

EBBGATE NURSING HOMES (LONDON) LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 MARCH 1996



CLARK WHITEHILL
Chartered Accountants

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



EBBGATE NURSING HOMES (LONDON) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 MARCH 1996

CONTENTS	Page
Officers and Professional Advisers	1
Directors' Report	2
Statement of Directors' Responsibilities	3
Auditors' Report	4
Profit and Loss Account	5
Group Balance Sheet	6
Company Balance Sheet	7
Notes to the Financial Statements	8- 13

EBBGATE NURSING HOMES (LONDON) LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
FOR THE YEAR ENDED 30 MARCH 1996

DIRECTORS: Dr Narinder Dhandsa
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 30 MARCH 1996

The directors present their report and the audited financial statements for the year ending 30 March 1996.

ACTIVITIES

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

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 £184,551.

During the year construction was completed on a 40 bed nursing home in Harefield and construction continued 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.

FUTURE PROSPECTS

The Stockwell home opened in June 1996.

DIRECTORS AND THEIR INTERESTS

The directors of the company who served during the year ended 30 March 1996 were:

Narinder Dhandra
Terence Tindall
Nicholas Salisbury
Frederick Sinclair Brown

The interests of directors holding office at 30 March 1996 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



Secretary

EBBGATE NURSING HOMES (LONDON) LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 MARCH 1996

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the company'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

A member of Horwath International



AUDITORS REPORT

TO THE MEMBERS OF

EBBGATE NURSING HOMES (LONDON) LIMITED

We have audited the financial statements on pages 5 to 13 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 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.

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 30 March 1996 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Clark Whitehill
Chartered Accountants
and Registered Auditor

1 July 1996

EBBGATE NURSING HOMES (LONDON) LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 MARCH 1996

	Notes	1996 £	1995 £
TURNOVER		388,896	-
Cost of Sales		<u>337,859</u>	<u>-</u>
GROSS PROFIT		51,037	-
Administrative expenses		<u>(249,307)</u>	<u>-</u>
OPERATING LOSS	4	(198,270)	-
Other income		-	558
Interest payable		(23,507)	-
Interest receivable		<u>41,037</u>	<u>-</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(180,740)	558
Taxation		<u>-</u>	<u>-</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(180,740)	558
RETAINED PROFIT BROUGHT FORWARD		<u>558</u>	<u>-</u>
RETAINED (LOSS)/PROFIT CARRIED FORWARD		<u>(180,182)</u>	<u>558</u>

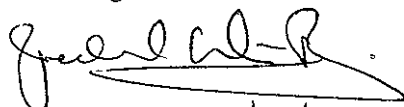
The profit and loss account contains all the gains and losses recognised in the current and preceding year and is the only movement in shareholders' funds.

The notes on pages 8 to 13 form part of these financial statements.

EBBGATE NURSING HOMES (LONDON) LIMITED
CONSOLIDATED BALANCE SHEET
AT 30 MARCH 1996

	Notes	£	30 March 1996 £	1 April 1995 £
FIXED ASSETS				
Tangible assets	5(a)	5,005,750		1,906,038
Intangible	5(b)	-		563,340
			5,005,750	2,469,378
CURRENT ASSETS				
Stock		49,340		-
Debtors	7	167,513		17,073
Cash at bank and in hand		465,373		1,621,716
		682,226		1,638,789
CREDITORS: amounts falling due within one year	8	(354,033)		(183,132)
NET CURRENT ASSETS			328,193	1,455,657
TOTAL ASSETS LESS CURRENT LIABILITIES			5,333,943	3,925,035
CREDITORS: amounts falling due after more than one year	9		(5,514,025)	(3,924,377)
NET (LIABILITIES)/ASSETS			(180,082)	658
CAPITAL AND RESERVES				
Called up share capital	10		100	100
Profit and loss account			(180,182)	558
SHAREHOLDERS' FUNDS			(180,082)	658

Approved by the Board on
and signed on its behalf:


1/7/96

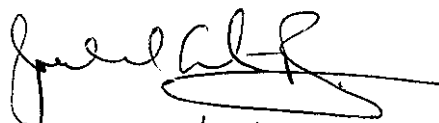
} Directors

The notes on pages 8 to 13 form part of these financial statements.

EBBGATE NURSING HOMES (LONDON) LIMITED
COMPANY BALANCE SHEET
AT 30 MARCH 1996

	Notes	£	30 March 1996 £	1 April 1995 £
FIXED ASSETS				
Tangible assets	5(c)		4,867,501	2,464,640
Investments	6		<u>1</u>	<u>1</u>
			4,867,502	2,464,641
CURRENT ASSETS				
Debtors	7	396,789		17,222
Cash at bank and in hand		<u>381,068</u>		<u>1,616,309</u>
		777,857		1,633,531
CREDITORS: amounts falling due within one year	8	<u>252,818</u>		<u>(173,695)</u>
NET CURRENT ASSETS			<u>525,039</u>	<u>1,459,836</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			5,392,541	3,924,477
CREDITORS: amounts falling due after more than one year	9		<u>(5,514,025)</u>	<u>(3,924,377)</u>
NET ASSETS			<u>(121,484)</u>	<u>100</u>
CAPITAL AND RESERVES				
Called up share capital	10		100	100
Profit and loss account	11		<u>(121,584)</u>	<u>-</u>
			<u>(121,484)</u>	<u>100</u>

Approved by the Board on
and signed on its behalf:

 } Directors
1/7/96

The notes on pages 8 to 13 form part of these financial statements.

EBBGATE NURSING HOMES (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 MARCH 1996

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) 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 director's appraisal of residual values is based on prices prevailing at the time of acquisition or subsequent valuation of these properties. It is the Group's policy to make provision in the profit and loss account in the event of a permanent diminution in property value. Having regard to this, in the opinion of the Directors, any depreciation required by the Companies Act 1985 and Statement of Standard Accounting Practice No. 12 would not be material.

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

Furniture and fittings	- 5% and 10% straight line
Motor vehicles	- 25% straight line

c) Capitalisation of Internal Costs

For new nursing homes and major extensions, the net amount of all costs and revenues up to the date of registration and opening is treated as deferred expenditure, included in prepayments and amortised over a period of five years.

d) Interest Payable

Interest on loans for construction works is capitalised until the date of registration of the home..

e) Deferred Taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for financial statements and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

f) Stocks

Stocks are stated at the lower of cost and net realisable value. Previously these items had been included under fixed assets as pooled assets comprising numerous capital items of a low individual cost. Expenditure on such assets in excess of the book value is written off in the profit and loss account in the year that it is incurred.

EBBGATE NURSING HOMES (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 MARCH 1996

1. ACCOUNTING POLICIES (CONTINUED)

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.

i) Cash Flow Statement

The company has not prepared a cash flow statement because it has taken advantage of the FRS1 exemption for small companies.

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 15 for details of transactions involving directors.

3. EMPLOYEE INFORMATION

Employee Costs (excluding directors)	1996 £	1995 £
Wages and salaries	250,964	-
Social security costs	19,630	-
Pension contributions	-	-
	<u>270,594</u>	<u>-</u>

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

	No.	No.
Nursing Homes staff	45	-
Administration	2	-
	<u>47</u>	<u>-</u>

EBBGATE NURSING HOMES (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 MARCH 1996

4. OPERATING PROFIT	1996 £	1995 £
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	13,715	-
Equipment hire	-	-
Auditors' remuneration including VAT and expenses -audit other	4,700	-
	<u>11,993</u>	<u>-</u>

5. TANGIBLE FIXED ASSETS

a) Group	Freehold Land & Buildings £	Leasehold Property £	Fixtures and Fittings £	Motor Vehicles £	Total £
Cost					
At 2 April 1995	1,906,038	-	-	-	1,906,038
Transfer from development costs	558,602	-	-	-	558,602
Additions	<u>2,082,861</u>	<u>320,000</u>	<u>140,920</u>	<u>11,044</u>	<u>2,554,825</u>
At 30 March 1996	<u>4,547,501</u>	<u>320,000</u>	<u>140,920</u>	<u>11,044</u>	<u>5,019,465</u>
Depreciation					
At 2 April 1995	-	-	-	-	-
Charge for the year	<u>-</u>	<u>-</u>	<u>11,805</u>	<u>1,910</u>	<u>13,715</u>
At 30 March 1996	<u>-</u>	<u>-</u>	<u>11,805</u>	<u>1,910</u>	<u>13,715</u>
Net Book Value					
At 30 March 1996	<u>4,547,501</u>	<u>320,000</u>	<u>129,115</u>	<u>9,134</u>	<u>5,005,750</u>
<i>At 2 April 1995</i>	<u>1,906,038</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,906,038</u>

Included in the cost of freehold land and buildings is capitalised interest of £832,922 (1995: £558,602).

b) Intangible Fixed Assets	Registration Costs £	Development Costs £	Total £
Cost			
At 2 April 1995	4,738	558,602	563,340
Transfer to prepayments and accrued income	(4,738)	-	(4,738)
Transfer to freehold land and buildings	<u>-</u>	<u>(558,602)</u>	<u>(558,602)</u>
At 30 March 1996	<u>-</u>	<u>-</u>	<u>-</u>

EBBGATE NURSING HOMES (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 MARCH 1996

c) Company	Freehold Land and Buildings £	Leasehold Property £	Development costs £	Total £
Cost				
At 2 April 1995	1,906,038	-	558,602	2,464,640
Additions	2,082,861	320,000	-	2,402,861
Transfer	558,602	-	(558,602)	-
At 30 March 1996	4,547,501	320,000	-	4,867,501
Accumulated depreciation				
At 2 April 1994	-	-	-	-
Charge for the year	-	-	-	-
30 March 1996	-	-	-	-
Net Book Value				
At 30 March 1996	4,547,501	320,000	-	4,867,501
<i>At 2 April 1995</i>	<i>1,906,038</i>		<i>558,602</i>	<i>2,464,640</i>

6. 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.

7. DEBTORS

	1996		1995	
	Group £	Company £	Group £	Company £
Trade debtors	64,514	-	-	-
Amounts due from group undertakings	-	378,337	-	149
Other debtors	15,636	15,100	17,073	17,073
Prepayments and accrued income	87,363	3,352	-	-
	167,513	396,789	17,073	17,222

EBBGATE NURSING HOMES (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 MARCH 1996

8. CREDITORS	1996		1995	
	Group £	Company £	Group £	Company £
amounts falling due within one year				
Trade creditors	231,677	192,233	4,407	-
Other creditors	88,395	41,676	5,530	500
Accruals and deferred income	33,961	18,909	173,195	173,195
	<u>354,033</u>	<u>252,818</u>	<u>183,132</u>	<u>173,695</u>

9. CREDITORS	1996		1995	
	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	5,259,025	5,259,025	3,669,377	3,669,377
	<u>5,514,025</u>	<u>5,514,025</u>	<u>3,924,377</u>	<u>3,924,377</u>

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

Between one and two years	-	-	20,687	20,687
Between two and five years	5,514,025	5,514,025	3,903,690	3,903,690
After five years	-	-	-	-
	<u>5,514,025</u>	<u>5,514,025</u>	<u>3,924,377</u>	<u>3,924,377</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(f)).

EBBGATE NURSING HOMES (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 MARCH 1996

10. CALLED UP SHARE CAPITAL	1996	1995
	£	£
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 share of £1 each	50	50
	<u>100</u>	<u>100</u>

11. COMPANY PROFIT AND LOSS ACCOUNT

The retained loss for the year of the company is £121,584 (1995: £Nil).

12. CAPITAL COMMITMENTS

The company is committed to the completion of nursing home in Stockwell, with total costs to completion of approximately £321,000.

13. 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 9 above.

14. 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.

15. TRANSACTIONS INVOLVING DIRECTORS

- a) During the year a sum of £19,933 (1995: £NIL) was paid to Associated Nursing Services plc in respect of management fees from the company.
- b) A sum of £1,633,894 (1995 £689,559) was paid to Care Haven Limited (a wholly owned subsidiary of Associated Nursing Services plc) in respect of the construction of homes at Harefield and Stockwell during the year.
- c) A sum of £122,000 was paid to Barclays de Zoete Wedd Limited in respect of a guarantee fee.