

**Community Careline Services Limited**

**Report and financial statements**

**Registered number 2692545**

**31 March 2001**



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## Company addresses

Registered Office      150 Lord Street  
Southport  
Merseyside  
PR9 0NP

Principal place of  
business                Weld Parade  
Weld Road  
Birkdale  
Southport  
Merseyside  
PR9 2LY

## Statement of Professional Advisors

Auditors                KPMG  
8 Princes Parade  
Liverpool  
L8 1QH

Solicitors              Cobbetts  
Ship Canal House  
King Street  
Manchester  
M2 4WB

Bankers                Bank of Scotland plc  
19/21 Spring Gardens  
Manchester  
M2 1FB

HSBC plc  
Salford University Branch  
The Crescent  
Salford  
M5 4PB

Insurance and  
Pensions Advisors    Southport Insurance Brokers  
36 Hoghton Street  
Southport  
Merseyside  
PR9 0PQ

Capita Hartshead  
Hartshead House  
357 Ecclesall Road  
Sheffield  
S11 8NX

## **Chairman's report**

### **Introduction**

I was appointed Chairman of the Company on 23 February 2001, as part of the capital restructuring and reconstruction of the Company. As part of these arrangements, £12 million of additional capital was made available to the Company to place it on a sound financial footing for the future, and the Company acquired the business assets and operations of Careline UK Limited, a related company. The additional capital was provided mainly by Gresham Trust plc with £8 million, substantially by way of Loan Notes, and by the Bank of Scotland with a £4 million working capital facility. I can report that the Company is now well positioned to take advantage of exciting growth opportunities in the healthcare market.

### **Strategy**

Our aim is to be the first choice private sector provider of healthcare services for public sector and private client purchasers, and a leader in the provision and growth of new and developing healthcare services. Our strategy continues to focus on organic growth of existing operations, growth through public sector healthcare tenders and the development of new business opportunities. Our previous policy of achieving growth by granting franchise arrangements has been reversed, and the new financial year will see a vigorous programme of repurchase of franchisee businesses where they complement our growth strategy and contribute to profitability and cash flow.

The additional capital has enabled us to improve our back office procedures and with the introduction of new technology facilitate the automation and streamlining of our data processing thus enabling us to manage increased growth more efficiently.

### **Results**

The accounts for the year ended 31 March 2001 represent a transitional year. The 47 weeks from 1 April 2000 to 23 February 2001 represent the activities of the Company alone, and do not include the results of the franchised operations, which are recorded in the accounts of Careline UK Limited. On 23 February 2001, the Company acquired the business assets and operations of Careline UK Limited, this company then became dormant and will continue as such. Consequently, only the five weeks from 23 February 2001 cover the combined operations of the Company and the franchised operations. This does not make for easy comparisons, and the accounts of the Company as a separate legal entity do show only a partial picture of the results achieved by the management team in the period under review. However, in future years, the establishment of the Company as the single operating company for all of management's activities will make performance measurement easier to show in the accounts.

Notwithstanding the above, the Company reported turnover of £1,645,080 compared with £1,582,704 an increase of 3.9%. Had the acquisition taken place on 1 April 2000, the full year combined turnover (net of royalties) would be £8,681,402 compared with proforma combined turnover for the previous year of £6,521,324.

Whilst gross margins were satisfactory, the expenses associated with the investment transaction together with all the subsequent restructuring and reorganisation led to exceptional charges of £1,367,067. This increased the loss before tax, as shown in the books of the company, as £2,520,751.

The balance sheet position has been considerably strengthened by the subscription by Gresham Trust of £4,878,000 in Loan Notes and liquidity has improved. Gresham Trust plc have made available in Loan Notes, a total of £8,000,000, and consequently £3,122,000 remains available for drawdown by the company.

The cash flow from operations before the purchase of goodwill shows a net outflow of £1,476,414 reflecting the nature of the results referred to above.

### **Dividends**

The Company does not intend to declare or pay a dividend on the result for the year ended 31 March 2001.

## **Chairman's Report** *(continued)*

### **Healthcare Services**

The Company's services comprise

- the provision of domiciliary care services to a wide range of service users including the elderly, disabled, vulnerable and disadvantaged members of society under contract to local authorities, health authorities and to private clients;
- the provision of a meals on wheels services in Nottingham,
- the provision of domestic and personal care services in Lambeth; and
- a call monitoring service and the supply of personal telephone alarm units to supplement direct care provision, operated 24 hours a day and 365 days per year

2000/01 has been a very successful year for the Company, with a substantial increase in its number of healthcare contracts. The Company commenced the financial year providing 17,000 care hours of service per week and at the year end this had grown to 21,000 care hours per week, an increase of 24%

Our middle management team has recently been strengthened, allowing the Company to commence the task of aggressively pursuing higher margin, added value services to boost profitability.

The re - election of the Labour government in June 2001 has ensured a continuation of healthcare policies which will yield added opportunities for the Company in the years ahead.

### **Board and Management**

Four appointments were made to the Board on 23 February 2001. Geoff Orme joins us as Finance Director having had extensive experience of the Waste Industry, which operates under a similarly extensive regulatory regime to that of the healthcare sector and serves the public sector in an increasingly competitive environment. Mark Hammond and Ken Lawrence are Investment Directors at Gresham Trust plc and have been appointed as Non Executive Directors. They provide a valuable and independent overview on the Company's activities and act as a useful sounding board to assist the Board in making effective decisions. I was appointed non-executive Chairman on the same date. On 17 April 2001, Andrew Gorton was appointed legal director with specific responsibility for franchises. Finally, and as part of these arrangements, Mrs Linda Headley and Mrs Susan Aylmer, who continue in an active role within the Company, resigned from the Board on 26 June 2001.

In accordance with good corporate governance practice two sub committees of the Board have been created; one deals with the remuneration of the Executive Directors and the other with Audit and Financial matters with a focus on improving internal controls.

### **Staff**

The Board recognises the huge commitment of all of our staff during the last very challenging and difficult year. The months ahead continue to be challenging and demanding and I thank them both personally and on behalf of the Board.

We are committed to a policy of rewarding good performance and are working to ensure that pay rates and benefits are competitive. The Finance Director is working on proposals to introduce pension and other benefits schemes which will assist in the attraction, retention and motivation of quality managers and staff without whom the Company's success would not be assured.

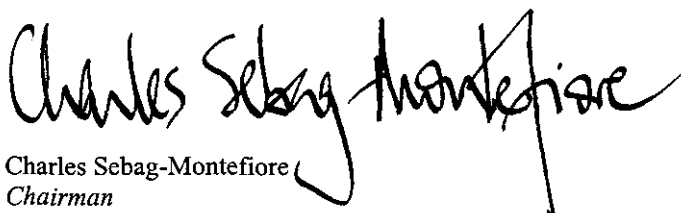
## Chairman's Report *(continued)*

### Outlook

The Company expects to enjoy considerable growth through contract wins with health and local authorities as well as the emerging Primary Healthcare Trusts. As referred to above, significant growth is planned by repurchase of a number of franchise businesses which should contribute to improved profitability and strengthen cash flows.

Our strategy is to continue to concentrate on the UK health and social care markets focusing on business growth and improvements in margins through improved operational efficiencies and the full use of technology. We expect turnover to increase through organic growth and franchise repurchases.

The challenge for the Company in the year to 31 March 2002 is to build on the benefits secured by the additional capital, extend technology throughout the Company's branch network, repurchase selected franchise operations, and by all these elements deliver strong growth in turnover and profits and increased services for our customer base.

A handwritten signature in black ink, reading 'Charles Sebag-Montefiore'. The signature is fluid and cursive, with the first name 'Charles' being the most prominent.

Charles Sebag-Montefiore  
*Chairman*

## Directors' report

The directors present their annual report and the audited accounts for the year ended 31 March 2001.

### Principal activities

The principal activity of the company during the financial year 2000/01 continued to be the provision of domiciliary care services to the community and the support and management of the national network of franchises.

### Trading review and future developments

As reported in the Chairman's statement, the directors are pleased to report that they have successfully secured a £12 million investment from Gresham Trust plc and Bank of Scotland. This investment has been used to clear outstanding liabilities, fund the commencement of a programme of franchise buybacks and to strengthen the company's working capital base to fund future growth.

### Acquisition of Careline UK Limited

On 23 February 2001 the company paid the sum of £2,290,000 to acquire the business of Careline UK Limited, a related company. At the same date the latter company became dormant. The result for the year thus contains the turnover, costs and profits of both companies combined for the period 23 February 2001 to 31 March 2001.

### Proposed dividend

The directors do not recommend the payment of a dividend (2000: £Nil).

### Directors and directors' interests

The directors who held office during the year were as follows. They had the following beneficial interests in the shares of the company at the end of the financial year:

		Class of share	Interest at end of year	Interest at beginning of year
M Headley		'D' Ordinary £1	566	566
LC Headley	(resigned 26 June 2001)	'B' Ordinary £1	566	566
SJ Aylmer	(resigned 26 June 2001)	'B' Ordinary £1	147	147
G Aylmer		'D' Ordinary £1	105	105
GM Orme	(appointed 23 February 2001)	'C' Ordinary £1	39	39
CAL Sebag-Montefiore	(appointed 23 February 2001)	'C' Ordinary £1	39	39
MW Hammond	(appointed 23 February 2001)		-	-
KW Lawrence	(appointed 23 February 2001)		-	-
AG Gorton	(appointed 17 April 2001)		-	-

## **Directors' report** *(continued)*

### **Employees**

The company is committed to an active Equal Opportunities Policy from recruitment and selection, through training and development and appraisal to promotion. The company commits itself to the task of establishing and developing an equal opportunity employment policy for members of the disadvantaged groups.

It is our policy to promote an environment free from discrimination, harassment and victimisation where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. The company ensures that employment opportunities are available to all.

The company policy is to give full and fair consideration to the recruitment of disabled persons. Where disabled persons are employed, their training, including retraining for alternative work of employees who become disabled, and development for promotion, is encouraged and assisted.

The company places considerable value on the involvement of its employees and has continued its existing practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

M Headley  
Director



150 Lord Street  
Southport  
Merseyside  
PR9 0NP



## **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 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 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 company and to prevent and detect fraud and other irregularities.



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L3 1QH

## **Report of the auditors to the members of Community Careline Services Limited**

We have audited the financial statements on pages 9 to 23.

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

The directors are responsible for preparing the directors' report and, as described on page 7, 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. 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.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants  
Registered Auditors*

23 July 2001

**Profit and loss account**  
*for the year ended 31 March 2001*

	<i>Note</i>	<b>2001</b>	<b>2001</b>	<b>2001</b>	<b>2000</b>
			<b>Acquisitions</b>	<b>Total</b>	
		£	£	£	£
<b>Turnover</b>	<i>1</i>	<b>736,076</b>	<b>909,004</b>	<b>1,645,080</b>	1,582,704
Cost of sales		(43,436)	(842,100)	(885,536)	(378,999)
<b>Gross profit</b>		<b>692,640</b>	<b>66,904</b>	<b>759,544</b>	1,203,705
Administrative expenses		(1,703,477)	-	(1,703,477)	(869,909)
Administrative expenses - exceptional items	<i>5</i>	(1,367,067)	-	(1,367,067)	-
<b>Operating (loss)/profit</b>	<i>2</i>	<b>(2,377,904)</b>	<b>66,904</b>	<b>(2,311,000)</b>	333,796
Interest payable and similar charges	<i>6</i>			(209,751)	(125,838)
<b>(Loss)/profit on ordinary activities before taxation</b>				<b>(2,520,751)</b>	207,958
Taxation on ordinary activities	<i>7</i>			15,527	(50,969)
<b>(Loss)/profit for the financial year</b>	<i>15</i>			<b>(2,505,224)</b>	156,989

All turnover and operating losses are derived from continuing operations.

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

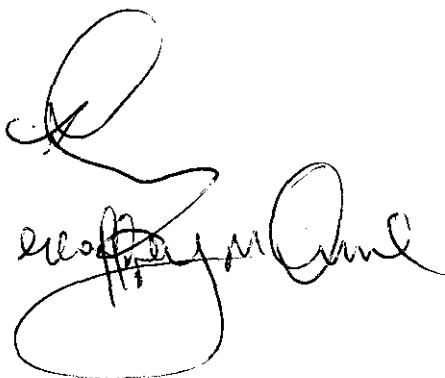
**Balance sheet**  
**at 31 March 2001**

	Note	2001 £	£	2000 £	£
<b>Fixed assets</b>					
Intangible assets	8	2,210,500		109,748	
Tangible assets	9	337,449		170,292	
		<u>2,547,949</u>		<u>280,040</u>	
<b>Current assets</b>					
Stocks	10	6,082		42,609	
Debtors	11	1,787,236		9,063,627	
Cash at bank and in hand		321,540		29,834	
		<u>2,114,858</u>		<u>9,136,070</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(2,169,084)</u>		<u>(9,206,967)</u>	
<b>Net current liabilities</b>			<u>(54,226)</u>		<u>(70,897)</u>
<b>Total assets less current liabilities</b>		<u>2,493,723</u>		<u>209,143</u>	
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(134,855)</u>		<u>(52,626)</u>	
		<u>2,358,868</u>		<u>156,517</u>	
<b>Capital and reserves</b>					
Called up share capital	14	3,909		2,267	
Share premium account	15	418,775		348,853	
Profit and loss account	15	(2,745,366)		(240,142)	
<b>Shareholders' funds - equity</b>	16	<u>(2,322,682)</u>		<u>110,978</u>	
Forward contract reserve		-		45,539	
Loan notes	13	4,681,550		-	
		<u>2,358,868</u>		<u>156,517</u>	

These financial statements were approved by the board of directors on 23 July 2001 and were signed on its behalf by:

M Headley  
Director

GM Orme  
Director



### Reconciliation of operating profit to operating cash flow

	Note	2001 £	2000 £
Operating (loss)/profit		(2,311,000)	333,796
Depreciation		58,590	40,391
Loss on write off of intangible fixed assets		109,748	-
Amortisation of goodwill		79,500	17,735
Decrease/(increase) in debtors		7,289,110	(5,836,872)
(Decrease)/increase in creditors		(6,738,889)	5,774,812
Decrease in stock		36,527	2,312
Net cash flow from operating activities before purchase of goodwill		(1,476,414)	332,174
Change in debtors due to purchase of goodwill	20	(2,290,000)	-
<b>Net cashflow from operating activities</b>		<b>(3,766,414)</b>	<b>332,174</b>

### Cash flow statement

for the year ended 31 March 2001

	Note	2001 £	2000 £
<b>Cashflow from operating activities</b>		<b>(3,766,414)</b>	<b>332,174</b>
<b>Returns on investments and servicing of finance</b>			
Interest paid		(284,007)	(35,356)
<b>Net cash outflow for returns on investments and servicing of finance</b>		<b>(284,007)</b>	<b>(35,356)</b>
<b>Taxation</b>		<b>(50,969)</b>	<b>-</b>
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(225,747)	(77,317)
<b>Cash (outflow)/inflow before financing</b>		<b>(4,327,137)</b>	<b>219,501</b>
<b>Financing</b>			
Loans notes issued in the year		4,878,000	-
Issue costs re loan notes		(196,450)	-
Loans repaid during the year		(157,429)	(226,084)
Directors loans		-	(232,538)
Factoring account		75,353	194,511
Issue of ordinary share capital		71,564	-
		<b>4,671,038</b>	<b>(264,111)</b>
<b>Increase/(decrease) in cash in the year</b>	21	<b>343,901</b>	<b>(44,610)</b>

The cash flow from operating activities includes the transaction undertaken on 23 February 2001 to acquire the business of Careline UK Limited, a related company, for £2,290,000. This sum was settled by the discharge of the loan accounts which previously existed between the two companies.

## 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 company's financial statements. Following the investment on 23 February 2001, the opportunity has been taken to refresh current accounting policies and amend these in the light of current best accounting practice.

#### *Basis of preparation*

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

The directors and shareholders have successfully secured a £12million investment from Gresham Trust plc and the Bank of Scotland. It is the directors' intention to use this funding to settle non current liabilities and to implement the company's three year business plan which focuses on continuing to develop Community Careline Services Limited as one of the leading domiciliary care providers in the UK. On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis.

#### *New area costs*

Costs relating to the set up of an office in a new area are written off in full as incurred.

#### *Goodwill*

Goodwill arising on the buy-backs of franchises has been amortised over ten years. Goodwill arising on the strategic acquisition of companies in the sector is capitalised and amortised over the directors' view of the estimated remaining useful life of the assets acquired. This is taken as ten years unless a permanent diminution in value occurs in which case further provision is made as appropriate.

#### *Fixed assets and depreciation*

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

Base Station	-	33 $\frac{1}{3}$ % pa
Computer and equipment	-	33 $\frac{1}{3}$ % pa
Fixtures and fittings	-	20% pa
Motor vehicles	-	25% pa

## Notes (continued)

### Accounting policies (continued)

#### Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### Research and development expenditure

Development expenditure is written off as incurred.

#### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing stocks to their present state and location.

#### Forward contract reserve and franchise buybacks

The previous policy of establishing a forward contract reserve representing monies due on franchise contracts over the unexpired portion of the contracts has been reversed. The reserve and related debtor balances have been removed. There is no effect on the profit and loss account.

Agreements have been reached during the year for the repurchase of a number of franchise contracts. The repurchases are payable by instalments over various periods between two and five years. These outstanding future payments representing deferred purchase consideration have been included in the amount of goodwill capitalised and creditors.

#### Taxation

There is no charge for taxation arising in the year due to the trading loss. Deferred tax arises 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 represents the amounts (excluding value added tax) derived from the provision of care services wholly within the UK.

## 2 Operating profit

	2001 £	2000 £
<b>Operating profit is stated after charging</b>		
Depreciation of tangible fixed assets		
- owned	58,590	40,391
Amortisation of goodwill	79,500	17,735
Auditors' remuneration		
- audit	18,000	13,000
- other	3,000	-
Hire of other assets – operating leases	19,976	32,633
Loss on write off of intangible fixed assets	109,748	-
Exceptional items (note 5)	1,367,067	-
	<hr/>	<hr/>

**Notes (continued)**

**3 Directors' remuneration**

	2001 £	2000 £
<i>Directors emoluments:</i>		
As directors	170,271	108,680

No contributions were made to pension schemes on behalf of directors during the year (2000: £nil).

**4 Staff numbers and costs**

The average number of persons employed by the company (including directors) during the period analysed by category was as follows:

	2001 Number	2000 Number
Average number of employees by category:		
Administration	63	33
Direct care	78	4
	141	37

	2001 £	2000 £
Wages and salaries	1,310,794	213,997
Social Security costs	85,975	104,178
	1,396,769	318,175

**5 Exceptional items**

	2001 £	2000 £
Costs associated with investment transaction	529,749	-
Interest and penalty charges on overdue tax	77,918	-
Development expenditure written off	109,748	-
Doubtful debt provision relating to franchises granted in previous years	624,738	-
Write down of stock as consumables	24,914	-
	1,367,067	-



**Notes** *(continued)*

**6 Interest payable and similar charges**

	2001 £	2000 £
Amounts payable on bank loans and overdrafts	65,039	25,305
Other interest charges	144,712	100,533
	<u>209,751</u>	<u>125,838</u>

**7 Taxation**

	2001 £	2000 £
UK corporation tax (credit)/charge 20% (2000: 21%)		
- current year	-	50,969
- prior year	(15,527)	-
	<u>(15,527)</u>	<u>50,969</u>

Tax losses amounting to approximately £1,700,000 are available for carry forward.

**8 Intangible fixed assets**

	Goodwill £	Development costs £	Total £
<i>Cost</i>			
At beginning of year	64,393	109,748	174,141
Additions (note 21)	2,290,000	-	2,290,000
Disposals	-	(109,748)	(109,748)
	<u>2,354,393</u>	<u>-</u>	<u>2,354,393</u>
<i>At end of year</i>			
	<u>2,354,393</u>	<u>-</u>	<u>2,354,393</u>
<i>Amortisation</i>			
At beginning of year	64,393	-	64,393
Charge in year	79,500	-	79,500
	<u>143,893</u>	<u>-</u>	<u>143,893</u>
<i>At end of year</i>			
	<u>143,893</u>	<u>-</u>	<u>143,893</u>
<i>Net Book Value</i>			
At 31 March 2001	<u>2,210,500</u>	<u>-</u>	<u>2,210,500</u>
At 31 March 2000	<u>-</u>	<u>109,748</u>	<u>109,748</u>

**Notes** (continued)

9

**Tangible fixed assets**

	Base station £	Computers & equipment £	Fixtures and Fittings £	Motor Vehicles £	Total £
<b>Cost</b>					
At beginning of year	110,059	373,267	87,722	5,400	576,448
Additions	-	204,119	21,628	-	225,747
Disposals	-	-	-	(5,400)	(5,400)
<b>At end of year</b>	<b>110,059</b>	<b>577,386</b>	<b>109,350</b>	<b>-</b>	<b>796,795</b>
<b>Depreciation</b>					
At beginning of year	62,039	262,231	76,486	5,400	406,156
Charged in year	11,006	42,307	5,277	-	58,590
On disposal	-	-	-	(5,400)	(5,400)
<b>At end of year</b>	<b>73,045</b>	<b>304,538</b>	<b>81,763</b>	<b>-</b>	<b>459,346</b>
<b>Net book value</b>					
<b>At 31 March 2001</b>	<b>37,014</b>	<b>272,848</b>	<b>27,587</b>	<b>-</b>	<b>337,449</b>
At 31 March 2000	48,020	111,036	11,236	-	170,292

10

**Stocks**

	2001 £	2000 £
Consumables	6,082	42,609

**Notes** *(continued)*

**11 Debtors**

	2001 £	2000 £
Trade debtors (see note 22)	694,148	2,686,567
Forward contracts	-	45,539
Other debtors	95,483	6,218,241
Prepayments and accrued income	997,605	113,280
	<u>1,787,236</u>	<u>9,063,627</u>

**Of which, due after more than one year:**

Other debtors	71,243	-
Forward contracts	-	27,232
	<u>71,243</u>	<u>27,232</u>

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

	2001 £	2000 £
Bank loans and overdraft	-	142,423
Other loans	98,750	113,325
Trade creditors	245,547	7,294,295
Other creditors	510,896	185,636
Taxation and social security	607,697	512,208
Accruals and deferred income	325,579	357,374
Factoring account	380,615	305,262
Deposits on hold	-	2,286
Directors loan account	-	294,158
	<u>2,169,084</u>	<u>9,206,967</u>

The factoring account is secured by a first fixed and floating charge over the company's assets. This charge was released on the termination of the factoring facility on 21 May 2001.

The revolving working capital facility provided by the Bank of Scotland is secured by a fixed and floating charge over the company's assets. The facility remains in place until it is reviewed on 31 March 2005.

**Notes** (continued)

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

	2001 £	2000 £
Bank loans and overdrafts (secured – note 12)	-	52,626
Other creditors	134,855	-
	<u>134,855</u>	<u>52,626</u>

	2001 £	2000 £
Loan notes	4,681,550	-
	<u>4,681,550</u>	<u>-</u>

The 9% loan notes are secured by way of a debenture in favour of the Gresham Trust plc granting a fixed and floating charge over the assets of the company. This charge is subordinated to that granted in favour of the Bank of Scotland who have provided a £4 million revolving working capital facility reviewable on 31 March 2005.

	2001 £	2000 £
<b>Analysis of debt</b>		
Debt can be analysed as falling due:		
In one year or less or on demand	98,750	255,748
In more than one year but not more than two years	80,969	52,626
In more than two years but not more than five years	4,735,436	-
	<u>4,915,155</u>	<u>308,374</u>

**14 Called up share capital**

	2001 £	2000 £
<b>Authorised, allotted, called up and fully paid:</b>		
3,909 (2000: 2,267) ordinary shares of £1 each	3,909	2,267
	<u>3,909</u>	<u>2,267</u>

## Notes (continued)

### 14 Called up share capital (continued)

On 23 February 2001 the 2,267 ordinary shares were reclassified into 'A', 'B', 'C' and 'D' ordinary shares in the proportion 1,596 'B' ordinary shares and 671 'D' ordinary shares of £1 each.

#### Rights to dividends

'A' shares have priority to the payment of dividends. This is as follows:

31/03/02	-	7.5% of net profit
31/03/03	-	10% of net profit
31/03/04	-	15% of net profit
31/03/05	-	22.5% of net profit
thereafter	-	30% of net profit

'B', 'C', 'D' shares are entitled to 50% of the aggregate of 'A' dividend paid up to a maximum of £250,000 until 31 March 2004 and thereafter with no limit with the consent of Gresham Trust plc.

#### Winding Up

Any surplus remaining on winding up will be paid in the following order:

- 1 to 'A' shareholders up to the amount of the subscription price including share premium
- 2 to 'B', 'C' and 'D' shareholders up to the amount of subscription price including share premium
- 3 thereafter amongst all shareholders equally

#### Voting rights

'A' shares = 1 vote per share

In certain circumstances, as set out in the legal documentation agreed at completion on 23 February 2001, the voting rights of the 'A' shareholders can be increased to confer 75% of the total votes capable of being exercised at a general meeting.

### 15 Share premium and reserves

	Share premium account £	Profit and loss account £	Forward contract reserve £
At 1 April 2000	348,853	(240,142)	45,539
Loss for the year	-	(2,505,224)	-
Movement in year	69,922	-	(45,539)
At 31 March 2001	<u>418,775</u>	<u>(2,745,366)</u>	<u>-</u>

### 16 Reconciliation of movement in shareholders' funds

	2001 £	2000 £
(Loss)/profit for the financial year	(2,505,224)	156,989
Additional share capital	1,642	-
Share premium account	69,922	-
Net addition to shareholders' funds	<u>(2,433,660)</u>	<u>156,989</u>
Opening shareholders' funds	110,978	(46,011)
Closing shareholders' funds	<u>(2,322,682)</u>	<u>110,978</u>

**Notes (continued)**

**17 Capital commitments**

There are no capital commitments at the year ended 31 March 2001.

Subsequent to the year end the Board approved the expenditure of £713,000 relating to improvements and upgrade of the company's systems.

**18 Annual commitments under non-cancellable operating leases**

	2001 £	2000 £
	Other	Other
<i>Operating leases which expire:</i>		
Within one year	17,038	17,997
In the second to fifth years inclusive	17,408	14,894
	<u>34,446</u>	<u>32,891</u>

**19 Analysis of net debt**

	At 1 April 2000 £	Cash Flow £	At 31 March 2001 £
Cash in hand	29,834	291,706	321,540
Bank overdraft	(52,195)	52,195	-
		<u>343,901</u>	
Debt due after one year	(52,626)	(4,628,924)	(4,681,550)
Debt due within one year	(508,815)	48,042	(460,773)
<b>Total</b>	<u>(583,802)</u>	<u>(4,236,981)</u>	<u>(4,820,783)</u>

**20 Acquisitions and major non-cash transactions**

On 23 February 2001 the company acquired the master franchise of Careline UK Ltd, a company controlled by the directors of Community Careline Services Limited for a consideration of £2,290,000. The transfer of consideration was made via the company's intercompany debtor account.

**Notes** *(continued)*

**21 Reconciliation of net cashflow to movement in net debt**

	2001 £	2000 £
Increase/(decrease) in cash in the year	343,901	(44,610)
Cash outflow from decrease in debt financing	(4,580,882)	264,111
Net addition to shareholders' funds	(4,236,981)	219,501
Net debt at start of year	(583,802)	(803,303)
Net debt at end of year	(4,820,783)	(583,802)

**22 Related party disclosures**

Within other debtors is a balance of £nil (2000: £4,966,329) for recharges in relation to expenses incurred by Community Careline Services Limited on behalf of Careline UK Ltd, a company controlled by the same directors. The amount recharged during the year was £1,704,753 (2000: £1,086,098)

During the year Community Careline Services Limited invoiced care and phone sales on behalf of Careline UK Limited totalling £5,615,405 (2000: £4,699,747). The balance outstanding in creditors at the year end was £nil (2000: £7,169,372).

Included within other loans is an amount of £48,750 (2000: £54,000) from BJA Cackett and JW Cackett, who are shareholders of the company. Interest is chargeable at 9.5% per annum..

**23 Pensions**

The company is mindful of its obligations under stakeholder pensions regulations and is shortly to introduce a qualifying scheme in advance of the October 2001 deadline. The Board intend to review pension provision arrangements for company employees as a whole and will introduce additional arrangements during the year having regard to costs of provision and market forces.