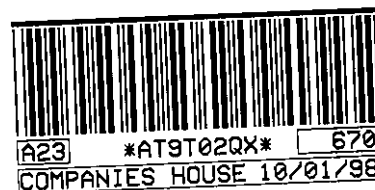


EBBGATE NURSING HOMES (LONDON) LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 29 MARCH 1997



CLARK WHITEHILL
Chartered Accountants

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DX 0014 London Chancery Lane
A member of Horwath International



EBBGATE NURSING HOMES (LONDON) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 MARCH 1997

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EBBGATE NURSING HOMES (LONDON) LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
FOR THE YEAR ENDED 29 MARCH 1997

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

EBBGATE NURSING HOMES (LONDON) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 29 MARCH 1997

The directors present their report and the audited financial statements for the year ending 29 March 1997.

ACTIVITIES

During the year the Group's principal activity was the operation of nursing homes at Harefield in Middlesex and at Stockwell, London.

REVIEW OF DEVELOPMENTS

The group profit and loss account for the year is set out on page 5.

During the year the group has made a loss before taxation of £194,243 (1996: £180,740)

During the year construction was completed on a 60 bed nursing home in Stockwell.

The group has also been managing four close care units at Alderley Edge in Cheshire.

DIVIDENDS

The directors do not recommend a dividend for the year.

DIRECTORS AND THEIR INTERESTS

The directors of the company who served during the year ended 29 March 1997 were:

Narinder Dhandra
Terence Tindall
Nicholas Salisbury
Frederick Sinclair Brown

The interests of directors holding office at 29 March 1997 in the shares of Barclays de Zoete Wedd Limited 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.

AUDITORS

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

Robert King

Robert King

EBBGATE NURSING HOMES (LONDON) LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 29 MARCH 1997

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.



CLARK WHITEHILL

Chartered Accountants

25 New Street Square London EC4A 3LN
Telephone 0171-353 1577
Facsimile 0171-583 1720
DX 0014 London Chancery Lane

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

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective Responsibilities of Directors and Auditors

As described on page 3 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.

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 29 March 1997 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

22 December 1997

Clark Whitehill
Chartered Accountants
and Registered Auditors

EBBGATE NURSING HOMES (LONDON) LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 29 MARCH 1997

	Notes	1997 £	1996 £
TURNOVER	1(b)	1,270,676	388,896
Cost of Sales		<u>(898,078)</u>	<u>(337,859)</u>
GROSS PROFIT		372,598	51,037
Administrative expenses		<u>(410,523)</u>	<u>(272,745)</u>
OPERATING LOSS	4	(37,925)	(221,708)
Other income		-	-
Interest payable	5	(157,151)	(69)
Interest receivable		<u>833</u>	<u>41,037</u>
LOSS FOR THE FINANCIAL YEAR		(194,243)	(180,740)
Taxation	6	<u>-</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(194,243)	(180,740)
RETAINED (LOSS)/PROFIT BROUGHT FORWARD		(180,182)	558
RETAINED LOSS CARRIED FORWARD		(374,425)	(180,182)

The profit and loss account contains all the gains and losses recognised in the current and preceding year and is the only movement in shareholders' funds.

The notes on pages 8 to 14 form part of these financial statements.


EBBGATE NURSING HOMES (LONDON) LIMITED

CONSOLIDATED BALANCE SHEET

29 MARCH 1997

	Notes	£	1997 £	<i>As restated</i> 1996 £
FIXED ASSETS				
Tangible assets	7(a)	5,780,708		5,122,683
Intangible		-		-
			5,780,708	5,122,683
CURRENT ASSETS				
Debtors	9	124,970		99,920
Cash at bank and in hand		21,505		465,373
		146,475		565,293
CREDITORS: amounts falling due within one year	10	(481,476)		(354,033)
NET CURRENT (LIABILITIES)/ASSETS			(335,001)	211,260
TOTAL ASSETS LESS CURRENT LIABILITIES			5,445,707	5,333,943
CREDITORS: amounts falling due after more than one year	11		(5,820,032)	(5,514,025)
NET LIABILITIES			(374,325)	(180,082)
CAPITAL AND RESERVES				
Called up share capital	12		100	100
Profit and loss account			(374,425)	(180,182)
SHAREHOLDERS' FUNDS			(374,325)	(180,082)

Approved by the Board on 5 December 1997
and signed on its behalf:

 Director

The notes on pages 8 to 14 form part of these financial statements.

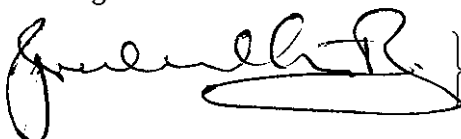
EBBGATE NURSING HOMES (LONDON) LIMITED

COMPANY BALANCE SHEET

29 MARCH 1997

	Notes	£	1997 £	As restated 1996 £
FIXED ASSETS				
Tangible assets	7(b)		5,402,990	4,935,094
Investments	8		<u>1</u>	<u>1</u>
			5,402,991	4,935,095
CURRENT ASSETS				
Debtors	9	290,145		329,196
Cash at bank and in hand		<u>8,521</u>		<u>381,068</u>
		298,666		710,264
CREDITORS: amounts falling due within one year	10	<u>(272,829)</u>		<u>(252,818)</u>
NET CURRENT ASSETS			<u>25,837</u>	<u>457,446</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			5,428,828	5,392,541
CREDITORS: amounts falling due after more than one year	11		<u>(5,820,032)</u>	<u>(5,514,025)</u>
NET LIABILITIES			<u>(391,204)</u>	<u>(121,484)</u>
CAPITAL AND RESERVES				
Called up share capital	12		100	100
Profit and loss account	13		<u>(391,304)</u>	<u>(121,584)</u>
			<u>(391,204)</u>	<u>(121,484)</u>

Approved by the Board on 5 December 1997
and signed on its behalf:

 Director

The notes on pages 8 to 14 form part of these financial statements.

EBBGATE NURSING HOMES (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 MARCH 1997

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

a) Accounting Convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Turnover

This represents the fees receivable from the residents of the group's nursing home and all arises within the UK.

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. The Balance Sheet classification as fixtures and fittings represents a change of practice from 1996 when they were included in stock and work in progress. The corresponding amounts for the previous year have accordingly been restated.

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. The Balance Sheet classification of these net revenue costs as fixed assets represents a change of practice from 1996 when they were included in prepayments. The corresponding amounts for the previous years have accordingly been restated.

EBBGATE NURSING HOMES (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 29 MARCH 1997

1. ACCOUNTING POLICIES (CONTINUED)

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.

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.

EBBGATE NURSING HOMES (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 29 MARCH 1997

3. EMPLOYEE INFORMATION

Employee Costs (excluding directors)	1997 £	1996 £
Wages and salaries	754,454	250,964
Social security costs	50,783	19,630
Pension contributions	-	-
	<u>805,237</u>	<u>270,594</u>

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

	No.	No.
Nursing Homes staff	83	45
Administration	<u>5</u>	<u>2</u>
	<u>88</u>	<u>47</u>

4. OPERATING PROFIT/(LOSS)

	1997 £	1996 £
Operating profit/(loss) is stated after charging:		
Depreciation of tangible fixed assets	59,005	28,091
Equipment hire	1,280	-
Auditors' remuneration including VAT and expenses	4,605	4,700
-group audit	6,700	11,993
-group other	1,550	1,762
-company audit	4,512	10,700
-company other		

5. INTEREST PAYABLE

	1997 £	1996 £
Bank loans and overdrafts	14,754	69
Other loans	9,367	-
FRS 5 Finance costs	<u>306,007</u>	<u>274,320</u>
	330,128	274,389
Less interest capitalised	<u>(172,977)</u>	<u>(274,320)</u>
	<u>157,151</u>	<u>69</u>

6. TAXATION

There is no tax payable in either year due to taxable losses carried forward of approximately £500,000 and £390,000 for the group and company respectively.

EBBGATE NURSING HOMES (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 29 MARCH 1997

7. TANGIBLE FIXED ASSETS

a) Group	Freehold Land & Buildings £	Leasehold Property £	Fixtures and Fittings £	Motor Vehicles £	Total £
Cost					
At 31 March 1996	4,547,501	320,000	140,920	11,044	5,019,465
Reclassification from current assets - see notes 1(c) and 1(d)	<u>81,969</u>	<u>-</u>	<u>49,340</u>	<u>-</u>	<u>131,309</u>
As restated	4,629,470	320,000	190,260	11,044	5,150,774
Additions	<u>482,272</u>	<u>-</u>	<u>223,790</u>	<u>10,968</u>	<u>717,030</u>
At 29 March 1997	<u>5,111,742</u>	<u>320,000</u>	<u>414,050</u>	<u>22,012</u>	<u>5,867,804</u>
Depreciation					
At 31 March 1996	-	-	11,805	1,910	13,715
Reclassification from current assets	<u>14,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,376</u>
As restated	14,376	-	11,805	1,910	28,091
Charge for the year	<u>14,376</u>	<u>-</u>	<u>39,548</u>	<u>5,081</u>	<u>59,005</u>
At 29 March 1997	<u>28,752</u>	<u>-</u>	<u>51,353</u>	<u>6,991</u>	<u>87,096</u>
Net Book Value					
At 29 March 1997	<u>5,082,990</u>	<u>320,000</u>	<u>362,697</u>	<u>15,021</u>	<u>5,780,708</u>
<i>At 31 March 1996, as restated</i>	<u>4,615,095</u>	<u>320,000</u>	<u>178,455</u>	<u>9,134</u>	<u>5,122,683</u>

Included in the cost of freehold land and buildings is capitalised interest of £1,005,899 (1996: £832,922).

EBBGATE NURSING HOMES (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 29 MARCH 1997

7. TANGIBLE FIXED ASSETS (CONTINUED)

b) Company	Freehold Land and Buildings £	Leasehold Property £	Total £
Cost			
At 31 March 1996	4,547,501	320,000	4,867,501
Reclassification from current assets - see notes 1(c) and 1(d)	<u>81,969</u>	<u>-</u>	<u>81,969</u>
As restated	4,629,470	320,000	4,949,470
Additions	<u>482,272</u>	<u>-</u>	<u>482,272</u>
At 29 March 1997	<u>5,111,742</u>	<u>320,000</u>	<u>5,431,742</u>
Depreciation			
At 31 March 1997	-	-	-
Reclassification from current assets	<u>14,376</u>	<u>-</u>	<u>14,376</u>
As restated	14,376	-	14,376
Charge for the year	<u>14,376</u>	<u>-</u>	<u>14,376</u>
29 March 1997	<u>28,752</u>	<u>-</u>	<u>28,752</u>
Net Book Value			
At 29 March 1997	<u>5,082,990</u>	<u>320,000</u>	<u>5,402,990</u>
<i>At 31 March 1996, as restated</i>	<u>4,615,094</u>	<u>320,000</u>	<u>4,935,094</u>

Included in the cost of freehold land and buildings is capitalised interest of £1,005,899 (1996: £832,922).

8. INVESTMENTS IN GROUP COMPANIES

The company owns 100% of the issued ordinary share capital of London Homes Management Limited. Its principal activity is the operation of close care units in Great Britain.

9. DEBTORS

	1997		<i>As restated</i> 1996	
	Group £	Company £	Group £	Company £
Trade debtors	89,976	-	64,514	-
Amounts due from group undertakings	-	270,734	-	310,744
Other debtors	15,839	15,100	15,636	15,100
Prepayments and accrued income	<u>19,155</u>	<u>4,311</u>	<u>19,770</u>	<u>3,352</u>
	<u>124,970</u>	<u>290,145</u>	<u>99,920</u>	<u>329,196</u>

As detailed in note 1(d) the group and company comparative figures have been restated

EBBGATE NURSING HOMES (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 29 MARCH 1997

10. CREDITORS	1997		1996	
	Group £	Company £	Group £	Company £
amounts falling due within one year				
Associated Nursing Services Plc Group	205,233	196,867	-	-
Trade creditors	52,734	30,000	231,677	192,233
Other creditors	160,673	24,187	88,395	41,676
Accruals and deferred income	62,836	21,775	33,961	18,909
	<u>481,476</u>	<u>272,829</u>	<u>354,033</u>	<u>252,818</u>

11. CREDITORS	1997		1996	
	Group £	Company £	Group £	Company £
amounts falling due after more than one year				
Associated Nursing Services Plc	255,000	255,000	255,000	255,000
Other creditors	5,565,032	5,565,032	5,259,025	5,259,025
	<u>5,820,032</u>	<u>5,820,032</u>	<u>5,514,025</u>	<u>5,514,025</u>

An analysis of the liabilities by due date of repayment is set out below:

Between one and two years	5,820,032	5,820,032	-	-
Between two and five years	-	-	5,514,025	5,514,025
After five years	-	-	-	-
	<u>5,820,032</u>	<u>5,820,032</u>	<u>5,514,025</u>	<u>5,514,025</u>

Ebbgate Nursing Homes (London) Limited sold leasehold interests in individual nursing home rooms to Business Expansion Scheme companies ("BES Companies"). The sales proceeds are used to develop the nursing homes at Harefield and Stockwell. Ebbgate Nursing Homes (London) Limited has entered into arrangements whereby it may, in 1998, be called upon by the BES companies to reacquire the leasehold interests in the nursing home rooms. The price payable for the reacquisition of the rooms is covered by a guarantee from Barclays Bank Plc up to a maximum of £6,100,000. This commitment has been accounted for in accordance with FRS5, whereby the liability is provided for over the life of the option (see note 1(g)).

EBBGATE NURSING HOMES (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 29 MARCH 1997

12. CALLED UP SHARE CAPITAL	1997	1996
	£	£
Authorised:		
A Ordinary shares of £1 each	25,000	25,000
B Ordinary shares of £1 each	25,000	25,000
	50,000	50,000
 Called up, allotted and fully paid		
A Ordinary shares of £1 each	50	50
B Ordinary share of £1 each	50	50
	100	100

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.

13. COMPANY PROFIT AND LOSS ACCOUNT

The retained loss for the year of the company is £269,720 (1996 £121,584).

14. CONTINGENT LIABILITIES

The company has granted Business Expansion Scheme companies ("BES companies") an option to require the company to acquire or re-acquire interests in properties at a price equivalent to the amount required to provide investors in the BES companies with a return of 125p per shares. The options are exercisable in December 1998. The company has an option to require the BES companies to sell its interest in the properties to the company at the same price as that payable upon the exercise of the option referred to above. Alternatively the company may choose, but is not contractually bound to do so, to make an unconditional offer for the shares of the BES companies so as give investors the same return as under the option arrangements. The price payable for the acquisition or reacquisition of the properties is covered by a guarantee from Barclays Bank plc up to a maximum of £6,100,000 as stated in note 11 above.

15. JOINT VENTURE COMPANIES

In the opinion of the directors the company is equally owned by Barclays de Zoete Wedd Limited and Associated Nursing Services plc.

EBBGATE NURSING HOMES (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 29 MARCH 1997

16. RELATED PARTY TRANSACTIONS

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

- a) Interest of £9,367 (1996: £Nil) 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 Ltd was £452,952 (1996: £255,000).
- b) Management of nursing homes services of £84,382 (1996: £19,933) and purchase of fixtures and fittings of £188,662 (1996: £Nil) 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 £7,149 (1996: £2,135).
- c) To Care Haven Ltd, a wholly owned subsidiary undertaking of Associated Nursing Services Plc, for construction of nursing home £171,197 (1996: £1,633,894). The balance at the year end owing to Care Haven Ltd was £36,836 (1996: £231,993).
- d) Interest of £14,754 (1996: £2,434) to Barclays Bank Plc. The balances at the year end owing to Barclays Bank Plc was £235,043 (1996: £Nil).
- e) To Barclays de Zoete Wedd Limited, a wholly owned subsidiary undertaking of Barclays Bank Plc, of which Mr N Salisbury and Mr T Tindall are directors of companies in the Barclays de Zoete Wedd Limited group:
 - Management fee £30,000 (1996: £15,000)
 - Loan guarantee fee £122,000 (1996: £122,000)

The balance at the year end owing to Barclays de Zoete Wedd Limited was £25,840 (1996: £1,416).