Registered Number: 2869703

Bentleigh Cross Limited
Annual report
for the year ended 31 March 2003

Bentleigh Cross Limited

Annual report
for the year ended 31 March 2003

Directors' report for the year ended 31 March 2003

The directors present their report and the audited financial statements of the company for the year ended 31 March 2003.

Principal activities

The company's principal activities are to develop integrated Close Care and Nursing Home schemes.

Review of business and future development

During the year the company completed Phase II of the Close Care project in Dorchester and sold 16 apartments. The company has sold further apartments since the year end and is actively seeking additional sites for development.

After 31 March 2003, rescheduling of existing finance and the obtaining of additional finance was required to enable the company to continue trading. This re-financing (see note 20 to the financial statements) will enable the company to continue trading as a going concern (see note 1 to the financial statements).

Results and dividends

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

The company made a profit for the financial year of £72,177 (2002: Loss £26,591). The directors do not recommend the payment of a dividend (2002: £nil).

Post balance sheet events

After the year end, the company obtained additional financing from The Royal Bank of Scotland, this additional financing available amounted to £5,900,000. Interest is calculated on this loan at 2.5% per annum above the bank's base rate. The loan expires on 30 June 2005. This replaced the finance made available to the company by The Bank of Scotland (see note 11).

The company received further funding of £2,000,000 from Carillion Holdings Limited. This financing was used to repay the bank loans and overdrafts outstanding at the year end and attracts interest at a rate of 6.25% above base rate from time to time, compounded quarterly. This loan is repayable on 13 November 2004.

Convertible loan notes amounting to £200,000 were also issued post year end, which attracts an interest rate of 7% per annum, repayable 30 April 2007.

The company also issued a further 31,491 'B' Ordinary shares for a total consideration of £113,368 after the year end.

Directors and their interests

The directors who held office during the year are given below:

P A Murley
R A Waterer
R A Coomber
A B B Canning
S J Stock
S A M Leatham
O R J Parr

The interests of the directors in the shares of the company at 31 March 2003 and at 1 April 2002 were:

	31 March 2003 Number	1 April 2002 Number
P A Murley		
- Ordinary shares	**218,056**	218,056
- 'C' ordinary shares	**63,944**	63,944
R A Waterer		
- Ordinary shares	**218,056**	218,056
- 'C' ordinary shares	**63,944**	63,944

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 24 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

On behalf of the Board

RA Waterer

Director

17 September 2004

Independent auditors' report to the members of Bentleigh Cross Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. 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 is not disclosed.

Basis of audit opinion

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

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

Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty of the timing of the company's future property sales and the ability of the company to reschedule the financing in place after the year end, if required and therefore the company's ability to continue trading as a going concern. The financial statements do not include any adjustments that would result from a failure to generate sufficient cash from trading, rescheduling of existing funding, or from raising new finance. In view of the significance of this fundamental uncertainty we feel that it should be brought to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading

20th September 2004

Profit and loss account for the year ended 31 March 2003

	Note	2003 £	2002 £
Turnover	2	**2,780,139**	1,408,960
Cost of sales		**(2,453,513)**	(1,263,234)
Gross profit		**326,626**	145,726
Administrative expenses		**(259,625)**	(243,145)
Operating profit/(loss)	5	**67,001**	(97,419)
Interest receivable and similar income		**5,176**	828
Income from shares in group undertakings		**-**	70,000
Retained profit/(loss) for the financial year	15	**72,177**	(26,591)

The results above are derived entirely from continuing operations.

The company has no recognised gains or losses other than those included in the profit / (loss) above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit / (loss) on ordinary activities before taxation and the profit / (loss) for the years stated above and their historical cost equivalents.

Balance sheet as at 31 March 2003

	Note	2003 £	2002 £
Fixed Assets			
Tangible assets	8	**14,239**	6,224
Investments	9	**45,002**	45,002
		59,241	51,226
Current assets			
Development work in progress		**4,225,226**	5,237,897
Debtors	10	**65,831**	166,940
Cash at bank and in hand		**342**	10,036
		4,291,399	5,414,873
Creditors – Amounts falling due within one year	11	**(3,012,125)**	(4,673,831)
Net current assets		**1,279,274**	741,042
Total assets less current liabilities		**1,338,515**	792,268
Creditors – Amounts falling due after more than one year	12	**(918,198)**	(684,128)
Net assets		**420,317**	108,140
Capital and reserves			
Called-up share capital	14	**97,233**	90,567
Share premium account	15	**495,352**	271,089
Profit and loss account – deficit	15	**(172,268)**	(253,516)
Equity shareholders' funds	16	**420,317**	108,140

The financial statements on pages 5 to 16 were approved by the board of directors on
and were signed on its behalf by:

Director

17/07/04

Notes to the financial statements for the year ended 31 March 2003

1 Accounting policies

These financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

Basis of accounting - Going concern

The directors have prepared projections of the company's cash flows based upon expected future trading results for the period to September 2005 and the additional finance raised since 31 March 2003. Although the timing of future property sales is necessarily uncertain and the above facilities may therefore have to be rescheduled with the support of the company's lenders or replacement finance raised, the directors are confident that the company will generate sufficient revenue to support its current finance obligations. Accordingly the directors have prepared the accounts on a going concern basis.

Group financial statements

The financial statements contain information about Bentleigh Cross Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 248 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the group it heads qualifies as a medium sized group.

Cash flow statement

The company has adopted the provisions of Financial Reporting Standard 1 (revised 1996), and has taken advantage of the exemptions for small sized companies therein. Accordingly, a cash flow statement has not been included in these financial statements.

Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition. Depreciation is provided on a straight line basis over the anticipated useful lives of the assets concerned at the following rates:

Computer Equipment	25% per annum
Office Equipment	20% per annum

Interest capitalisation

Interest is capitalised on development work in progress at the weighted average cost of the related borrowings up to the date of completion of the project.

Development work in progress

Development work in progress is stated at the lower of cost and net realisable value.

Cost is taken as the purchase price of the land plus the costs of building work. Interest charges incurred in financing the land purchase and building costs are included in work in progress.

Issue costs

The share issue costs are written off against the share premium account. The cost of issue of capital instruments are charged to the profit and loss account over the life of the instrument. A corresponding amount is subsequently transferred from the profit and loss reserve to the share premium account.

Investments

Fixed asset investments are stated at cost less provision for impairment in value.

Turnover

Turnover excludes value added tax and trade discounts.

Turnover on work in progress is recognised at the legal completion date of the sale of each individual property within the property development. A prudent estimate of the profit attributable to each property is recognised on the basis of square foot of property sold. The costs incurred to date on work in progress not yet taken to the profit and loss account, less related foreseeable losses, are shown in stocks as work in progress balances.

Pension Costs

The company makes contributions into individual employees' personal pension plans. These plans are defined contribution schemes. The pension charge in the year represents the contributions payable into these plans on an accruals basis.

Deferred taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. Deferred taxation is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date. Deferred taxation is measured on a non – discounted basis.

2 Turnover and loss on ordinary activities before taxation

The turnover and loss on ordinary activities before taxation of the company is wholly attributable to its principal activity and consists entirely of sales made in the United Kingdom.

3 Directors' emoluments

	2003	2002
	£	£
Aggregate emoluments	**126,000**	126,000
Company pension contributions to defined contribution pension scheme	**12,000**	12,000
	138,000	138,000

Retirement benefits are accruing to two (2002: 2) directors under defined contribution schemes.

4 Employee information

The average monthly number of persons (excluding non executive directors) employed by the company during the year was three (2002: 3), all of whom were employed in an administrative capacity.

5 Operating profit /(loss)

	2003	2002
	£	£
Operating profit/loss is stated after charging		
Wages and salaries	**126,000**	126,000
Social security costs	**14,145**	7,365
Other pension costs	**12,000**	12,000
Staff costs	**152,145**	145,365
Depreciation of tangible owned fixed assets	**3,717**	1,712
Auditors' remuneration:		
Audit services	**8,040**	7,500
Non-audit services	**-**	1,725

6 Interest payable and similar charges

	2003	2002
	£	£
Interest payable on overdrafts and bank loans	**181,065**	213,229
Interest payable on loan notes	**79,118**	67,228
	260,183	280,457
Interest capitalised on freehold and long leasehold developments	**(260,183)**	(280,457)
	-	-

Interest costs relating to the financing of freehold and long leasehold developments are capitalised at the weighted average cost of the related borrowings up to the date of completion of the project. Capitalised interest is included within development work in progress.

As properties within the development are sold, a share of the capitalised interest is taken to the profit and loss account. For the year ended 31 March 2003, interest of £172,958 was included within cost of sales (2002: £81,024).

7 Tax on loss on ordinary activities

There is no taxation arising on the results for the year (2002: £nil).

The tax assessed for the period is lower (2002: higher) than the small companies rate of corporation tax in the UK (19%) (2002: 20%). The differences are explained below:

	2003	2002
	£	£
Profit/(loss) on ordinary activities before tax	**72,177**	(26,591)
Profit/(loss) on ordinary activities multiplied by the small companies rate in the UK 19% (2001: 20%)	**13,714**	(5,318)
Effects of:		
Expenses not deductible for tax purposes	**1,282**	1,588
Accelerated capital allowances and other timing differences	**38,015**	343
Tax losses arising in period to be carried forward	**-**	17,387
Tax losses utilised	**(51,875)**	-
Income not taxable	**-**	(14,000)
Group relief claimed	**(1,136)**	-
Current tax charge for the year	**-**	-

The company has trading losses of £nil (2002: £273,032) available to utilise against future trading profits.

8 Tangible assets

	Computer and office equipment £
Cost	
At 1 April 2002	8,732
Additions	11,732
At 31 March 2003	**20,464**
Accumulated depreciation	
At 1 April 2002	2,508
Charge for the year	3,717
At 31 March 2003	**6,225**
Net book amount	
At 31 March 2003	**14,239**
At 31 March 2002	6,224

9 Fixed asset investment

	Interest in associated subsidiary undertaking £
Cost and net book value	
At 1 April 2002 and 31 March 2003	45,002

Associated/ subsidiary undertaking	Country of incorporation	Description of shares held	Proportion of nominal shares held	Latest reported net assets/(liabilities) £	Latest reported pre-tax profit/(loss) £
Duryard Care Limited	Great Britain	'A' Ordinary £1 shares	50%	66,846	1,986
Bentleigh Care Limited	Great Britain	'A Ordinary £1 Shares	100%	(17,055)	(16,749)

The principal activity of Duryard Care Limited was that of the operation of a care home. The principal activity of Bentleigh Care Limited was the operation and management of care homes and close care nursing.

10 Debtors

Amounts falling due within one year	2003 £	2002 £
Trade debtors	-	115,500
Amounts owed by group undertakings	**13,520**	15,150
Other debtors	**49,859**	18,000
Prepayments and accrued income	**2,452**	18,290
	65,831	166,940

11 Creditors – Amounts falling due within one year

	2003 £	2002 £
Bank loans and overdraft (Note 12)	**2,027,046**	3,428,563
Other loans	-	465,000
Trade creditors	**468,930**	488,650
Taxation and social security	-	36,256
Other creditors	**93,938**	39,938
Accruals and deferred income	**422,211**	215,424
	3,012,125	4,673,831

Included within accruals is £200,500 (2002: £50,500) in respect of directors' remuneration. The bank loans and overdraft are secured by a fixed and floating charge over the assets of the company.

12 Creditors – Amounts falling due after more than one year

	2003	2002
	£	£
Convertible loan notes due 2006 (unsecured)	**225,000**	-
Convertible loan notes due 2008 (unsecured)	**693,198**	684,128
	918,198	684,128

During the year ended 31 March 2003 convertible loan notes were issued to the value of £465,000. These convertible loan notes attract interest at 7% per annum payable six monthly on 30 April and 31 October and are repayable on 30 September 2006 however the company can repay the loan notes at anytime from 31 December 2003 to 30 September 2006. Of this issue, loan notes to the value of £240,000 were converted into 66,667 Ordinary shares on 11 December 2002.

The unsecured convertible loan notes due 2008 attract interest at 7.5% per annum payable six monthly on 31 October and 30 April. The loan notes are repayable on 1 June 2008 however, the company can repay the loan notes at anytime from 31 December 2003 to 1 June 2008. From 1 June 2005 loan note holders may convert their loans into fully paid ordinary shares at the rate of 1 ordinary share for each £1.20 of notes held. Noteholders may only convert loan notes in the periods, 1 June 2005 to 31 August 2005, 1 June 2006 to 31 August 2006, 1 June 2007 to 31 August 2007 and 1 June 2008 to 31 August 2008.

Maturity of debt

	2003	2002
	£	£
In one year or less, or on demand	**2,027,046**	3,893,563
In more than one year but no more than two years	-	-
In more than two years but no more than five year	**225,000**	-
In more than five years	**693,198**	684,128
	2,945,244	4,577,691

13 Deferred taxation

	2003 £ Provided	2003 £ Unprovided	2002 £ Provided	2002 £ Unprovided
(Accelerated capital allowances)/depreciation	**(546)**	-	-	502
Short term timing differences	**546**	**42,489**	-	-
Unutilised tax losses	-	-	-	57,387
	-	**42,489**	-	57,889

The tax asset amounting to amounting to £42,489 (2002: £57,889) has not been recognised in these accounts, as the timing of its recovery is uncertain.

14 Called-up share capital

	2003 £	2002 £
Authorised		
1,527,782 ordinary shares of £0.10 each	**152,778**	152,778
500,000 'B' ordinary shares of £0.10 each	**50,000**	50,000
127,888 'C' ordinary shares of £0.10 each	**12,789**	12,789
	215,567	215,567
Allotted, called up and fully paid		
566,667 ordinary shares of £0.10 each	**50,000**	50,000
277,778 'B' ordinary shares of £0.10 each	**34,444**	27,778
127,888 'C' ordinary shares of £0.10 each	**12,789**	12,789
	97,233	90,567

During the year, the company issued 66,667 'B' Ordinary shares of £0.10 each in order to satisfy £240,000 of convertible loan notes, converted during the year (see note 12).

The company shall first pay dividends to 'B' ordinary shareholders and ordinary shareholders pari passu as if the same constituted a single class of share but so that the holders of 'B' ordinary shares shall be entitled to 50% of the sums to be distributed and the holders of the ordinary shares shall be entitled to the balance of such sums. The holders of 'C' ordinary shares have no right to participate in any dividend paid or declared by the company.

On return of assets on liquidation or otherwise, the assets of the company available for payment to shareholders will be used firstly, to repay the holders of 'B' ordinary shares and the ordinary shares as if the same constituted a single class of share the amounts paid up or credited as paid up on such shares, secondly, to repay the holders of the 'C' ordinary shares the amounts paid up on such shares. Any remaining balance shall be distributed amongst the holders of the 'B' ordinary shares and the ordinary shares pari passu as if the same constituted a single class of share but so that the holders of the 'B' ordinary shares shall be entitled to 50% of the sums to be distributed and the holders of the ordinary shares be entitled to the balance of such sums.

The holders of ordinary shares and 'B' ordinary shares have one vote per share provided that the holders of the 'B' ordinary shares shall be entitled whatever their nominal value on a poll to cast 50% of the total votes. The holders of 'C' ordinary shares have no voting rights.

Each 'B' ordinary share shall be converted into one ordinary share of £0.10 ranking pari passu with all other ordinary shares then in issue upon the earlier of the date on which all 500,000 'B' ordinary shares of £0.10 each become issued and the date on which at least 80% of all principal sums in aggregate under loan notes that have been issued under the Convertible Loan Notes 2008 are redeemed or are converted into ordinary shares.

Holders of 'C' ordinary shares have the right to convert each share into fully paid ordinary shares ranking pari passu with all other ordinary shares from the date of conversion. This right may only be exercised if and to the extent that, first the principal sums due under the Convertible Unsecured Loan Notes 2008 are redeemed and, secondly, notice is received from all of the holders of 'C' ordinary shares at the date of the notice requesting the conversion of one 'C' ordinary share for every £6 of principal sum repaid by the company under the said Loan Note in proportion to the 'C' ordinary shares held by each such holder.

15 Reserves

	Share premium account	**Profit and loss account (deficit)**
	£	**£**
At 1 April 2002	271,089	(253,516)
Transfer from share premium account	(9,071)	9,071
Premium arising on conversion of loan notes (note 12)	233,334	-
Retained profit for the financial year	-	72,177
At 31 March 2003	**495,352**	**(172,268)**

16 Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
Opening shareholders' funds	**108,140**	134,731
Issue of equity shares on conversion of loan notes	**240,000**	-
Profit/(Loss) for the financial year	**72,177**	(26,591)
Closing shareholders' funds	**420,317**	108,140

17 Capital and other commitments

	2003	2002
	£	£
Contracts placed for future capital expenditure not provided in the financial statements	**1,183,105**	51,174

18 Related party transactions

Mr S Leatham is also a director of Celsian Consulting. During the year the company paid Celsian Consulting £11,551 (2002: £19,657) in respect of Mr Leatham's services. The sum of £5,780 was outstanding to Celsian Consulting at the year end (2002: £Nil).

During the year ended 31March 2002, a loan of £15,150 was granted to the subsidiary undertaking, Bentleigh Care Limited. Of this amount £13,520 was included within debtors at the year end (2002: £15,150).

19 Transactions with directors

Both R A Waterer and P A Murley have given personal guarantees to the company's bankers, amounting to £75,000 each, in respect of the loans and overdrafts outstanding at the year end (see note 11).

20 Post balance sheet events

After the year end, the company obtained additional financing from The Royal Bank of Scotland, this additional financing available amounted to £5,900,000. Interest is calculated on this loan at 2.5% per annum above the bank's base rate. The loan expires on 30 June 2005. This replaced the finance made available to the company by The Bank of Scotland (see note 11).

The company received further funding of £2,000,000 from Carillion Holdings Limited. This financing was used to repay the bank loans and overdrafts outstanding at the year end and attracts interest at a rate of 6.25% above base rate from time to time, compounded quarterly. This loan is repayable on 13 November 2004.

Convertible loan notes amounting to £200,000 were also issued post year end, which attracts an interest rate of 7% per annum, repayable 30 April 2007.

The company also issued a further 31,491 'B' Ordinary shares for a total consideration of £113,368 after the year end.