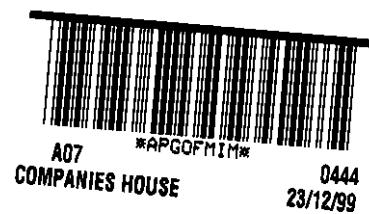


**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 27 MARCH 1999**



**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 27 MARCH 1999**

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**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**  
**YEAR ENDED 27 MARCH 1999**

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**DIRECTORS:**

Dr Narinder Dhandra  
Frederick Sinclair-Brown  
Nicholas Salisbury  
Terence Tindall

**SECRETARY:**

Robert Frederick King

**REGISTERED OFFICE:**

No. 1 Battersea Square  
London  
SW11 3PZ

**BANKERS:**

Barclays Bank plc  
54 Lombard Street  
London  
EC3V 9EX

**SOLICITORS:**

Robert King  
No. 1 Battersea Square  
London  
SW11 3PZ

**AUDITORS:**

Horwath Clark Whitehill  
Chartered Accountants  
25 New Street Square  
London  
EC4A 3LN

# **EBBGATE NURSING HOMES (LONDON) LIMITED**

## **DIRECTORS' REPORT**

**YEAR ENDED 27 MARCH 1999**

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The directors present their report and the audited financial statements for the year ending 27 March 1999.

### **ACTIVITIES**

During the year the Group's principal activity was the operation of nursing homes at Harefield in Middlesex and at Stockwell, London. The group also manages four close care units at Alderley Edge in Cheshire.

### **REVIEW OF DEVELOPMENTS**

The group profit and loss account for the year is set out on page 6.

During the year the group has made a loss before taxation of £34,026 (1998: £173,898 as restated).

### **DIRECTORS AND THEIR INTERESTS**

The directors of the company who served during the year ended 27 March 1999 were:

Narinder Dhandra  
Terence Tindall  
Nicholas Salisbury  
Frederick Sinclair Brown

The interests of directors holding office at 27 March 1999 in the shares of Barclays Bank plc and Associated Nursing Services plc are shown in the financial statements of these companies. None of the directors had any interest in the shares of Ebbgate Nursing Homes (London) Limited.

### **YEAR 2000**

The directors have commenced but not yet completed an assessment of the risk that the company's business and operations will be adversely affected by what is known as the Year 2000 problem.

They also recognise that financial and operational control systems are part of the responsibilities of the managing agent, ANS Homes Limited, and that the directors of its parent company, Associated Nursing Services plc, have assessed the risk that it will be adversely affected by the Year 2000 problem. They have identified, as the primary areas of risk, problems encountered by the company's clients, and to a lesser extent the company's own equipment and computer systems and problems encountered by the company's suppliers. The directors of that company have implemented a programme to eliminate, as far as possible, the effect of those risks in each area of the business.

As the Year 2000 compliance programme will be funded from existing resources it is not possible to identify with precision the costs associated with the programme. However the directors do not believe that the costs of this programme will be significant.

**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**DIRECTORS' REPORT (Continued)**  
**YEAR ENDED 27 MARCH 1999**

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**AUDITORS**

Horwath Clark Whitehill have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

A handwritten signature in dark ink, appearing to be 'J. Smith' or similar, written in a cursive style.

Secretary

**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**YEAR ENDED 27 MARCH 1999**

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Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the company and group's state of affairs at the end of the year and of its profit or loss for the year. 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 assume 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

**AUDITORS REPORT  
TO THE MEMBERS OF  
EBBGATE NURSING HOMES (LONDON) LIMITED**

We have audited the financial statements on pages 6 to 21 which have been prepared under the accounting policies set out on pages 11 and 12.

**Respective Responsibilities of Directors and Auditors**

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

**Basis of Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 the information in the financial statements.

**Fundamental Uncertainties**

In forming our opinion we have considered the adequacy of the disclosures made in note 1(a) and note 22 to the financial statements.

As referred to in note 22, the company has entered into a cross-guarantee and set-off arrangement in favour of Barclays Bank Plc in respect of certain liabilities of Ebbgate Nursing Homes Limited, which at 27 March 1999 amounted to £827,445 and the uncertainty regarding any potential liability of the company under this arrangement. Note 1(a) to the accounts describes the dependence of the company on its bank facilities and the uncertainty regarding the continued availability of these facilities.

In view of the significance of these uncertainties we consider that they should be brought to your attention. Our report is not qualified in this respect.

**Unqualified Opinion**

In our opinion, the financial statements give a true and fair view of the state of the group's and the company's affairs at 27 March 1999 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**HORWATH CLARK WHITEHILL**  
Chartered Accountants  
and Registered Auditors

London

17 December 1999

**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 27 MARCH 1999**

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	Notes	1999 £	1998 <i>As restated</i> £
<b>TURNOVER</b>	1(b)	<b>2,116,302</b>	<b>1,960,137</b>
Cost of Sales		<u><b>(1,243,929)</b></u>	<u><b>(1,196,869)</b></u>
<b>GROSS PROFIT</b>		<b>872,373</b>	<b>763,268</b>
Administrative expenses		<u><b>(589,446)</b></u>	<u><b>(625,800)</b></u>
<b>OPERATING PROFIT</b>	4	<b>282,927</b>	<b>137,468</b>
Interest payable	5	<u><b>(316,953)</b></u>	<u><b>(311,366)</b></u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(34,026)</b>	<b>(173,898)</b>
Tax on loss on ordinary activities	6	<u><b>(44,000)</b></u>	<u><b>-</b></u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<u><b>(78,026)</b></u>	<u><b>(173,898)</b></u>
<b>LOSS BROUGHT FORWARD</b> - as previously stated		<b>(566,027)</b>	<b>(374,425)</b>
Prior year adjustment (see note 13)		<u><b>(148,065)</b></u>	<u><b>(165,769)</b></u>
<b>LOSS BROUGHT FORWARD - as restated</b>		<u><b>(714,092)</b></u>	<u><b>(540,194)</b></u>
<b>LOSS CARRIED FORWARD</b>		<u><b>(792,118)</b></u>	<u><b>(714,092)</b></u>

The notes on pages 11 to 21 form part of these financial statements.



**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES**  
**YEAR ENDED 27 MARCH 1999**

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	<b>1999</b>	<i>1998</i>
	<b>£</b>	<i>As restated</i>
		<b>£</b>
Loss for the financial year	<u><b>(78,026)</b></u>	<u><i>(173,898)</i></u>
<b>TOTAL GAINS AND LOSSES RELATING TO THE YEAR</b>	<b>(78,026)</b>	<i>(173,898)</i>
Prior year adjustment (see note 13)	<u><b>(148,065)</b></u>	<u><i>(165,769)</i></u>
<b>TOTAL GAINS AND LOSSES SINCE LAST ANNUAL REPORT</b>	<u><b>(226,091)</b></u>	<u><i>(339,667)</i></u>

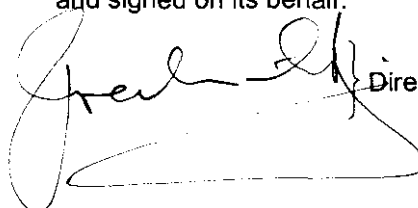
The notes on pages 11 to 21 form part of these financial statements.

**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**27 MARCH 1999**

	Notes	£	1999 £	1998 <i>As restated</i> £
<b>FIXED ASSETS</b>				
Tangible assets	7(a)		5,658,490	5,640,320
<b>CURRENT ASSETS</b>				
Debtors	9	111,666		72,876
Cash at bank and in hand		<u>128,117</u>		<u>308,263</u>
		239,783		381,139
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(6,690,291)</u>		<u>(6,735,451)</u>
<b>NET CURRENT LIABILITIES</b>			<u>(6,450,508)</u>	<u>(6,354,312)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>(792,018)</u>	<u>(713,992)</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	11		100	100
Profit and loss account			<u>(792,118)</u>	<u>(714,092)</u>
<b>SHAREHOLDERS' DEFICIT</b>	12		<u>(792,018)</u>	<u>(713,992)</u>

Approved by the Board on  
and signed on its behalf:

16/12/99

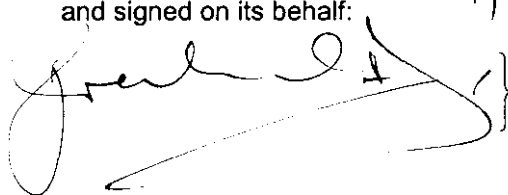
 Director

The notes on pages 11 to 21 form part of these financial statements.

**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**COMPANY BALANCE SHEET**  
**27 MARCH 1999**

	Notes	£	1999 £	1998 £
<b>FIXED ASSETS</b>				
Tangible assets	7(b)		<b>4,667,984</b>	5,282,361
Investments	8		<b>4,691,100</b>	<u>1</u>
			<b>9,359,084</b>	5,282,362
<b>CURRENT ASSETS</b>				
Debtors	9	100		19,078
Cash at bank and in hand		<b>100,000</b>		<u>307,463</u>
		<b>100,100</b>		326,541
<b>CREDITORS: amounts falling due within one year</b>	10	<b>(11,335,113)</b>		<u>(6,375,520)</u>
<b>NET CURRENT LIABILITIES</b>			<b>(11,235,013)</b>	<u>(6,048,979)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>(1,875,929)</b>	<u>(766,617)</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	12		100	100
Profit and loss account	13		<b>(1,876,029)</b>	<u>(766,717)</u>
<b>SHAREHOLDERS' DEFICIT</b>			<b>(1,875,929)</b>	<u>(766,617)</u>

Approved by the Board on 16/12/99  
and signed on its behalf:

 } Director

The notes on pages 11 to 21 form part of these financial statements.

**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDED 27 MARCH 1999**

	Notes	1999 £	1998 <i>As restated</i> £
<b>Net Cash Inflow from Operating Activities</b>	17	<u>357,508</u>	<u>368,958</u>
<b>Returns on Investments and Servicing of Finance</b>			
Interest paid		<u>(17,056)</u>	<u>(18,678)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(17,056)</u>	<u>(18,678)</u>
<b>Taxation</b>		<u>-</u>	<u>-</u>
<b>Acquisitions</b>			
Acquisitions of subsidiary undertakings	21	<u>(100,940)</u>	<u>-</u>
Cash acquired with subsidiaries		<u>27,116</u>	<u>-</u>
		<u>(73,824)</u>	<u>-</u>
<b>Capital Expenditure</b>			
Proceeds from sale of tangible fixed assets		<u>-</u>	<u>4,038</u>
Purchase of tangible fixed assets		<u>(74,490)</u>	<u>(109,401)</u>
<b>Net cash outflow from capital expenditure</b>		<u>(74,490)</u>	<u>(105,363)</u>
<b>Net cash inflow before financing</b>		<u>192,138</u>	<u>244,917</u>
<b>Financing</b>			
Other loans paid		<u>(6,442,504)</u>	<u>-</u>
<b>(Decrease)/increase in cash</b>	18	<u>(6,250,366)</u>	<u>244,917</u>

The notes on pages 11 to 21 form part of these financial statements

**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 27 MARCH 1999**

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**1. ACCOUNTING POLICIES**

**a) Basis of Preparation of Financial Statements**

*The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, and on the basis that the company can continue to operate as a going concern.*

The company is dependent on continuing finance being available from Barclays Bank Plc. A condition of the provision of these facilities was that the company entered into the cross guarantee referred to in note 22. The directors believe that the bank will continue to provide support at a level adequate for the company's requirements. The directors therefore consider it appropriate to draw up the accounts on a going concern basis. If the company is unable to continue as a going concern, the accounts would have to be adjusted to write down the assets to their recoverable amount, provide for any additional losses or liabilities that might arise and to reclassify fixed assets as current assets.

**b) Turnover**

This represents the fees receivable from the residents of the group's nursing homes and all arises within the United Kingdom.

**c) Depreciation**

No depreciation is provided on the freehold land and buildings as it is the Group's policy to maintain its properties by a programme of repair and refurbishment such that the residual value of its properties is at least equal to the book value. The company's appraisal of residual values is based on prices prevailing at the time of acquisition or subsequent valuation of these properties. Having regard to this, in the opinion of the directors, any depreciation required by the Companies Act 1985 and SSAP12 would not be material.

Each home, when opened, has a stock of capital items of low individual cost but material aggregate value. These items are accounted for as a base stock and included in fixtures and fittings. No depreciation is provided but subsequent replacement is written off to the Profit and Loss account as incurred.

Depreciation is provided on all other tangible fixed assets in use at rates calculated to write off the cost of each asset over its expected useful life as follows:

Fixtures, fittings and equipment	- 10% - 20% Straight line basis
Furniture	- 10% - Reducing balance basis
Motor vehicles	- 25% - Straight line basis

**d) Capitalisation and Amortisation of Internal Costs**

During the course of major refurbishment and extension of existing homes, costs directly attributable to building works are capitalised. Normal running costs which are incurred whilst a home is below capacity because of capital works are written off to the Profit and Loss account as incurred.

The net amount of all revenue costs and income up to the date of registration and opening is included in the capital cost of the relevant home and amortised over 5 years.

**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED 27 MARCH 1999**

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**1. ACCOUNTING POLICIES (Continued)**

**Change in Accounting Policy**

The new accounting standards, FRS 15, requires the adoption of an accounting policy in respect of capitalisation of internal costs which differs from that previously adopted by the company. Accordingly, changes have been made and comparative figures have been amended where necessary. The effect of this change in accounting policy is disclosed in note 13.

In previous years the net amount of all revenue costs and income up to the date of registration and opening was included in the capital cost of the relevant home and amortised over 5 years. This policy has now been changed and these amounts are now written off to the profit and loss account as incurred.

**e) Interest Payable**

Interest on loans and financing costs relating to major construction works are capitalised until the date of registration and opening of that new building. All other interest payable, including that on loans to finance the acquisition of properties, is written off to the Profit and Loss account as incurred.

**f) Deferred Taxation**

Deferred taxation is accounted for using the liability method on all material timing differences to the extent that it is probable that a liability will arise within the foreseeable future. Advance corporation tax is carried forward to the extent that it is expected to be recovered. Timing differences are taxable items, allowances or reliefs which are given effect to in taxation periods different from those in which they have effect in the financial statements. They comprise mainly accelerated tax depreciation allowances and short term timing differences.

**g) Financing Transactions**

Where the group has entered into commitments which may require the group to re-acquire certain nursing home rooms sold to third parties, these transactions are treated as financing transactions in accordance with Financial Reporting Standard No. 5. The effect is that the rooms continue to be shown in the Group's financial statements as fixed assets, with the sale proceeds shown under the heading creditors as other loans. The difference between the sale proceeds and the commitments to re-acquire the assets is treated as a financing charge over the period of the purchase commitment and is accounted for in accordance with the Group's accounting policy relating to interest.

**h) Basis of Consolidation**

The consolidated financial statements include the results of the company and its subsidiary undertaking London Homes Management Limited. The company has taken advantage of Section 230 (3) of the Companies Act 1985 and not presented its own Profit and Loss Account.

**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED 27 MARCH 1999**

**2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

None of the directors, including the chairman, serving during the period received any emoluments for their services.

See note 16 for details of transactions involving directors.

**3. EMPLOYEE INFORMATION**

Employee Costs (excluding directors)	1999 £	1998 £
Wages and salaries	1,049,189	1,003,664
Social security costs	82,970	77,586
Pension contributions	1,829	-
	<u>1,133,988</u>	<u>1,081,250</u>

The average number of persons employed during the year (excluding directors) is analysed below:

	No.	No.
Nursing Homes staff	111	107
Administration	6	5
	<u>117</u>	<u>112</u>

**4. OPERATING PROFIT**

	1999 £	1998 £
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	56,320	81,702
Equipment hire	-	581
Auditors' remuneration including VAT and expenses	6,228	5,053
-group audit		
-group other	2,350	4,127
	<u>64,898</u>	<u>91,463</u>

**5. INTEREST PAYABLE**

	1999 £	1998 £
Bank loans and overdrafts	78,877	11,440
Other loans	9,111	14,771
FRS 5 Finance costs	<u>228,965</u>	<u>306,007</u>
	316,953	332,218
Less interest capitalised	-	(20,852)
	<u>316,953</u>	<u>311,366</u>

**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED 27 MARCH 1999**

**6. TAX ON LOSS ON ORDINARY ACTIVITIES**

	1999	1998
UK corporation tax @ 31%	<u>44,000</u>	<u>-</u>

**7. TANGIBLE FIXED ASSETS**

a) Group	Freehold Land & Buildings £	Leasehold Property £	Fixtures and Fittings £	Motor Vehicles £	Total £
<b>Cost</b>					
At 29 March 1998 (as previously stated)	5,170,501	320,000	436,432	23,243	5,950,176
Prior year adjustment	<u>(208,140)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(208,140)</u>
At 29 March 1998 (as restated)	4,962,361	320,000	436,432	23,243	5,742,036
Additions	<u>52,437</u>	<u>-</u>	<u>22,053</u>	<u>-</u>	<u>74,490</u>
<b>At 27 March 1999</b>	<b><u>5,014,798</u></b>	<b><u>320,000</u></b>	<b><u>458,485</u></b>	<b><u>23,243</u></b>	<b><u>5,816,526</u></b>
<b>Depreciation</b>					
At 29 March 1998 (as previously stated)	60,075	-	96,417	5,299	161,791
Prior year adjustment	<u>(60,075)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,075)</u>
At 29 March 1998 (as restated)	-	-	96,417	5,299	101,716
Charge for the year	<u>-</u>	<u>-</u>	<u>50,510</u>	<u>5,810</u>	<u>56,320</u>
<b>At 27 March 1999</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>146,927</u></b>	<b><u>11,109</u></b>	<b><u>158,036</u></b>
<b>Net Book Value</b>					
<b>At 27 March 1999</b>	<b><u>5,014,798</u></b>	<b><u>320,000</u></b>	<b><u>311,558</u></b>	<b><u>12,134</u></b>	<b><u>5,658,490</u></b>
<i>At 28 March 1998</i>	<u><i>5,110,426</i></u>	<u><i>320,000</i></u>	<u><i>340,015</i></u>	<u><i>17,944</i></u>	<u><i>5,788,385</i></u>

Included in the cost of freehold land and buildings is capitalised interest of £1,026,751 (1998: £1,026,751).



**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED 27 MARCH 1999**

**7. TANGIBLE FIXED ASSETS (Continued)**

<b>b) Company</b>	Freehold Land and Buildings £
<b>Cost</b>	
At 29 March 1998	5,282,361
Additions	52,437
Transfer from subsidiary undertaking	4,667,983
Provision in the year	<u>(5,334,797)</u>
<b>At 27 March 1999</b>	<b><u>4,667,984</u></b>
<b>Depreciation</b>	
At 29 March 1998	-
Charge for the year	<u>-</u>
<b>At 27 March 1999</b>	<b><u>-</u></b>
<b>Net Book Value</b>	
<b>At 27 MARCH 1999</b>	<b><u>4,667,984</u></b>
<i>At 28 March 1998</i>	<u>5,282,361</u>

Included in the written-down cost of freehold land and buildings is capitalised interest of £1,026,751 1998: £1,026,751).

**8. INVESTMENTS IN GROUP COMPANIES**

Investments in subsidiary undertakings	£
<b>Cost</b>	
At 29 March 1998	1
Additions during the year	<u>6,200,940</u>
<b>At 27 March 1999</b>	<b><u>6,200,941</u></b>
<b>Provisions</b>	
At 29 March 1998	-
Provided in the year	<u>(1,509,841)</u>
<b>At 27 March 1999</b>	<b><u>(1,509,841)</u></b>
<b>Net book value</b>	
<b>At 27 March 1999</b>	<b><u>4,691,100</u></b>
<i>At 28 March 1998</i>	<u>1</u>

**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED 27 MARCH 1999**

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**8. INVESTMENTS IN GROUP COMPANIES (Continued)**

As described below the company has acquired the whole of the issued share capitals of both Matrix Aegis (ANS I) plc and Matrix Aegis (ANS II) plc. Both companies were involved in the rental of residential units in nursing homes during the year. At 27 March 1999 the trading activities of the two companies had ceased. The provision for diminution in value has been made to reduce the cost of the investments to the underlying net asset value.

The company also owns 100% of the issued ordinary share capital of London Homes Management Limited. Its principal activity is the operation of nursing homes in the United Kingdom.

**TERMINATION OF FRS 5 FINANCING TRANSACTION**

In previous years the company entered into a series of transactions whereby leasehold interests in the residential units contained in the subsidiary company's two nursing home properties were sold to two third party Business Expansion Scheme (BES) companies, Matrix Aegis (ANS I) plc and Matrix Aegis (ANS II) plc. In addition put options were granted to the BES companies which enabled them to require the company to repurchase the leasehold interests in 1998 at a price necessary to provide shareholders in Matrix Aegis (ANS I) plc and Matrix Aegis (ANS II) plc, a return of £1.25 per share.

As a consequence of the existence of the put options the initial sales of the leasehold interests were treated as financing transactions in accordance with Financial Reporting Standard No. 5; the sale proceeds were accounted for as a financing loan and included within creditors whilst the freehold interests in the nursing homes were retained on the company's balance sheet.

In the event, it was agreed between the relevant parties that, rather than exercising the options, the company would acquire the whole of the issued share capitals of both Matrix Aegis (ANS I) plc and Matrix Aegis (ANS II) plc on terms that gave the shareholders of those companies an equivalent return on their original investments. In addition and in accordance with the original agreements the rentals payable by Matrix Aegis (ANS I) plc and Matrix Aegis (ANS II) plc under the leasehold contracts reverted to a peppercorn.

The termination of this FRS 5 financing transaction has resulted in a charge of £744,638 to the entity profit and loss account in the current year which is made up of the following components.

	£
(a) Release of FRS 5 financing loan	6,100,000
(b) Write down of the carrying value of the freehold and leasehold reversionary interests in the nursing home properties to a nominal sum of £1 (see note 7(b))	(5,334,797)
(c) Provision to reduce the cost of investment in the newly acquired subsidiaries Matrix Aegis (ANS I) plc and Matrix Aegis (ANS II) plc to underlying net asset value of £4,691,100 (see above)	<u>(1,509,841)</u>
	<u><b>(744,638)</b></u>

**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
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**9. DEBTORS**

	Group	1999	Group	1998
	£	Company	£	Company
		£		£
Trade debtors	101,717	-	43,628	-
Amounts due from group undertakings	-	-	-	-
Other debtors	2,810	100	15,709	15,100
Prepayments and accrued income	7,139	-	13,539	3,978
	<u>111,666</u>	<u>100</u>	<u>72,876</u>	<u>19,078</u>

**10. CREDITORS**

amounts falling due within one year	Group	1999	Group	1998
	£	Company	£	Company
		£		£
Bank overdraft	6,112,061	6,101,183	41,841	-
Amount due to subsidiary undertakings	-	4,667,983	-	46,129
Associated Nursing Services plc Group	18,926	9,060	479,962	450,033
Trade creditors	8,738	470	23,642	447
Other creditors	315,982	161,000	6,100,429	5,872,539
Corporation tax	45,917	-	-	-
Other taxes and social security costs	43,822	-	41,400	-
Accruals and deferred income	144,845	86,890	48,177	6,372
Amounts due to group undertakings	-	308,527	-	-
	<u>6,690,291</u>	<u>11,335,113</u>	<u>6,735,451</u>	<u>6,375,520</u>

The bank overdraft is secured by a charge over the freehold properties of the group and through a cross-guarantee arrangement with a related party, namely Ebbgate Nursing Homes Limited. See Note 22.

**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
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11. CALLED UP SHARE CAPITAL	1999 £	1998 £
Authorised:		
A Ordinary shares of £1 each	25,000	25,000
B Ordinary shares of £1 each	25,000	25,000
	<u>50,000</u>	<u>50,000</u>
Called up, allotted and fully paid		
A Ordinary shares of £1 each	50	50
B Ordinary shares of £1 each	50	50
	<u>100</u>	<u>100</u>

The 'A' and 'B' shares have special voting rights:

- i) No quorum exists without an 'A' or a 'B' shareholders being present.
- ii) No resolution can be passed without the agreement of at least one 'A' and one 'B' shareholder.

12. SHAREHOLDERS' DEFICIT	1999 £	1998 <i>As restated</i> £
Reconciliation of movements on shareholders' deficit		
Loss for the year	(78,026)	(173,898)
Opening shareholders' deficit (originally £565,927 before deducting prior year adjustment of £148,065)	<u>(713,992)</u>	<u>(540,094)</u>
<b>Closing shareholders' deficit</b>	<u><b>(792,018)</b></u>	<u><b>(713,992)</b></u>

**13. CHANGE IN ACCOUNTING POLICY**

The effect of the change in the accounting policy discussed on page 12 on the comparative profit and loss account figures is as follows:

	1998 £
Loss before tax as previously stated	(191,602)
Net write-back of amortisation of internal costs capitalised	<u>17,704</u>
Loss before tax as restated	<u><b>(173,898)</b></u>

The effect of the change on the current year's results is the non-inclusion of an amortisation charge of internal costs of £38,857.

**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
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**14. COMPANY PROFIT AND LOSS ACCOUNT**

The retained loss for the year of the company is £1,109,312 (1998 £375,413).

**15. JOINT VENTURE COMPANIES**

In the opinion of the directors the company is equally owned by Barclays Bank plc and Associated Nursing Services plc.

**16. RELATED PARTY TRANSACTIONS**

During the year the following amounts, including VAT were charged in the accounts:

- a) Interest of £9,111 (1998: £14,771); purchase of fixtures and fittings of £NIL (1998 : £4,307); and quality assurance recharges of £NIL (1998 : £11,750) to Associated Nursing Services plc of which Dr N Dhandra and Mr F Sinclair - Brown are directors. The balance at year end owing to Associated Nursing Services plc was £109,060 (1998: £450,033).
- b) Management of nursing homes services of £152,758 (1998: £126,683) and purchase of fixtures and fittings of £NIL (1998: £2,085) to ANS Homes Ltd, a wholly owned subsidiary undertaking of Associated Nursing Services plc. The balance owing at the year end to ANS Homes Ltd was £9,866 (1998: £29,929).
- c) Interest of £78,877 (1998: £11,440) to Barclays Bank plc. The balances at the year end in respect of Barclays Bank plc included a loan of £6,100,000 (1998: £Nil), net cash at bank of £116,056 (1998 - £266,422).

Additional items in relation to Barclays Bank plc include:

- Management fee £18,123 (1998: £15,000)
- Loan guarantee fee £91,500 (1998: £122,000)
- Loan arrangement fee £61,000 (1998: £NIL)

The balance owed by the company at the year end in respect of these items was £61,000 (1998: £Nil).

**17. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	1999	1998
	£	<i>As restated</i> £
Operating profit	282,927	137,468
Depreciation charge	56,320	63,998
(Increase)/decrease in debtors	(38,790)	52,094
Increase in creditors	57,051	115,398
<b>Net cash inflow from operating activities</b>	<b>357,508</b>	<b>368,958</b>

**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED 27 MARCH 1999**

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	1999 £	1998 £
(Decrease)/increase in cash in period	(6,250,366)	244,917
Repayment of loan	<u>6,442,504</u>	<u>-</u>
Change in net debt resulting from cash flows	192,138	244,917
Non cash movements: FRS5 finance costs	(228,965)	(306,007)
Net debt as at 29 March 1998	<u>(6,047,117)</u>	<u>(5,986,027)</u>
<b>Net debt as at 27 MARCH 1999 (Note 19)</b>	<u><b>(6,083,944)</b></u>	<u><b>(6,047,117)</b></u>

**19. ANALYSIS OF CHANGES IN NET DEBT**

	29 March 1998 £	Cash flows 1998 £	FRS 5 Finance costs 1999 £	Other changes 1999 £	27 March 1999 £
Cash in hand and at bank	308,263	(180,146)	-	-	128,117
Overdrafts	<u>(41,841)</u>	<u>(6,070,220)</u>	<u>-</u>	<u>-</u>	<u>(6,112,061)</u>
	266,422	(6,250,366)	-	-	(5,983,944)
Debt due after 1 year	-	-	-	-	-
Debt due within 1 year	<u>(6,313,539)</u>	<u>6,442,504</u>	<u>(228,965)</u>	<u>-</u>	<u>(100,000)</u>
	<u>(6,047,117)</u>	<u>192,138</u>	<u>(228,965)</u>	<u>-</u>	<u>(6,083,944)</u>

**20. MAJOR NON-CASH TRANSACTIONS**

In accordance with FRS5, as outlined in Note 1(g) and Note 8, a finance charge of £228,965 is included within interest payable for the year.

**21. ACQUISITIONS**

	£
<b>Net assets acquired</b>	
Cash at bank	27,116
Creditors	(13,651)
Debtors	<u>9,651</u>
	23,116
Goodwill	<u>77,824</u>
	100,940
<b>Satisfied by</b>	
Cash	<u>100,940</u>

**EBBGATE NURSING HOMES (LONDON) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
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**22. CONTINGENT LIABILITIES AND GUARANTEES**

The company has entered into an unlimited cross-guarantee and set-off arrangement with a related party, Ebbgate Nursing Homes Limited and its subsidiary companies, a group operated under common control, in favour of Barclays Bank Plc and has also provided security on its assets for this related party. At 27 March 1999 the potential liability under this cross-guarantee was £827,445. The directors are not able to accurately assess the ultimate likely financial affect of this guarantee, if any.