

**Barchester Healthcare plc**

**Directors' report and financial  
statements**

**Registered number 2792285**

**31 December 1999**



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## Directors and advisors

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

## Chairman's report

Dear Shareholder

The year ended 31 December 1999 was a year of consolidation and expansion. The group concentrated on increasing occupancy and fee rates, finishing the year with occupancy at 91%. In November 1999, the group acquired two homes with a total of 150 beds.

### Results for the year ended 31 December 1999

The consolidated profit attributable to shareholders for the year was Stg £1.558 million (1998: Stg £0.448 million) on a turnover of Stg £16.458 million (1998: Stg £13.080 million).

The consolidated balance sheet at 31 December 1999 shows shareholders' funds of Stg £22.251 million compared with Stg £20.693 million at 31 December 1998.

### Review of operations

While operating conditions continued to be generally difficult for the independent UK nursing home sector, occupancy increased by 85 beds at homes owned throughout the year. As a result the group's operating performance showed substantial improvement from a profit of Stg £1.387 million in 1998 to a profit of Stg £2.347 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 segment. This is the part of the market least affected by funding shortfalls and Local Authority problems.

### 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. Your directors are confident that in 2000 the group will continue to improve its financial performance by continuing to pursue its quality edge.

Further suitable acquisitions will be sought and additional capacity added at existing homes. The acquisition of a 51 bed home in Camberley, Surrey, was completed in February 2000.

The group now has fifteen nursing homes and a total of 1,099 beds. Of these beds, 92% are purpose built, 86% are in single rooms, and 84% have full en-suite facilities. This probably constitutes one of the highest quality portfolios in the sector and places the group well for any 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.

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 1999.

Yours faithfully

**Denis Brosnan**  
Chairman

27 March 2000

## Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 1999.

### Principal activity

The principal activity of the company continues to be the administering 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.

### Subsidiaries

Details of the company's subsidiary undertakings are given in note 8 to the financial statements. On 8 December 1999, the company disposed of its interest in Leisure Holdings Limited and that company's immediate subsidiary undertakings which were all non-trading, to Leading Sires (Overseas) Limited, a company with some common directors and in the parent company of which, Leisure Holdings (Ireland) plc, certain directors have an interest. The net consideration was Stg £1,733 which represented the fair value of the company's net assets.

### Share capital

Details of the share capital of the company are given in note 13 to the financial statements.

### Directors and directors' interests

The directors who held office during the year and their interests in the Stg 25p ordinary shares of the company were as follows:

	31 December 1999 No.	31 December 1998 No.
Denis Brosnan	120,000	120,000
Patrick A Byrne	450,000	450,000
David Duncan	6,174	-
Edward Irwin	8,277	2,104
David Lloyd	131,719	131,719
Eamon McElroy	43,907	43,907
Owen McGartoll *	12,098	4
Michael Parsons	2,600,000	2,271,537
Francesca Welbore Ker	-	-

\* Includes 12,094 shares held through a Pension Fund.

Further details of ordinary shares held under option by the directors are given in note 3 to the financial statements.

## Directors' report *(continued)*

### 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.

### 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 1999 is calculated at 26 days. It is the group's intention to continue to apply the policy in the forthcoming year.


### Year 2000

To date the group has not encountered any significant problems in relation to the Year 2000 issue. Although the Millennium date change has passed, the directors recognise that there is still a risk of Year 2000 impacting the business, but do not expect this to be significant.

### 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

27 March 2000

## 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

## **Report of the auditors to the members of Barchester Healthcare plc**

We have audited the financial statements on pages 7 to 22.

### **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. 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.

### **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 1999 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*

27 March 2000

**Consolidated profit and loss account**  
*for the year ended 31 December 1999*

	<i>Note</i>	<b>1999</b> <b>Stg £000</b>	<b>1998</b> <b>Stg £000</b>
<b>Turnover</b>	<i>1</i>	<b>16,458</b>	13,080
Cost of services		<b>(13,256)</b>	(10,861)
<b>Gross profit</b>		<b>3,202</b>	2,219
Administrative expenses		<b>(855)</b>	(832)
<b>Operating profit</b>	<i>2</i>	<b>2,347</b>	1,387
Loss on disposal of property		-	(10)
Net interest	<i>5</i>	<b>(789)</b>	(929)
<b>Profit on ordinary activities before taxation</b>		<b>1,558</b>	448
Taxation	<i>6</i>	-	-
<b>Retained profit for the financial year</b>		<b>1,558</b>	448

A statement of movements in reserves is given in note 14.

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

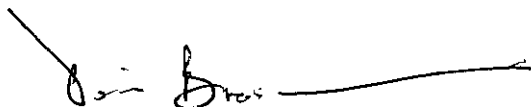
**Consolidated balance sheet**  
*at 31 December 1999*

	<i>Note</i>	<b>1999</b>	<b>1998</b>
		<b>Stg £000</b>	<b>Stg £000</b>
<b>Fixed assets</b>			
Tangible assets	7	36,461	30,859
Investments	8	-	10
		<hr/>	<hr/>
		36,461	30,869
<b>Current assets</b>			
Debtors: due within one year	10	1,359	987
Debtors: due after more than one year	10	22	22
		<hr/>	<hr/>
		1,381	1,009
Stocks	9	51	41
Cash at bank and in hand		347	194
		<hr/>	<hr/>
		1,779	1,244
<b>Creditors: amounts falling due within one year</b>	11	(5,029)	(2,210)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(3,250)	(966)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		33,211	29,903
<b>Creditors: amounts falling due after more than one year</b>	12	(10,960)	(9,210)
		<hr/>	<hr/>
<b>Net assets</b>		22,251	20,693
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	13	12,615	12,615
Share premium	14	6,422	6,422
Profit and loss account	14	3,214	1,008
Other reserves	14	-	648
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		22,251	20,693
		<hr/>	<hr/>

**Parent Company balance sheet**  
*at 31 December 1999*

	<i>Note</i>	<b>1999</b>	<b>1998</b>
		<b>Stg £000</b>	<b>Stg £000</b>
<b>Fixed assets</b>			
Investments	8	10,439	34,378
<b>Current assets</b>			
Debtors: due within one year	10	1	-
Debtors: due after more than one year	10	12,920	13,894
		<hr/>	<hr/>
		12,921	13,894
Cash at bank and in hand		127	183
		<hr/>	<hr/>
		13,048	14,077
<b>Creditors: amounts falling due within one year</b>	11	(5)	(5)
		<hr/>	<hr/>
<b>Net current assets</b>		13,043	14,072
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		23,482	48,450
<b>Creditors: amounts falling due after more than one year</b>	12	(227)	(25,175)
		<hr/>	<hr/>
<b>Net assets</b>		23,255	23,275
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	13	12,615	12,615
Share premium	14	6,422	6,422
Profit and loss account	14	4,218	4,238
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		23,255	23,275
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 27 March 2000 and were signed on its behalf by:



**Denis Brosnan**  
*Director*

**Consolidated cash flow statement**  
*for the year ended 31 December 1999*

	<i>Note</i>	<b>1999</b> <b>Stg £000</b>	<b>1998</b> <b>Stg £000</b>
<b>Cash inflow from operating activities</b>	<i>19</i>	<b>2,758</b>	<b>1,679</b>
Returns on investment and servicing of finance	<i>20</i>	<b>(820)</b>	<b>(1,020)</b>
Capital expenditure and financial investment	<i>20</i>	<b>(6,007)</b>	<b>1,288</b>
Acquisitions and disposals	<i>20</i>	<b>2</b>	<b>-</b>
		<hr/>	<hr/>
<b>Cash (outflow)/inflow before use of liquid resources and financing</b>		<b>(4,067)</b>	<b>1,947</b>
Financing	<i>21</i>	<b>4,360</b>	<b>(2,094)</b>
		<hr/>	<hr/>
<b>Increase/(decrease) in cash in the year</b>		<b>293</b>	<b>(147)</b>
		<hr/>	<hr/>
<b>Reconciliation of net cash flow to movement in net debt (note 22)</b>			
Increase/(decrease) in cash in the year		<b>293</b>	<b>(147)</b>
Cash (inflow)/outflow from financing		<b>(4,360)</b>	<b>2,094</b>
		<hr/>	<hr/>
<b>Change in debt resulting from cash flows</b>		<b>(4,067)</b>	<b>1,947</b>
New finance lease		<b>-</b>	<b>(21)</b>
Net debt at beginning of year		<b>(10,177)</b>	<b>(12,103)</b>
		<hr/>	<hr/>
<b>Net debt at end of year</b>		<b>(14,244)</b>	<b>(10,177)</b>
		<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.

#### *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:

Fixtures and fittings	-	10 years
Equipment	-	5 to 10 years
Motor vehicles	-	4 years

No depreciation is provided on freehold buildings. It is the group's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time, and accordingly the directors consider that the lives of these assets are so long and the residual value based on prices prevailing at the time of acquisition or subsequent valuation are such that their depreciation is insignificant. Any permanent diminution in the value of such properties is charged to the profit and loss account as appropriate.

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.

#### *Pre-opening costs and initial results*

Certain operating expenses incurred prior to the opening of a home and the profit or loss made in the first three months of operation after opening are deferred and amortised over a period which the directors consider the benefits accrue, beginning on the earlier of the first anniversary of opening or achievement of 75 per cent occupancy.

## 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.

#### *Goodwill*

Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair values of the separable net assets acquired) has been written off against reserves on acquisition. Goodwill arising on future acquisitions will be capitalised in the balance sheet and amortised over the expected useful economic life.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

## Notes (continued)

### 2 Operating profit

	1999 Stg £000	1998 Stg £000
<i>Operating profit is stated after charging</i>		
Auditors' remuneration:		
Audit (including £2,000 (1998: £2,000) in respect of the company)	14	14
Other services	10	11
Depreciation of tangible fixed assets	422	408
Hire of other assets - operating leases	37	37
	<hr/>	<hr/>

### 3 Directors

	1999 Stg £000	1998 Stg £000
Aggregate emoluments	172	123
Company pension contribution to money purchase schemes	30	13
	<hr/>	<hr/>
	202	136
	<hr/>	<hr/>

Retirement benefits are accruing to two directors under a money purchase pension scheme (1998: two).

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

Name	Date Issued	Options granted No.	Exercise price Stg £
Denis Brosnan	23 December 1993	718,348	0.27
	17 October 1994	15,000	0.27
	20 December 1994	118,377	0.4435
	8 July 1996	592,649	0.4435
Owen McGartoll	23 December 1993	143,669	0.27
	17 October 1994	3,000	0.27
	20 December 1994	23,675	0.4435
	8 July 1996	29,656	0.4435
Michael Parsons	18 July 1996	500,000	0.4435
David Duncan	15 July 1996	100,000	0.4435
	23 December 1999	20,000	0.4435

No directors exercised share options in the year.

## Notes (continued)

### 4 Staff numbers and costs

The average number of persons employed (including directors) during the year was 1,183 (1998: 995).

The aggregate payroll costs of these persons were as follows:

	1999 Stg £000	1998 Stg £000
Wages and salaries	9,962	8,009
Social security costs	736	579
Other pension costs	75	29
	<hr/>	<hr/>
	10,773	8,617
	<hr/>	<hr/>

### 5 Net interest

	1999 Stg £000	1998 Stg £000
On bank loans and overdrafts	806	939
Finance charges payable in respect of finance leases	1	1
	<hr/>	<hr/>
	807	940
Interest receivable	(7)	(11)
Foreign exchange rate movement	(11)	-
	<hr/>	<hr/>
Net interest payable	789	929
	<hr/>	<hr/>

### 6 Taxation

There is no charge to current or deferred tax in either the current or previous year, due to the availability of taxation losses.

**Notes (continued)**

**7 Tangible fixed assets**

	Freehold land and buildings Stg £000	Plant Stg £000	Total Stg £000
<b>Group</b>			
<i><b>Cost</b></i>			
At beginning of year	28,343	5,602	33,945
Additions	5,405	619	6,024
Adjustment	(147)	147	-
	<hr/>	<hr/>	<hr/>
At end of year	33,601	6,368	39,969
	<hr/>	<hr/>	<hr/>
<i><b>Depreciation</b></i>			
At beginning of year	-	3,086	3,086
Depreciation charge for year	-	422	422
	<hr/>	<hr/>	<hr/>
At end of year	-	3,508	3,508
	<hr/>	<hr/>	<hr/>
<i><b>Net book value</b></i>			
At 31 December 1999	33,601	2,860	36,461
	<hr/>	<hr/>	<hr/>
At 31 December 1998	28,343	2,516	30,859
	<hr/>	<hr/>	<hr/>

Interest capitalised and included in the cost of freehold land and buildings amounts to Stg £1,004,000 (1998: Stg £1,004,000).

Included in the total net book value of plant is Stg £15,000 (1998: Stg £19,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation charged on these assets in the year was Stg £4,000 (1998: Stg £2,000).

## Notes (continued)

### 8 Fixed asset investments

Group	Shares in listed company Stg £000
<i>Cost</i>	
At beginning of year	10
Disposals	(10)
	<hr/>
At end of year	-
	<hr/>

The market value of the investment in shares in listed company at 31 December 1999 was Stg £nil (1998: Stg £16,000).

Company	Shares in subsidiary undertakings Stg £000
<i>Cost and net book value</i>	
At beginning of year	34,378
Foreign exchange loss	(6,131)
Disposals	(17,808)
	<hr/>
At end of year	10,439
	<hr/>

The company held the following principal 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	Ordinary - 100%
Cabinrate Properties Ltd	England	Non-trading	Ordinary - 100%
Eskgrove Healthcare Ltd	England	Non-trading	Ordinary - 100%
Barchester Healthcare (Hull) Ltd	England	Non-trading	Ordinary - 100%
<i>Disposed of on 8 December 1999:</i>			
Leisure Holdings Ltd	Ireland	Investment holding company	Ordinary - 100%
Leisure Holdings UK Ltd	England	Investment holding company	Ordinary - 100%
Leisure Holdings Investments UK Ltd	England	Investment holding company	'A' ordinary - 100% 'B' ordinary - 100%

## Notes (continued)

### 9 Stocks

	1999 Stg £000	1998 Stg £000
Consumables	51	41

### 10 Debtors

	Group		Company	
	1999 Stg £000	1998 Stg £000	1999 Stg £000	1998 Stg £000
<b>Due within one year</b>				
Trade debtors	1,051	797	-	-
Prepayments and accrued income	308	190	1	-
	<u>1,359</u>	<u>987</u>	<u>1</u>	<u>-</u>
<b>Due after more than one year</b>				
Amounts owed by subsidiary undertakings	-	-	12,920	13,894
Other debtors	22	22	-	-
	<u>22</u>	<u>22</u>	<u>12,920</u>	<u>13,894</u>
<b>Total</b>	<u>1,381</u>	<u>1,009</u>	<u>12,921</u>	<u>13,894</u>

### 11 Creditors: amounts falling due within one year

	Group		Company	
	1999 Stg £000	1998 Stg £000	1999 Stg £000	1998 Stg £000
Bank loans and overdrafts (see note 12)	3,625	1,159	-	-
Obligations under finance leases and hire purchase contracts	6	5	-	-
Trade creditors	273	172	-	-
Taxation and social security	169	135	-	-
Other creditors	184	136	-	-
Accruals and deferred income	772	603	5	5
	<u>5,029</u>	<u>2,210</u>	<u>5</u>	<u>5</u>

## Notes (continued)

### 12 Creditors: amounts falling due after more than one year

	Group		Company	
	1999 Stg £000	1998 Stg £000	1999 Stg £000	1998 Stg £000
<i>Instalments payable in second year</i>				
Bank loans and other loans (secured)	1,825	2,820	-	-
Obligations under finance leases and hire purchase agreements	4	5	-	-
	<u>1,829</u>	<u>2,825</u>	<u>-</u>	<u>-</u>
<i>Instalments payable in third to fifth year</i>				
Bank loans and other loans (secured)	5,472	3,061	-	-
Obligations under finance leases and hire purchase agreements	-	6	-	-
	<u>5,472</u>	<u>3,067</u>	<u>-</u>	<u>-</u>
<i>Instalments payable after five years</i>				
Bank loans and other loans (secured)	3,659	3,318	-	-
Amounts owed to subsidiary undertakings	-	-	227	25,175
	<u>10,960</u>	<u>9,210</u>	<u>227</u>	<u>25,175</u>

The bank loans, overdraft and other loans are secured over certain assets of the group.

The loans bear interest at LIBOR + 1.25% per annum apart from Stg £1,800,000 which bears interest at 9.65% per annum.

The amounts owed to subsidiary undertakings are interest free.

### 13 Share capital

	1999 Stg £000	1998 Stg £000
<i>Authorised</i>		
87,100,000 ordinary shares of Stg 25p each	<u>21,775</u>	<u>21,775</u>
<i>Allotted, called up and fully paid</i>		
50,461,168 ordinary shares of Stg 25p each	<u>12,615</u>	<u>12,615</u>

## Notes (continued)

### 14 Reserves

	Group and Company Share premium Stg £000	Group Other reserves Stg £000	Group Profit and loss account Stg £000	Company Profit and loss account Stg £000
At beginning of year	6,422	648	1,008	4,238
Retained profit/(loss) for the year	-	-	1,558	(20)
Transfer on disposal of subsidiary undertakings	-	(648)	648	-
<b>At end of year</b>	<b>6,422</b>	<b>-</b>	<b>3,214</b>	<b>4,218</b>

The cumulative goodwill written off on consolidation, as at 31 December 1999, amounted to Stg £2,486,000 (1998: Stg £2,486,000).

### 15 Reconciliation of movement in shareholders' funds

	Group		Company	
	1999 Stg £000	1998 Stg £000	1999 Stg £000	1998 Stg £000
Shareholders' funds at beginning of year	20,693	20,245	23,275	22,417
Retained profit/(loss) for the year	1,558	448	(20)	858
<b>Shareholders' funds at end of year</b>	<b>22,251</b>	<b>20,693</b>	<b>23,255</b>	<b>23,275</b>

### 16 Commitments

	Group		Company	
	1999 Stg £000	1998 Stg £000	1999 Stg £000	1998 Stg £000
i) Capital commitments:				
Contracted but not provided	557	155	-	-
ii) Annual commitments under non cancellable operating leases are as follows:				
Property				
In the second to fifth years inclusive	37	37	-	-

## Notes (continued)

### 17 Contingent liabilities

A section 106 bond with Taunton Deane Borough Council, which reflects a potential liability of £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 due to be carried out during the year ending 31 December 2000.

### 18 Guarantees

The company has guaranteed the bank loans, overdraft and other loans of its subsidiary undertakings. The amount outstanding at the year end was £14,581,000 (1998: £10,358,000).

### 19 Reconciliation of operating profit to net cash inflow from operating activities

	1999 Stg £000	1998 Stg £000
Operating profit	2,351	1,387
Depreciation	422	408
Increase in stocks	(10)	(13)
(Increase)/decrease in debtors	(372)	57
Increase/(decrease) in creditors	367	(160)
	<hr/>	<hr/>
	2,758	1,679
	<hr/>	<hr/>

## Notes (continued)

### 20 Analysis of cash flows

	1999 Stg £000	1998 Stg £000
<b>Returns on investments and servicing of financing</b>		
Net interest paid	(819)	(1,019)
Interest element of finance lease payments	(1)	(1)
	<u>(820)</u>	<u>(1,020)</u>
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(6,024)	(606)
Receipts from sales of tangible fixed assets	-	1,894
Receipts from sale of listed shares	17	-
	<u>(6,007)</u>	<u>1,288</u>
<b>Acquisitions and disposals</b>		
Receipts from sales of investments in subsidiary undertakings	2	-
	<u>2</u>	<u>-</u>

### 21 Financing

	1999 Stg £000	1998 Stg £000
New loan finance	5,385	-
Capital element of finance lease payments	(6)	(7)
Repayment of loans	(1,019)	(2,087)
	<u>4,360</u>	<u>(2,094)</u>

**Notes** *(continued)*

**22 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	194	153	-	347
Bank overdrafts	(140)	140	-	-
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	54	293	-	347
Debt due within one year	(1,019)	1,019	(3,625)	(3,625)
Debt due after one year	(9,196)	(5,385)	3,625	(10,956)
Finance leases	(16)	6	-	(10)
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	(10,177)	(4,071)	-	(14,244)
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