinary - 100%

Subsidiary undertakings of Barchester Healthcare Homes Ltd:

Community Care Ltd	England	Non-trading	Ordinary - 100%
Esprit Fort Ltd	England	Ownership and management of nursing and care homes	Ordinary - 100%

Subsidiary undertaking of Community Care Ltd:

Community Clean Ltd	England	Non-trading	Ordinary - 100%
---------------------	---------	-------------	-----------------

11 Stocks

	2001 Stg £000	2000 Stg £000
Consumables	61	48

Notes (continued)

12 Debtors

	Group		Company	
	2001	2000	2001	2000
	Stg £000	Stg £000	Stg £000	Stg £000
Due within one year				
Trade debtors	1,552	1,224	-	-
Amounts owed by subsidiary undertakings	-	-	-	2,498
Advances to directors	-	233	-	233
Prepayments and accrued income	236	353	3	3
	<u>1,788</u>	<u>1,810</u>	<u>3</u>	<u>2,734</u>
Due after more than one year				
Amounts owed by subsidiary undertakings	-	-	44,008	13,692
Other debtors	22	22	-	-
	<u>22</u>	<u>22</u>	<u>44,008</u>	<u>13,692</u>
Total	<u><u>1,810</u></u>	<u><u>1,832</u></u>	<u><u>44,011</u></u>	<u><u>16,426</u></u>

13 Creditors: amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	Stg £000	Stg £000	Stg £000	Stg £000
Bank loans and overdrafts (secured - see note 14)	1,715	1,352	1,517	-
Obligations under finance leases and hire purchase contracts	3	12	-	-
Trade creditors	772	333	-	-
Corporation tax	50	-	-	-
Other taxation and social security	424	267	-	-
Other creditors	218	317	-	-
Accruals and deferred income	1,203	928	132	20
	<u>4,385</u>	<u>3,209</u>	<u>1,649</u>	<u>20</u>

Notes (continued)

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2001	2000	2001	2000
	Stg £000	Stg £000	Stg £000	Stg £000
Bank loans and overdrafts (secured)	23,471	15,773	23,471	-
Amounts owed to subsidiary undertakings	-	-	-	1,396
	<u>23,471</u>	<u>15,773</u>	<u>23,471</u>	<u>1,396</u>

During the year, the company assumed liability for the group's bank loans, which had previously been held in Barchester Healthcare Homes Limited, a subsidiary undertaking of the company.

Stg £15,000,000 of the bank loans bears interest at fixed rates of between 6.20% and 6.40%. The remainder bears interest at a floating rate, which at the year end was 5.33% per annum.

The bank loans, overdrafts and other loans are secured over certain assets of the group, and amounts falling due after more than one year can be analysed as follows:

	Group		Company	
	2001	2000	2001	2000
	Stg £000	Stg £000	Stg £000	Stg £000
Bank loans and other loans falling due:				
Between one and two years	1,851	1,184	1,851	-
Between two and five years	5,552	4,736	5,552	-
In five years or more	16,068	9,853	16,068	-
	<u>23,471</u>	<u>15,773</u>	<u>23,471</u>	<u>-</u>

Notes (continued)

15 Acquisitions

On 28 June 2001, Barchester Healthcare Homes Limited, a subsidiary undertaking of the company, acquired all of the ordinary shares of Esprit Fort Limited. No goodwill arose on the acquisition.

	Book value Stg £000	Revaluation Stg £000	Fair value Stg £000
Fixed assets			
Tangible	1,728	1,445	3,173
Current assets			
Stock	6	-	6
Debtors	42	-	42
Cash	259	-	259
Total assets	<u>2,035</u>	<u>1,445</u>	<u>3,480</u>
Creditors	(894)	-	(894)
Provisions	(20)	-	(20)
Total liabilities	<u>(914)</u>	<u>-</u>	<u>(914)</u>
Net assets			<u>2,566</u>
Goodwill			<u>-</u>
Purchase consideration and costs of acquisition			<u>2,566</u>

The purchase consideration and costs of acquisition were financed entirely by cash.

The revaluation of tangible fixed assets represents a revision to reflect the fair value of those assets to the group.

The acquired undertaking made a profit of Stg £51,000 from 1 April 2001, the beginning of its financial year, to the date of acquisition. In its previous financial year the profit was Stg £112,000.

The acquisition of Esprit Fort Limited has been accounted for by the acquisition method of accounting.

Notes (continued)

16 Share capital

	2001 Stg £000	2000 Stg £000
Ordinary shares of Stg 25p each		
<i>Authorised</i>		
87,100,000 shares	21,775	21,775
	<hr/>	<hr/>
	Number of shares	Stg £000
<i>Allotted, called up and fully paid</i>		
At beginning of year	50,768,467	12,692
New shares issued	71,331	18
	<hr/>	<hr/>
At end of year	50,839,798	12,710
	<hr/>	<hr/>

In November 2001, Denis Brosnan and Owen McGartoll, directors of the company, exercised 15,000 and 3,000 share options on Stg 25p shares respectively, at an option price of Stg 27p per share. Owen McGartoll also exercised a further 53,331 share options on Stg 25p shares at an option price of Stg 44.35p per share.

17 Reserves

	Group and Company Share premium account Stg £000	Group and Company Capital redemption reserve Stg £000	Group Profit and loss account Stg £000	Company Profit and loss account Stg £000
At beginning of year	6,476	186	4,782	6,151
Retained profit for the year	-	-	2,842	2,629
New shares issued	10	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	6,486	186	7,624	8,780
	<hr/>	<hr/>	<hr/>	<hr/>

The company's profit for the financial year was Stg £2,629,000 (2000: Stg £2,446,000).

The cumulative goodwill resulting from acquisitions in earlier financial years written off on consolidation amounted to Stg £2,486,000 (2000: Stg £2,486,000).

Notes (continued)

18 Reconciliation of movements in shareholders' funds

	Group		Company	
	2001	2000	2001	2000
	Stg £000	Stg £000	Stg £000	Stg £000
Shareholders' funds at beginning of year	24,136	22,251	25,505	23,255
Retained profit for the year	2,842	2,081	2,629	2,446
New shares issued	28	317	28	317
Purchase of own shares	-	(513)	-	(513)
Shareholders' funds at end of year	27,006	24,136	28,162	25,505

19 Commitments

	Group		Company	
	2001	2000	2001	2000
	Stg £000	Stg £000	Stg £000	Stg £000
i) Capital commitments:				
Contracted but not provided	1,088	-	-	-
ii) Annual commitments for property under non cancellable operating leases are as follows:				
Operating leases which expire:				
In the second to fifth years inclusive	74	37	-	-

20 Contingent liabilities

A Section 106 bond with Taunton Deane Borough Council, which reflects a potential liability of Stg £175,000, was entered into some years ago in respect of repairs to the property comprising part of the nursing home premises in Taunton. These repairs are now completed, and the release of the bond is being investigated.

21 Guarantees

The company has guaranteed the bank loans, overdraft and other loans of its subsidiary undertakings. The amount outstanding at the year end was Stg £197,000 (2000: Stg £17,125,000).

22 Post balance sheet events

Since the year end the group has completed the acquisition (for a total cost of Stg £2,925,000) of a further two homes with 64 beds in total and the potential to add an additional 75 beds; two development sites have also been acquired (for a total cost of Stg £920,000) with outline planning permissions to build at least 120 beds.

23 Related party disclosures

The company has taken advantage of the exemption conferred by FRS 8 and does not disclose transactions with its subsidiary undertakings.

Notes (continued)

24 Reconciliation of operating profit to net cash inflow from operating activities

	2001 Stg £000	2000 Stg £000
Operating profit	4,130	3,374
Depreciation and amortisation charges	720	525
Loss on sale of fixed assets	2	2
(Increase)/decrease in stocks	(7)	3
Increase in debtors	(169)	(218)
(Decrease)/increase in creditors	(88)	242
	<hr/> 4,588 <hr/>	<hr/> 3,928 <hr/>

25 Analysis of cash flows

	2001 Stg £000	2000 Stg £000
Returns on investments and servicing of finance		
Net interest paid	(1,150)	(1,266)
Interest element of finance lease payments	(2)	(2)
	<hr/> (1,152) <hr/>	<hr/> (1,268) <hr/>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(9,447)	(4,031)
Receipts from sales of tangible fixed assets	9	4
	<hr/> (9,438) <hr/>	<hr/> (4,027) <hr/>
Acquisitions and disposals		
Payments to acquire a new business	-	(953)
Payment of contingent earn out on new business acquisition in 2000	(140)	-
Payments to acquire subsidiary undertakings	(2,566)	-
Cash balances held by subsidiary undertaking on acquisition	259	-
	<hr/> (2,447) <hr/>	<hr/> (953) <hr/>

Notes (continued)

26 Financing

	2001 Stg £000	2000 Stg £000
New loan finance	9,215	5,220
Capital element of finance lease payments	(9)	(6)
Repayment of loans	(1,184)	(2,844)
Repayments from / (advances to) directors	233	(233)
Receipts from issue of new shares	28	317
Payments to acquire own shares	-	(513)
	<u>8,283</u>	<u>1,941</u>

27 Analysis of net debt

	At beginning of year Stg £000	Cash flow Stg £000	Other non- cash changes Stg £000	At end of year Stg £000
Cash at bank and in hand	136	(136)	-	-
Bank overdrafts	(168)	(30)	-	(198)
	<u>(32)</u>	<u>(166)</u>	<u>-</u>	<u>(198)</u>
Debt due within one year	(1,184)	1,184	(1,517)	(1,517)
Debt due after one year	(15,773)	(9,215)	1,517	(23,471)
Finance leases	(12)	9	-	(3)
Advances to directors	233	(233)	-	-
	<u>(16,768)</u>	<u>(8,421)</u>	<u>-</u>	<u>(25,189)</u>

Corporate Monthly Budget

Barchester Healthcare Limited
Month December 2002

Board Paper 1/2003

Corporate Summary	Original budget			2001
	2002	2002		
	Actual	Budget	Variance	Actual
Revenue	3,745,004	3,508,915	236,089	2,727,125
Wages	2,393,280	2,287,662	-105,618	1,782,889
Food	163,036	145,514	-17,522	127,398
Other Costs	403,566	345,325	-58,241	296,930
Operating Profit	785,122	730,414	54,708	519,908
Depreciation	69,783	81,936	12,153	47,987
Homes Profit	715,339	648,478	66,861	471,921
Administration	209,013	113,753	-95,260	102,469
Net Operating Profit	506,326	534,725	-28,399	369,452
Interest Payable	204,000	190,640	-13,360	131,892
Profit	302,326	344,085	-41,759	237,560
Wage % (excl homecare) *	62.7%	64.0%		63.3%
Operating Margin	21.0%	20.8%		19.1%
Operating Margin (excl homecare) *	21.8%	21.4%		19.2%
Net Operating Margin	13.5%	15.2%		13.5%
Op Profit per Registered Bed	5,549	5,162		4,523
Available Beds	1,666	1,666		1,288
Occupied Beds	1,516	1,520		1,186
Occupancy	91.0%	91.2%		92.1%
Fee rate	518	485		465

* Homecare has a margin of 15%

Barchester Healthcare Limited
Year to Date December 2002

Corporate Summary

	2002 Actual	2002 Budget	Variance	2001 Actual
Revenue	37,696,808	35,993,241	1,703,567	27,527,157
Wages	24,153,141	23,280,530	-872,611	17,700,289
Food	1,517,032	1,485,998	-31,034	1,151,611
Other Costs	3,838,159	3,632,418	-205,741	2,682,019
Operating Profit	8,188,476	7,594,295	594,181	5,993,238
Depreciation	820,669	887,960	67,291	537,908
Homes Profit	7,367,807	6,706,335	661,472	5,455,330
Administration	1,633,369	1,355,370	-277,999	1,143,152
Net Operating Profit	5,734,438	5,350,965	383,473	4,312,178
Interest Payable	1,751,304	1,814,981	63,677	1,236,932
Profit	3,983,134	3,535,984	447,150	3,075,246
Wages % (excl homecare) *	62.6%	63.2%		62.4%
Operating Margin	21.7%	21.1%		21.8%
Operating Margin (excl homecare) *	22.6%	21.8%		22.4%
Net Operating Margin	15.2%	14.9%		15.7%
Op Profit per Registered Bed	5,676	5,264		5,150
Available Beds	1,443	1,443		1,150
Occupied Beds	1,343	1,335		1,040
Occupancy	93.1%	92.5%		90.4%
Fee rate	499	481		436

* Homecare has a margin of 15%

Barchester Healthcare Limited

Review of the healthcare operations of the Barchester Healthcare Limited Group

Board Paper 1/2003

December 2002

Monthly performance

The Group made a profit after interest of £302K in the month against a budgeted profit of £344K (£238K in December 2001).

The budget presented to the Board in December 2001 showed profit before tax of £3,196K (2001 actual: £2,942K), the new budget is £3,534K, including acquisitions. In the year profits are £447K better than budget which gives a profit before tax of £3,983K, a 35% increase in profit, subject to any changes in accounting treatment.

The forecast in Board Paper 18/2002 of £4,064K has been reduced to reflect £36k of non utilisation fees on the new loan and £35K of additional bonuses paid in the year.

The acquisitions in December (Westergate and Beech House) have not yet been accounted for and will have a marginal positive effect on the results.

The Group has increased its weekly fee rate by 11% to £516 in the last twelve months.

The Group made £5,933 (including £25K contribution from domiciliary care) per registered bed in the month, excluding Trowbridge, Woodside and The White Lodge. Average for 2001 and 2000 were £5,195 and £4,392 respectively.

Like for like profits have increased 16% year to date. However there is a 24% increase when comparing December 2002 to December 2001.

Net operating profit of £506K was £28K lower than the budget of £534K (£369K in December 2001).

Revenue was £236K better than budget, occupancy was 4 residents (£10K) less than budget while higher fee rates contributed £246K. Occupancy was 1,516 (91.0%) in the month and fee rates were £518. Fees have increased by £50 (10.8%) in the year and further increases are expected in the coming months.

Wages were £105K worse than budget. Drummonds overspend of £25K, Norwich overspend of £23K and Hilton £45K are offset by £39K, £32K and £42K additional revenue respectively. Excluding these, wages were only £12K (0.6%) over budget.

Agency was £220K, £110K additional cost against a budget of £68K. The on-going recruitment of overseas staff is starting to have large positive effect on agency. Agency has reduced in the last few months, average agency for the first nine months was 4,000 hours (8.5%). Agency in October was 3,659 hours (7%), November 3,165 hours (5.5%) and 2,537 hours (4.65%) in December. Agency at the start of January was 2,150 hours (4.0%). The target should be a maximum of 5%

Food costs were £17K worse than budget in the month but only 4.0% of revenue. Food costs are only £30K worse than budget year to date.

Other costs were £58K worse than budget, 11.0% of revenue, mainly additional spending on recruitment.

Head office costs were £95K worse than budget in the month of which £35K related to additional bonuses. The other additional cost of Jim Marr and Ian Mathews who have been appointed to cope with the increasing number of beds in the future.

Return on Investment

- 1,112 beds were able to achieve an average return of 18.39%.
- The ten mature acquisitions (Corrina, Longueville, Southerndown, Southerndown EMI, Community, Mulberry, Henford, Newington, Winchester and Adlington) achieved a return of 18.4% on an investment of £24,420K. There is significant upside here.

Month	Value	Beds	Cost per Bed	December profit	Annualised profits	Return on investment	Profit per Bed
Kenwyn	2,849,000	106	26,877	56,318	663,099	23.27%	6,256
Badgeworth	2,305,000	67	34,403	34,773	409,424	17.76%	6,111
Moreton	2,150,000	68	31,618	29,702	349,717	16.27%	5,143
Chalfont	4,371,000	119	36,731	94,775	1,115,899	25.53%	9,377
Southerndown	2,020,000	45	44,889	30,597	360,255	17.83%	8,006
South EMI	2,000,000	42	47,619	35,312	415,770	20.79%	9,899
Tyspane	1,971,000	69	28,565	30,408	358,030	18.16%	5,189
Longueville	3,350,000	106	31,604	60,945	717,578	21.42%	6,770
Mulberry	3,100,000	64	48,438	32,046	377,316	12.17%	5,896
Henford	2,100,000	42	50,000	7,858	92,522	4.41%	2,203
Manor	2,633,000	86	30,616	50,714	597,116	22.68%	6,943
Adlington	3,400,000	84	40,476	45,088	530,875	15.61%	6,320
Corrina	2,400,000	51	47,059	54,741	644,531	26.86%	12,638
Newington	2,200,000	50	44,000	26,742	314,865	14.31%	6,297
Drummond	4,604,000	113	40,743	57,453	676,463	14.69%	5,986
	41,453,000	1,112	37,278	647,472	7,623,461	18.39%	6,856
Hunters	3,770,000	98	38,469	39,485	464,904	12.33%	4,744
Castle Village	5,854,000	179	32,704	21,021	247,505	4.23%	1,383
Winchester	2,600,000	67	38,806	6,831	80,430	3.09%	1,200
	12,224,000	344	35,535	67,337	792,839	6.49%	2,305
Homes	53,677,000	1,456	36,866	714,809	8,416,300		5,780
Community	1,100,000			18,911	222,662	20.24%	
	54,777,000	1,456	37,622	733,720	8,638,961	15.77%	5,933

Excluding Norwich (56), The White Lodge (41) and Trowbridge (22)

YTD performance

The group made a profit of £3,983K in the year, after interest, against a budgeted profit of £3,535K (£3,075K in 2001). This is £447K ahead of budget.

Net operating profit of £5,734K was £383K greater than the budget of £5,351K and greater than the £4,312K in 2001.

Revenue was £1,703K over budget. Occupancy of 1,343 was greater than the budget of 1,335 (£208K). Higher fee rates resulted in additional revenue of £1,495K.

Wages were £873K over budget, there is a £278K overspend at the two Kent homes due to high agency, agency has greatly reduced at these two homes over the last few weeks.

Overspends at Drummond (£236K), Norwich (£122K) and Kenwyn (£73K) are offset by additional revenue. Excluding these wages were only £443K (1.8%) over budget being overspends of £133K at Hunters and £250K at Winchester, both homes have reduced agency in recent weeks.

Food costs were £31K worse than budget, but only 4.0% of revenue.

Other costs were £205K worse than budget, only 10.1% of revenue, being mainly overspends on dispensing, repairs and renewals and recruitment costs.

Head office costs were £278K higher than budget, but only 4.2% of revenue. The overspend is £140K additional cost for Jim Marr and Ian Matthews and £50K unbudgeted abortive costs on acquisitions and £50K for additional bonuses.

Trend

	Actual		Budget		Variance	
	Beds	Operating Profit	Beds	Operating Profit	Beds	Operating Profit
	No.	£'K	No.	£'K	No.	£'K
January	1,200	366	1,190	336	+10	+30
February	1,225	373	1,214	323	+11	+50
March	1,277	462	1,254	423	+23	+39
April	1,278	426	1,264	396	+14	+30
May	1,274	422	1,275	381	-1	+41
June	1,282	429	1,286	387	-4	+42
July	1,295	437	1,299	395	-4	+42
August	1,385	540	1,386	485	-1	+55
September	1,446	575	1,420	517	+26	+58
October	1,446	563	1,422	542	+24	+21
November	1,509	634	1,516	630	-7	+4
December	1,516	506	1,520	534	-4	-28

Individual homes – performance in the year

Profit Summary							
Operating Profit	Actual		Budget		Variance	2,001	
Tyspane	202,981	18.54%	215,374	19.52%	(12,393)	116,020	11.93%
Kenwyn	567,355	22.93%	505,714	21.73%	61,641	453,190	20.35%
The Manor	383,306	19.55%	382,899	20.28%	407	297,882	16.97%
Moreton Hill Farm	356,673	23.05%	332,210	22.24%	24,463	336,260	23.81%
Badgeworth Court	491,733	28.32%	431,739	24.89%	59,994	431,256	27.07%
Drummond Grange	716,400	23.97%	576,153	22.05%	140,247	541,162	22.10%
Chalfont	1,104,619	27.75%	957,301	24.59%	147,318	901,249	25.05%
Hunters	372,979	15.31%	537,260	22.15%	(164,281)	502,439	22.16%
Southendown	464,790	36.77%	368,355	31.22%	96,435	346,341	30.45%
Southendown EMI	391,099	36.06%	16,551	2.29%	374,548	-	
Longueville	664,623	28.59%	472,150	21.00%	192,473	473,852	23.55%
Corrina	427,901	30.80%	306,940	23.75%	120,961	314,047	26.49%
Community Care	257,634	10.44%	324,000	12.74%	(66,366)	323,645	12.65%
Mulberry Court	454,160	30.16%	369,304	14.52%	84,856	205,453	
Winchester House	120,719	8.28%	352,791	24.48%	(232,072)	-	
Newington Court	245,437	20.06%	257,364	17.69%	(11,927)	-	
Trowbridge	(47,075)	12.44%	11,400	1.00%	(58,475)	-	
Henford	223,425	26.77%	239,506	75.48%	(16,081)	-	
Norwich	(161,680)	19.37%	(142,643)	-17.17%	(19,037)	-	
Adlington Manor	248,646	28.32%	195,140	25.11%	53,506	-	
White Lodge	(3,194)	-0.87%	50,107	15.16%	(53,301)	-	
Hilton	108,947	23.80%	114,196	27.78%	(5,249)	-	
Castle Park	295,207	26.67%	294,866	28.04%	341	269,120	26.15%
Castle Lodge	57,933	11.56%	84,460	15.90%	(26,527)	99,629	19.09%
Castle Keep	139,081	14.92%	179,808	18.36%	(40,727)	166,765	18.25%
Castle Rise	63,957	11.13%	82,342	14.03%	(18,385)	81,316	14.38%
Castle Home Care	40,820	13.57%	79,008	20.07%	(38,188)	62,982	20.39%
	8,188,476	21.72%	7,594,295	21.10%	594,181	5,922,608	21.52%

Of the twenty three homes (including Community Care) twelve homes achieved their budgeted profit, while eleven homes did not

The twelve homes that made their budgets were:

Kenwyn achieved almost 100% occupancy and an 19.% return in the year to date.

The Manor beat its budget by £407 but should be achieving greater profit per bed.

Moreton was £24K better than budget and is achieving a return of 16.6%. Agency is too high and is being addressed by overseas staff

Badgeworth achieved a 21% return on 93% occupancy and beat budget by £60K.

Drummond beat its budget by £140K and has increased its fee rate to over £550. It has made a return of 15.6% year to date.

Chalfont made a 25.3% return in the year on 90% occupancy and continues to increase its fee rate (now £700).

Southerndown achieved 25.3% return on high occupancy.

Southerndown EMI opened on 7 January and was full within three months. It achieved a 21% return in December and has an average fee rate of £570.

Longueville made a 19.8% return on only 88% occupancy.

Corrina achieved a 17.8% return year to date. Its fee rate is now over £500 and it is achieving £650 for new residents.

Mulberry achieved its budget and made a return of 14.7%, this will improve as it increases fee rates. Agency is too high and is being addressed by overseas nurses.

Adlington Manor achieved a 18.4% return.

The twelve homes that did not achieve their budget were:

Tyspane was less than budget due to low occupancy. A move into young disabled has been met with a number of complaints and the present manager is being monitored.

Hunters was £164K less than budget and only achieved a 9.9% return. This is due to high wages and other costs.

Agency has reduced to 200 hours from over 500 in the past two months. Two new rooms are being added from the conversion of an office. Local Social Services are being challenged on 13 low fee rate residents.

Community Care was £66K less than budget but still achieved a 23.4% return.

Winchester was £232K less than budget mainly due to high agency, agency has dramatically decreased.

Newington was £12K less than budget due to low occupancy earlier in the year and high agency.

Trowbridge made a loss of £58K as we have invested money in the existing home while construction has started on the new build.

Henford house was £16K worse than budget and made a 13% return

Woodside House opened on the 7th June. It now has forty-one residents and is achieving a £500 fee rate. There have been Management and staffing issues. The manager has now been replaced with a new manager. Wage costs are too high and are being reviewed.

The Castle Complex was £122K less than budget due to lower occupancy 88% and higher other costs.

The White Lodge was less than budget due to higher wages and lower occupancy. Wages will be closely monitored in the coming weeks. It's full potential will only be achieved once the home has been renovated.

Home's Returns

Year to date			Cost per	Jan to Dec	Annualised	Return on	Profit
Home	Value	Beds	Bed	profit	profits	investment	per Bed
Hunters	3,770,000	98	38,469	372,979	372,979	9.89%	3,806
Manor	2,633,000	86	30,616	383,306	383,306	14.56%	4,457
Badgeworth	2,305,000	67	34,403	491,733	491,733	21.33%	7,339
Kenwyn	2,849,000	106	26,877	567,355	567,355	19.91%	5,352
Moreton	2,150,000	68	31,618	356,673	356,673	16.59%	5,245
Chalfont	4,371,000	119	36,731	1,104,619	1,104,619	25.27%	9,283
Southerndown	2,020,000	45	44,889	464,790	464,790	23.01%	10,329
South EMI	2,000,000	42	47,619	391,099	391,099	19.55%	9,312
Drummond	4,604,000	113	40,743	716,400	716,400	15.56%	6,340
Mulberry	3,100,000	64	48,438	454,160	454,160	14.65%	7,096
Henford	2,100,000	42	50,000	223,425	275,507	13.12%	6,560
Adlington	3,400,000	84	40,476	248,646	625,902	18.41%	7,451
Longueville	3,350,000	106	31,604	664,623	664,623	19.84%	6,270
Castle Village	5,854,000	179	32,704	596,998	596,998	10.20%	3,335
Corrina	2,400,000	51	47,059	427,901	427,901	17.83%	8,390
	46,906,000	1,270	36,934	7,464,707	7,894,045	16.83%	6,216
Tyspane	1,971,000	69	28,565	202,981	202,981	10.30%	2,942
Winchester	2,600,000	67	38,806	120,719	120,719	4.64%	1,802
Newington	2,200,000	50	44,000	245,437	245,437	11.16%	4,909
	6,771,000	186	36,403	569,137	569,137	8.41%	3,060
Community	1,100,000			257,634	257,634	23.42%	
	54,777,000	1,456	37,622	8,291,478	8,720,816	15.92%	5,990

Profit Summary Month

Barchester Healthcare Limited
Month December 2002

Profit Summary

Operating Profit

Pre Depreciation	Actual		Budget		Variance	2001	
Tyspane	30,408	30.71%	21,371	20.80%	9,037	2,718	3.68%
Kenwyn	56,318	24.95%	41,337	20.56%	14,981	42,792	21.54%
The Manor	50,714	27.00%	31,231	19.16%	19,483	27,747	17.65%
Moreton Hill Farm	29,702	22.84%	30,101	22.84%	(399)	33,953	26.84%
Badgeworth Court	34,773	23.72%	35,479	23.71%	(706)	41,139	29.58%
Drummond Grange	57,453	21.88%	44,504	19.94%	12,949	43,582	19.78%
Chalfont	94,775	27.26%	81,306	24.11%	13,469	59,316	19.58%
Hunters	39,485	17.51%	38,002	17.92%	1,483	27,242	14.53%
Southerndown	30,597	26.56%	29,556	29.28%	1,041	15,295	15.61%
Southerndown EMI	35,312	32.10%	18,303	22.49%	17,009	-	
Longueville	60,945	30.22%	41,998	21.24%	18,947	41,227	22.62%
Corrina	54,741	42.26%	27,253	23.96%	27,488	37,877	30.93%
Community Care	18,911	10.22%	27,000	12.74%	(8,089)	20,588	8.06%
Mulberry Court	32,046	25.08%	29,283	13.81%	2,763	48,202	36.74%
Winchester House	6,831	5.63%	26,857	21.78%	(20,026)	-	
Newington Court	26,742	22.02%	19,425	15.72%	7,317	-	
Wingfield	907	2.98%	116	0.12%	791	-	
Henford	7,858	9.59%	22,372	26.59%	(14,514)	-	
Norwich	9,970	9.71%	3,102	3.69%	6,868	-	
Adlington Manor	45,088	24.09%	39,347	22.87%	5,741	-	
White Lodge	(5,623)	-6.17%	8,900	5.17%	(14,523)	-	
Hilton	46,148	18.38%	53,188	79.43%	(7,040)	-	
Castle Park	9,031	10.68%	26,020	28.14%	(16,989)	24,548	25.92%
Castle Lodge	5,738	12.85%	6,347	13.92%	(609)	7,634	17.07%
Castle Keep	11,647	15.70%	14,835	17.40%	(3,188)	10,480	12.58%
Castle Rise	1,275	2.83%	6,721	13.17%	(5,446)	4,228	8.58%
Castle Home Care	(6,670)	-44.47%	6,460	19.37%	(13,130)	6,265	20.38%
	785,122	20.96%	730,414	20.82%	54,708	494,833	18.14%

Barchester Healthcare PLC Month December 2002

Homes Comparison

	Revenue (£)	Wages (£)	Food (£)	Other Cost (£)	Total Cost (£)	Gross Profit (£)	Gross Margin (%)	Depreciation (£)	Profit after Depreciation (£)	Capacity No.	Av. Beds Occupied	Average Occ. (%)	Av. fee (£)	Profit Per Reg Bed (£)
Tyspane	99,020	57,400	5,399	5,813	68,612	30,408	30.71%	2,138	28,270	69	53	76.81%	422	5,189
Kenwyn	225,742	140,912	8,626	19,886	169,424	56,318	24.95%	2,695	53,623	106	104	98.11%	490	6,256
The Manor	187,840	102,807	9,775	24,544	137,126	50,714	27.00%	3,723	46,991	86	79	91.86%	487	6,943
Moreton Hill Farm	130,023	76,597	7,200	16,524	100,321	29,702	22.84%	3,787	25,915	68	64	94.12%	459	5,143
Badgeworth Court	146,602	83,026	4,988	23,815	111,829	34,773	23.72%	4,162	30,611	67	63	94.03%	525	6,111
Drummond Grange	262,577	173,720	15,675	15,729	205,124	57,453	21.88%	7,780	49,673	113	104	92.04%	570	5,986
Chalfont	347,733	219,551	11,882	21,525	252,958	94,775	27.26%	7,640	87,135	119	110	92.44%	714	9,377
Hunters	225,464	143,358	9,402	33,219	185,979	39,485	17.51%	4,241	35,244	98	96	97.96%	530	4,744
Southerndown	115,207	67,864	4,090	12,656	84,610	30,597	26.56%	2,000	28,597	45	43	95.56%	585	8,006
Southerndown EMI	110,000	58,688	4,000	12,000	74,688	35,312	32.10%	1,664	33,648	42	41	97.62%	586	9,899
Longueville	201,665	108,319	11,131	21,270	140,720	60,945	30.22%	4,005	56,940	106	91	85.85%	500	6,770
Corrina	129,540	54,176	5,774	14,849	74,799	54,741	42.26%	2,985	51,756	51	49	96.08%	597	12,638
Community Care	185,071	150,194	0	15,966	166,160	18,911	10.22%	5,000	13,911	0	0			
Mulberry Court	127,753	74,074	5,628	16,005	95,707	32,046	25.08%	546	31,500	64	60	93.75%	481	5,896
Winchester House	121,264	97,606	2,874	13,953	114,433	6,831	5.63%	2,284	4,547	67	58	86.57%	472	1,200
Newington Court	121,462	74,124	4,542	16,054	94,720	26,742	22.02%	1,506	25,236	50	46	92.00%	546	6,297
Trowbridge	30,449	24,438	-1,146	6,250	29,542	907	2.98%	720	187	22	21	95.45%	327	485
Henford	81,902	56,674	5,055	12,315	74,044	7,858	9.59%	1,488	6,370	42	36	85.71%	514	2,203
Norwich	102,631	77,595	4,332	10,734	92,661	9,970	9.71%	3,237	6,733	56	35	62.50%	542	2,096
Adlington Manor	187,202	110,074	9,666	22,374	142,114	45,088	24.09%	732	44,356	82	81	98.78%	522	6,474
White Lodge	91,189	69,162	11,123	16,527	96,812	-5,623	-6.17%	1,900	-7,523	41	35	85.37%	588	-1,615
Hilton	251,109	169,318	9,830	25,813	204,961	46,148	18.38%	69	46,079	93	89	95.70%	537	5,843
Castle Park	84,581	62,744	3,771	9,035	75,550	9,031	10.68%	2,830	6,201	51	48	94.12%	398	2,085
Castle Lodge	44,662	31,376	2,207	5,341	38,924	5,738	12.85%	1,114	4,624	30	29	96.67%	348	2,252
Castle Keep	74,205	52,735	4,268	5,555	62,558	11,647	15.70%	872	10,775	58	49	84.48%	342	2,364
Castle Rise	45,111	35,528	2,944	5,364	43,836	1,275	2.83%	665	610	40	32	80.00%	318	375
Castle Home Care	15,000	21,220	0	450	21,670	-6,670	-44.47%	0	-6,670	0	0		0	
	3,745,004	2,393,280	163,036	403,566	2,959,882	785,122	20.96%	69,783	715,339	1,666	1,516	91.00%	518	5,549

Profit Summary YTD

Barchester Healthcare Limited
Year to Date December 2002

Profit Summary					
Operating Profit	Actual		Budget		Variance
Tyspane	202,981	18.54%	215,374	19.52%	(12,393)
Kenwyn	567,355	22.93%	505,714	21.73%	61,641
The Manor	383,306	19.55%	382,899	20.28%	407
Moreton Hill Farm	356,673	23.05%	332,210	22.24%	24,463
Badgeworth Court	491,733	28.32%	431,739	24.89%	59,994
Drummond Grange	716,400	23.97%	576,153	22.05%	140,247
Chalfont	1,104,619	27.75%	957,301	24.59%	147,318
Hunters	372,979	15.31%	537,260	22.15%	(164,281)
Southendown	464,790	36.77%	368,355	31.22%	96,435
Southendown EMI	391,099	36.06%	16,551	2.29%	374,548
Longueville	664,623	28.59%	472,150	21.00%	192,473
Corrina	427,901	30.80%	306,940	23.75%	120,961
Community Care	257,634	10.44%	324,000	12.74%	(66,366)
Mulberry Court	454,160	30.16%	369,304	14.52%	84,856
Winchester House	120,719	8.28%	352,791	24.48%	(232,072)
Newington Court	245,437	20.06%	257,364	17.69%	(11,927)
Trowbridge	(47,075)	-12.44%	11,400	1.00%	(58,475)
Henford	223,425	26.77%	239,506	75.48%	(16,081)
Norwich	(161,680)	-19.37%	(142,643)	-17.17%	(19,037)
Adlington Manor	248,646	28.32%	195,140	25.11%	53,506
White Lodge	(3,194)	-0.87%	50,107	15.16%	(53,301)
Hilton	108,947	23.80%	114,196	27.78%	(5,249)
Castle Park	295,207	26.67%	294,866	28.04%	341
Castle Lodge	57,933	11.56%	84,460	15.90%	(26,527)
Castle Keep	139,081	14.92%	179,808	18.36%	(40,727)
Castle Rise	63,957	11.13%	82,342	14.03%	(18,385)
Castle Home Care	40,820	13.57%	79,008	20.07%	(38,188)
	8,188,476	21.72%	7,594,295	21.10%	594,181

Barchester Healthcare PLC Year to Date December 2002

Homes Comparison

	Revenue (£)	Wages (£)	Food (£)	Other Cost (£)	Total Cost (£)	Gross Profit (£)	Gross Margin (%)	Depreciation (£)	Profit after Depreciation (£)	Capacity No.	Av. Beds Occupied No.	Average Occ. (%)	Av. fee (£)	Profit Per Reg Bed (£)
Tyspane	1,095,113	711,559	53,181	127,392	892,132	202,981	18.54%	25,530	177,451	69	53	76.81%	396	2,942
Kenwyn	2,474,397	1,575,663	98,268	233,111	1,907,042	567,355	22.93%	32,398	534,957	104	105	100.96%	452	5,455
The Manor	1,950,413	1,235,379	104,915	236,811	1,577,107	383,306	19.55%	44,198	339,108	86	78	90.50%	483	4,457
Moreton Hill Farm	1,547,554	953,911	70,641	166,329	1,190,881	356,673	23.05%	44,297	312,376	68	64	94.73%	461	5,245
Badgeworth Court	1,736,295	993,934	70,385	180,243	1,244,562	491,733	28.32%	48,690	443,043	67	62	93.03%	534	7,339
Drummond Grange	2,988,614	1,913,389	133,081	225,744	2,272,214	716,400	23.97%	92,012	624,388	113	106	93.51%	542	6,340
Chalfont	3,980,670	2,391,377	163,163	321,511	2,876,051	1,104,619	27.75%	85,206	1,019,413	119	109	91.95%	698	9,283
Hunters	2,436,325	1,694,044	94,081	275,221	2,063,346	372,979	15.31%	49,823	323,156	94	93	98.85%	503	3,968
Southerndown	1,263,960	645,383	60,589	93,198	799,170	464,790	36.77%	25,631	439,159	45	44	97.22%	554	10,329
Southerndown EMI	1,094,639	568,540	36,000	89,000	693,540	391,099	36.06%	23,664	367,435	45	37	81.11%	570	8,691
Longueville	2,324,284	1,354,819	101,758	203,084	1,659,661	664,623	28.59%	47,380	617,243	105	92	87.30%	486	6,330
Corrina	1,389,331	738,543	52,400	170,487	961,430	427,901	30.80%	22,120	405,781	51	49	95.26%	548	8,390
Community Care	2,466,532	2,054,127	0	156,771	2,210,898	257,634	10.44%	60,000	197,634	64	59	92.45%	488	7,096
Mulberry Court	1,505,669	850,142	68,538	132,829	1,051,509	454,160	30.16%	20,853	433,307	67	60	89.93%	464	1,802
Winchester House	1,457,550	1,111,935	50,917	173,979	1,336,831	120,719	8.28%	19,285	101,434	50	45	90.67%	518	4,909
Newington Court	1,223,388	774,874	44,615	158,462	977,951	245,437	20.06%	20,313	225,124	16	17	104.69%	433	-2,942
Trowbridge	378,416	346,218	13,320	65,953	425,491	-47,075	-12.44%	8,111	-55,186	31	31	100.94%	519	7,315
Henford	834,663	462,520	40,477	108,241	611,238	223,425	26.77%	16,752	206,673	25	14	56.64%	571	-6,352
Norwich	429,139	469,759	24,691	96,369	590,819	-161,680	-37.68%	21,390	-183,070	22	31	138.62%	543	11,118
Adlington Manor	877,962	509,834	36,651	82,831	629,316	248,646	28.32%	11,474	237,172	15	15	98.93%	477	-214
White Lodge	366,677	278,577	31,039	60,255	369,871	-3,194	-0.87%	17,900	-21,094	8	15	175.45%	592	12,886
Hilton	457,694	285,073	17,193	46,481	348,747	108,947	23.80%	3,069	105,878	50	50	99.67%	426	5,904
Castle Park	1,106,928	649,620	43,130	118,971	811,721	295,207	26.67%	35,954	259,253	30	28	93.08%	344	1,931
Castle Lodge	501,049	337,914	25,312	79,890	443,116	57,933	11.56%	11,123	46,810	58	51	88.36%	349	2,398
Castle Keep	932,177	611,164	48,937	132,995	793,096	139,081	14.92%	22,547	116,534	40	36	88.96%	310	1,599
Castle Rise	574,592	396,906	33,750	79,979	510,635	63,957	11.13%	10,949	53,008	0	0		0	
Castle Home Care	300,777	237,937	0	22,020	259,957	40,820	13.57%	0	40,820	1,443	1,343	93.09%	499	5,676
	37,696,808	24,153,141	1,517,032	3,838,159	29,508,332	8,188,476	21.72%	820,669	7,367,807					

Barchester Healthcare PLC

13

Barchester Healthcare PLC

2001 Actual Profit and Loss Account

Home

Total

	January	February	March	April	May	June	July	August	September	October	November	December	Total	Margin (%)
Revenue	2,141,976	1,993,580	2,193,198	2,199,061	2,214,893	2,147,070	2,327,788	2,353,875	2,328,172	2,397,052	2,503,367	2,727,125	27,527,157	
Wages	1,408,773	1,263,313	1,353,665	1,405,005	1,452,658	1,385,042	1,509,917	1,516,080	1,482,189	1,544,473	1,596,125	1,782,889	17,700,129	64.30%
Food	86,514	79,819	94,481	97,727	89,139	95,661	100,342	94,454	99,194	98,035	104,702	127,398	1,167,466	5.0%
Other Costs	197,385	208,577	218,202	217,248	202,976	204,290	220,748	224,519	233,817	227,800	229,317	296,930	2,681,809	9.74%
Operating Profit	449,304	441,871	526,850	479,081	470,120	462,077	496,781	518,822	512,972	526,744	573,223	519,908	5,977,753	21.72%
Depreciation	43,441	42,069	42,863	39,030	39,536	39,945	49,568	49,682	44,252	50,809	49,052	47,987	538,234	1.96%
Homes Profit	405,863	399,802	483,987	440,051	430,584	422,132	447,213	469,140	468,720	475,935	524,171	471,921	5,439,519	19.76%
Administration Costs	89,427	86,438	93,641	94,968	95,397	93,862	96,040	101,403	97,934	98,386	98,514	102,469	1,148,479	4.17%
Net Operating Profit	316,436	313,364	390,346	345,083	335,187	328,270	351,173	367,737	370,786	377,549	425,657	369,452	4,291,040	15.59%
Interest Payable	104,040	90,434	100,005	92,902	94,913	90,615	109,477	106,651	97,806	100,302	117,895	131,892	1,236,932	
Profit	212,396	222,930	290,341	252,181	240,274	237,655	241,696	261,086	272,980	277,247	307,762	237,560	3,054,108	0

0

237,560 3,054,108

Operating Margin
Net Operating Margin21.0%
14.8%22.2%
15.7%24.0%
17.8%21.8%
15.7%21.3%
15.1%22.0%
15.6%22.0%
15.9%22.0%
15.8%22.9%
17.0%19.1%
13.5%21.7%
15.6%

Op Profit Per Reg Bed

4,814

5,241

5,644

5,304

5,037

5,116

5,005

5,227

5,340

5,296

5,620

4,753

5,195

Available Beds

1,099

1,099

1,099

1,099

1,171

1,171

1,171

1,171

1,241

1,288

1,151

1,151

Occupied Beds

1,038

1,046

1,036

1,036

1,076

1,076

1,076

1,076

1,140

1,184

1,067

1,067

Occupancy

94.4%

95.2%

94.3%

94.3%

90.5%

91.7%

91.7%

91.7%

91.9%

91.9%

92.7%

92.7%

Fee Rates

418

424

423

443

443

447

447

453

461

466

443

443

Days

31

28

31

31

31

31

31

31

31

31

31

31

Weekly Hours Summary By Home/Category

	No. Residents	Nursing	Care Assist.	Total Care Hours	Care Hours Per Res. Per Week	Care Hours Per Res. Per Day	Catering	House keeping	Laundry	Maintenance	Activity	Admin.	Total Hours	Agency (incl. total)	No. Hours per Res. per Week	No. Hours per Res. per Day	Agency % of Total hours
06/01/02	1,089	7,465	20,027	27,492	24.79	3.54	3,313	2,421	745	1,038	632	1,624	37,265	2,647	34.22	4.89	7.1%
13/01/02	1,089	7,380	20,105	27,485	24.79	3.54	3,333	2,421	745	1,038	632	1,624	37,278	2,728	34.23	4.89	7.3%
20/01/02	1,200	9,023	22,801	31,824	26.52	3.79	3,851	3,076	886	1,273	805	1,875	43,590	3,554	36.33	5.19	8.2%
27/01/02	1,204	8,445	23,298	31,743	26.36	3.77	3,767	3,080	857	1,193	833	1,815	43,448	3,583	36.09	5.16	8.2%
20/02/02	1,204	8,712	23,272	31,984	26.56	3.79	3,780	3,053	875	1,224	1,014	1,918	43,848	3,229	36.42	5.20	7.4%
09/02/02	1,209	8,611	22,991	31,602	26.14	3.73	3,694	3,032	1,047	1,205	937	1,838	43,355	3,395	35.86	5.12	7.8%
16/02/02	1,212	8,542	23,256	31,798	26.14	3.75	3,733	3,114	896	1,136	760	1,733	43,268	3,373	35.70	5.10	7.8%
23/02/02	1,209	8,214	23,715	31,929	26.41	3.77	3,795	3,065	808	1,149	812	1,785	43,343	3,464	35.85	5.12	8.0%
03/03/02	1,206	8,497	23,046	31,543	26.16	3.74	3,875	2,956	933	1,173	776	1,862	43,118	2,721	35.75	5.11	6.3%
10/03/02	1,206	8,562	23,030	31,592	26.20	3.74	3,816	3,142	895	1,254	824	1,837	43,360	3,824	35.95	5.14	7.8%
17/03/02	1,220	8,273	23,468	31,741	26.02	3.72	3,891	2,987	913	1,255	853	1,810	43,450	3,174	35.61	5.09	7.3%
24/03/02	1,212	8,460	23,578	32,038	26.43	3.78	3,978	2,857	975	1,137	848	1,781	43,614	3,791	35.99	5.14	8.7%
31/03/02	1,221	8,576	23,878	32,454	26.58	3.80	4,027	2,870	966	1,155	803	1,840	44,086	3,840	36.11	5.16	8.7%
07/04/02	1,202	8,624	23,717	32,341	26.91	3.84	3,952	2,933	845	1,205	783	1,794	43,863	3,811	36.49	5.21	8.7%
14/04/02	1,216	8,387	24,721	33,108	27.23	3.89	3,826	3,057	995	1,286	742	1,864	44,877	3,991	36.91	5.27	8.9%
21/04/02	1,214	8,768	24,147	32,915	27.11	3.87	3,839	3,040	1,031	1,183	868	1,846	44,722	4,167	36.84	5.25	9.4%
28/04/02	1,221	8,880	24,503	33,383	27.34	3.91	3,910	3,067	1,001	1,256	829	1,966	45,412	4,165	37.19	5.31	9.2%
05/05/02	1,222	8,631	24,367	32,997	27.00	3.86	3,890	3,140	993	1,228	818	1,976	45,041	3,514	36.86	5.27	7.8%
12/05/02	1,209	8,652	24,764	33,416	27.64	3.95	3,915	3,244	994	1,105	749	1,841	45,263	3,468	37.44	5.35	7.7%
19/05/02	1,215	9,074	24,507	33,581	27.64	3.95	3,797	3,271	990	1,100	743	1,898	45,380	3,479	37.35	5.34	7.7%
26/05/02	1,212	8,813	24,264	33,076	27.29	3.90	3,759	2,962	1,062	1,122	778	1,874	44,632	3,917	36.83	5.26	8.8%
02/06/02	1,262	8,406	21,656	30,262	25.16	3.59	3,507	3,004	980	1,057	785	1,872	41,466	3,502	34.47	4.92	8.4%
09/06/02	1,286	8,888	23,828	32,716	25.92	3.70	4,151	2,998	936	978	714	1,904	44,396	3,399	35.87	5.12	7.9%
16/06/02	1,295	9,316	24,609	33,959	26.49	3.78	3,989	3,180	1,018	1,071	728	2,041	45,986	3,619	35.87	5.12	7.9%
23/06/02	1,276	9,163	24,709	34,025	26.67	3.81	4,124	3,195	1,039	1,240	717	2,040	46,379	4,008	36.35	5.19	8.6%
30/06/02	1,281	9,183	25,272	34,454	26.90	3.84	4,714	3,155	1,027	1,198	773	1,990	47,310	3,842	36.93	5.28	8.1%
07/07/02	1,298	9,589	25,820	35,409	26.75	3.82	4,503	3,296	1,032	1,390	714	2,142	48,485	4,146	37.59	5.37	8.6%
14/07/02	1,298	9,742	25,164	34,907	26.89	3.84	4,537	3,297	1,070	1,400	743	2,029	47,983	3,954	36.97	5.28	8.2%
21/07/02	1,292	9,570	25,079	34,649	26.82	3.83	4,446	3,303	960	1,260	665	2,117	47,401	3,864	36.69	5.24	8.2%
28/07/02	1,280	9,379	25,017	34,396	26.87	3.84	4,332	3,255	1,001	1,311	681	1,961	46,936	3,872	36.67	5.24	8.2%
04/08/02	1,293	9,693	24,996	34,689	26.83	3.83	4,441	3,263	1,028	1,234	659	2,045	47,358	3,986	36.63	5.23	8.4%
11/08/02	1,290	9,873	25,021	34,894	27.05	3.86	4,504	3,219	1,088	1,205	722	1,989	47,620	4,466	36.92	5.27	9.0%
18/08/02	1,285	9,630	25,290	34,921	27.18	3.88	4,583	3,063	997	1,092	718	2,043	47,415	4,256	36.90	5.27	9.0%
25/08/02	1,299	9,539	24,541	34,081	26.24	3.75	4,372	3,141	993	1,165	675	2,064	46,490	4,413	35.79	5.11	9.5%
01/09/02	1,303	9,566	25,521	35,086	26.93	3.85	4,294	2,935	1,000	1,038	716	1,919	46,988	4,356	36.06	5.15	9.3%
08/09/02	1,305	9,875	25,740	35,615	27.14	3.88	4,445	2,966	948	1,256	695	2,012	47,734	4,166	36.58	5.23	8.7%
15/09/02	1,322	9,656	26,292	35,948	27.19	3.88	4,302	3,034	1,069	1,219	806	1,936	48,313	3,957	36.55	5.22	8.2%
22/09/02	1,333	9,638	25,607	35,245	26.44	3.78	4,466	3,006	1,084	1,246	745	1,939	47,731	3,721	35.81	5.12	7.8%
29/09/02	1,338	9,591	25,390	34,981	26.14	3.73	4,513	3,058	1,027	1,255	846	1,858	48,336	3,954	36.13	5.16	8.2%
06/10/02	1,335	9,471	25,701	35,172	26.35	3.76	4,501	2,975	991	1,133	871	2,058	47,701	3,714	35.73	5.10	7.8%
13/10/02	1,456	10,238	27,512	37,749	25.93	3.70	5,017	3,424	1,067	1,308	919	2,076	51,561	3,520	35.41	5.06	6.8%
20/10/02	1,440	10,198	27,901	38,099	26.44	3.78	4,807	3,613	1,114	1,405	885	2,109	52,031	3,258	36.11	5.16	6.3%
27/10/02	1,440	10,398	27,703	37,703	26.18	3.74	4,024	3,671	1,067	1,443	970	2,061	51,762	3,837	35.95	5.14	7.4%
03/11/02	1,436	10,221	27,423	37,644	26.21	3.74	5,066	3,524	1,037	1,429	871	2,039	51,580	4,020	35.92	5.13	7.8%
10/11/02	1,429	10,838	28,172	39,010	27.34	3.91	5,109	3,674	1,019	1,549	793	2,164	53,316	3,483	37.36	5.34	6.5%
17/11/02	1,429	10,742	28,366	39,128	27.38	3.91	5,251	3,633	955	1,549	857	2,039	53,472	3,427	37.38	5.34	6.5%
24/11/02	1,507	11,169	29,768	40,937	27.16	3.88	5,383	3,958	1,040	1,753	1,025	2,097	56,192	2,978	37.29	5.33	5.3%
01/12/02	1,506	11,264	29,961	41,225	28.29	4.04	5,919	4,134	1,099	1,707	1,002	2,210	57,295	2,771	39.32	5.62	4.8%
08/12/02	1,506	10,882	30,068	40,950	27.19	3.88	5,460	3,663	1,273	1,739	1,030	2,297	56,413	2,881	37.46	5.35	5.1%
15/12/02	1,511	11,187	30,401	41,598	27.53	3.93	5,440	3,896	1,247	1,750	1,024	2,232	57,176	2,421	37.84	5.41	4.2%
22/12/02	1,523	11,229	30,099	41,327	27.14	3.88	5,554	3,726	1,235	1,754	1,014	2,338	56,947	2,653	37.39	5.34	4.7%
29/12/02	1,520	10,642	29,109	39,751	26.15	3.74	5,509	3,534	1,192	1,576	877	2,153	54,593	2,192	35.92	5.13	4.0%
05/01/03	1,523	10,777	30,129	40,905	26.86	3.84	5,184	3,968	1,145	1,779	872	2,070	55,923	2,149	36.72	5.25	3.8%
Current Budget (Dec)	1,521	10,902	29,815	40,718	26.77	3.82	4,935	1,852	1,441	1,357	1,381	2,685	56,367	0	37.06	5.29	

AVALON (GUERNSEY) LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 5 APRIL 2002

AVALON (GUERNSEY) LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 5 APRIL 2002

CONTENTS	PAGES
Directors' Report	1
Accountants' Report	2
Income and Expenditure Account	3
Balance Sheet	4
Notes to the Financial Statements	5-6

AVALON (GUERNSEY) LIMITED

DIRECTORS' REPORT
YEAR ENDED 5 APRIL 2002

The directors present their annual report together with the financial statements for the year ended 5 April 2002.

INCORPORATION

The company was registered in Guernsey on 4 April 1997 and its registration number is 32295.

REVIEW OF THE BUSINESS

The principal activity of the company during the year was the holding of investments.

RESULTS AND DIVIDENDS

The results for the year are detailed on page 3.

The balance sheet and income and expenditure account have been prepared properly in accordance with generally accepted accounting principles and are in accordance with any relevant enactments for the time being in force, are in agreement with the accounting records, which have been properly kept in accordance with section 59 of The Companies (Guernsey) Law, 1994, but have not been audited.

The directors paid a dividend of £69,496 during the year.

DIRECTORS

The directors who served during the year and to date of signing were:

Praxis Directors One Limited
Praxis Directors Two Limited

SECRETARY

The secretary who served during the year was Praxis Secretaries Limited

For and on behalf of Praxis Directors One Limited

Director

For and on behalf of Praxis Directors Two Limited

Director

Date

AVALON (GUERNSEY) LIMITED

ACCOUNTANTS' REPORT
YEAR ENDED 5 APRIL 2002

We have prepared the financial statements set out on pages 3 to 6 for the year ended 5 April 2002 at the request of the directors. We have not carried out an audit.

The directors include companies controlled by officers of this firm and accordingly we are unable to report on these financial statements.

St Peter Port
Guernsey
Channel Islands

PKF (GUERNSEY) LIMITED

Date:

AVALON (GUERNSEY) LIMITED

INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 5 APRIL 2002

	2002		2001	
	£	£	£	£
INCOME				
Bank interest received		51		62
Dividends received		72,052		92,044
		<hr/>		<hr/>
		72,103		92,106
EXPENDITURE				
Accountancy fee	500		500	
Administration fee	652		1,108	
Annual return fee	100		100	
Domiciliary fee	687		537	
Exempt status fee	600		600	
Tax administration fee	68		87	
	<hr/>		<hr/>	
		2,607		2,932
		<hr/>		<hr/>
SURPLUS FOR THE YEAR		69,496		89,174
DIVIDENDS		69,496		89,174
		<hr/>		<hr/>
RETAINED SURPLUS FOR THE YEAR		-		-
		<hr/>		<hr/>

The notes on pages 5 to 6 form part of these financial statements.

The movements on reserves are shown in note 7.

AVALON (GUERNSEY) LIMITED

BALANCE SHEET

5 APRIL 2002

	Notes	2002		2001	
		£	£	£	£
FIXED ASSETS					
Investments	3		606		606
CURRENT ASSETS					
Debtors	4	600		487	
Cash at bank		1,165		1,114	
		<u>1,765</u>		<u>1,601</u>	
CREDITORS					
Amounts falling due within one year	5	- 2,271		2,107	
		<u>(506)</u>		<u>(506)</u>	
NET CURRENT (LIABILITIES)					
			100		100
CAPITAL AND RESERVES					
Called up share capital	6		100		100
Reserves	7		-		-
			<u>100</u>		<u>100</u>
EQUITY SHAREHOLDERS' FUNDS					
			<u>100</u>		<u>100</u>

For and on behalf of Praxis Directors One Limited

Director

For and on behalf of Praxis Directors Two Limited

Director

Date:

The notes on pages 5 to 6 form part of these financial statements.

AVALON (GUERNSEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 5 APRIL 2002

1. ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material to the company's affairs.

a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

b) Income and expenditure

Income is accounted for on a receipts basis.
Expenditure is accounted for on an accruals basis.

c) Investments

Investments are stated at cost.

2. TAXATION

The company is a Guernsey exempt company and as such paid a standard fee of £600.

3. INVESTMENTS

	2002	2001
Investments comprised:	£	£
89,450 ordinary shares of £1 each in Avalon Nursing Homes Limited	6	6
600 preference shares of £1 each in Avalon Care Homes Limited	600	600
	<u>606</u>	<u>606</u>

4. DEBTORS

	2002	2001
Debtors comprised:	£	£
Domiciliary fee prepaid	600	487
	<u>600</u>	<u>487</u>

AVALON (GUERNSEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 5 APRIL 2002

5. CREDITORS

Amounts falling due
within one year

	2002	2001
	£	£
Creditors comprised:		
Administration fee	303	507
Accountancy fee	500	500
Current account with shareholders (note 8)	808	500
Purchase of shares in Avalon Care Homes Limited	600	600
Tax administration fee	60	-
	<u>2,271</u>	<u>2,107</u>

6. CALLED UP SHARE CAPITAL

Called up share capital comprised 100 allotted called up and fully paid ordinary shares of £1 each. The authorised share capital of the company throughout the year was £10,000 divided into 10,000 ordinary shares of £1 each.

7. RESERVES

The movement of reserves during the year was as follows:

	£
Balance at 6 April 2001	-
Retained surplus for the year	-
	<u>-</u>
Balance at 5 April 2002	-

8. RELATED PARTY DISCLOSURES

The company owed £500 to the trustees of The Mike Newman Settlement and £308 divided equally between the trustees of The Newman Childrens Settlements at 5 April 2002. Throughout the year the company was under the control of the trustees of the Mike Newman Settlement.