

Cedars Village Plc

Annual report and accounts
for the year ended 30 September 1997

Registered number: 2940626

BINDER HAMLYN

Directors and Officers

Directors

RA Brown

MEW Jackson

AFL Amhurst

WC Gair

JL Jeremy

Secretary

PJ Rand

Registered office

2 Duke Street

St James

London SW1Y 6BJ

Auditors

Binder Hamlyn

20 Old Bailey

London

EC4M 7BH

Bankers

National Westminster Bank Plc

208 Piccadilly

London

Solicitors

Amhurst, Brown and Colombotti

2 Duke Street

St James

London

SW1Y 6BJ

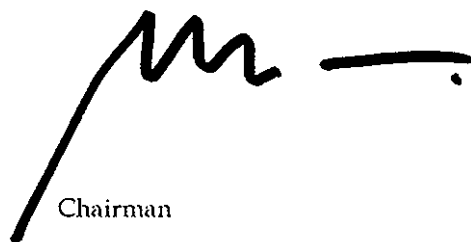
Chairman's report

For the year ended 30 September 1997

The results for the year are pleasing and reflect a significant increase in turnover as the site is completed. The company's previously encouraging sales performance continued through 1997 with sales in hand being substantially ahead of building completions. The majority of properties in Phase 2 were occupied as they were handed over by the building contractor. 51 sales were completed despite continuing delays occasioned by the building contractor which led to the determination of its contract in the Spring. Despite the inevitable disruption and employing a replacement contractor, forward sales levels were maintained and indeed increased as were sales prices. Construction of the last phase of development is progressing well and to programme with the new contractor and only a few properties remain to be sold.

The prices achieved show a profit before interest and tax of £1.2m against an operating loss last year of £76,000. However, the high level of interest payable has resulted in an overall loss of £364,000 compared to a loss of £1.5m in 1996.

The interest charged is higher than expected as the building work was not completed to schedule. The company has a claim against the contractors as a result of this, in the region of £1.4m. No account has been taken of the claim, which will be credited when an agreed sum is negotiated.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the end.

Chairman

Dated:

Directors' report

For the year ended 30 September 1997

The directors present their report and accounts for the year ended 30 September 1997 .

Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which 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. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume 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 accounts 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 and other irregularities.

Activities and business review

In 1995 the company purchased approximately 22 acres of land and a listed building, Cedars House, at Chorleywood which it is developing into a retirement village for the actively retired.

Results and state of affairs

The accounts on pages 5 to 15 set out the results for the year ended 30 September 1997 and reflect the state of the company's affairs at that date.

In accordance with Financial Reporting Standard No 5, the accounts have been drawn up on the basis that where leases have been entered into with a commitment to repurchase the property, no profit has been recognised on that sale. Full provision for the repurchase liability is made and the property is included in stock held for resale at cost. Based on current sales values, the directors' opinion is that the net realisable value of properties held for resale is approximately £5.2m.

Directors' report (continued)

Dividend

No dividend has been paid or proposed in respect of the year. The loss for the year has been deducted from reserves.

Creditor payment policy

The company ensures that suppliers are made aware of the terms of payment; and abide by the terms of payment.

Directors and their interests

The members of the board during the year and their interests in the shares of the company were as follows:

	Number of ordinary shares of £1 each 1997 and 1996
RA Brown	212,500
MEW Jackson	12,500
AFL Amhurst	-
WC Gair	25,000
JL Jeremy	-
AC Akerman (resigned 27 November 1996)	-

The directors have the following interests in debentures:

	1997 £	1996 £
MEW Jackson	12,500	12,500
WC Gair	25,000	25,000
RA Brown	25,000	25,000

No director had any shareholding interests in the 'A' ordinary shares of the company.

Auditors

The directors will place a resolution before the annual general meeting to re-appoint Binder Hamlyn as auditors for the ensuing year.

This report was approved by the Board on 29 APRIL 1998



Secretary

BINDER HAMLYN

Andersen Worldwide

20 Old Bailey
London EC4M 7BH

Auditors' report

To the shareholders of Cedars Village Plc

We have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

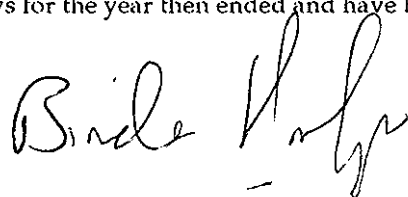
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the company's state of affairs at 30 September 1997 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors

29 April 1998

Profit and loss account

For the year ended 30 September 1997

	Notes	1997 £	1996 £
Turnover	1	6,184,440	1,824,750
Cost of sales		<u>(4,482,031)</u>	<u>(1,345,823)</u>
Gross Profit		1,702,409	478,927
Selling costs		(136,251)	(133,648)
Other operating income	2	128,217	134,017
Administrative expenses		<u>(438,448)</u>	<u>(555,549)</u>
Operating profit/(loss)	3	1,255,927	(76,253)
Interest receivable		8,253	-
Interest payable	5	<u>(1,629,000)</u>	<u>(1,391,736)</u>
(Loss) on ordinary activities before taxation		(364,820)	(1,467,989)
Tax on loss on ordinary activities	6	<u>-</u>	<u>-</u>
Loss for the year carried forward	14	<u>(364,820)</u>	<u>(1,467,989)</u>

The results shown above for this year and the previous period relate to continuing operations.

Statement of total recognised gains and losses

The company has no recognised gains or losses other than those included in the results shown above.



Balance sheet

30 September 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	7	1,367,287	1,506,718
Investments	8	-	-
		<u>1,367,287</u>	<u>1,506,718</u>
Current assets			
Stocks	9	5,429,844	8,272,346
Debtors	10	133,715	200,378
Cash at bank and in hand		200	42,017
		<u>5,563,759</u>	<u>8,514,741</u>
Creditors: amounts falling due within one year	11	<u>(3,199,456)</u>	<u>(6,315,049)</u>
Net current assets		<u>2,364,303</u>	<u>2,199,692</u>
Total assets less current liabilities		<u>3,731,590</u>	<u>3,706,410</u>
Provisions for liabilities and charges	12	<u>5,145,800</u>	<u>4,755,800</u>
Capital and reserves			
Called up share capital	13	416,666	416,666
Profit and loss account	14	<u>(1,830,876)</u>	<u>(1,466,056)</u>
Shareholders' funds (includes non-equity interests see note 16b)	15a	<u>(1,414,210)</u>	<u>(1,049,390)</u>
		<u>3,731,590</u>	<u>3,706,410</u>

The accounts on pages 5 to 15 were approved by the Board on

29 April 1998

)
) Directors

Cash flow statement

30 September 1997

	Notes	1997 £	1996 £
Net cash inflow from operating activities	16	<u>5,150,486</u>	<u>4,343,876</u>
Returns on investments and servicing of finance			
Interest received		8,253	-
Interest paid		<u>(1,629,000)</u>	<u>(1,391,736)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(1,620,747)</u>	<u>(1,391,736)</u>
Capital expenditure			
Payments to acquire tangible fixed assets		(25,477)	(1,218,797)
Receipts from sales of fixed assets		<u>115,974</u>	<u>-</u>
Net cash inflow/(outflow) from capital expenditure		<u>90,497</u>	<u>(1,218,797)</u>
Financing			
Repayment of debenture loans		(4,899,682)	(1,887,508)
New bank loans		<u>363,400</u>	<u>-</u>
Net cash outflow from financing	19	<u>(4,536,282)</u>	<u>(1,887,508)</u>
Decrease in cash in the year	18	<u>(916,046)</u>	<u>(154,165)</u>

Notes to the accounts

For the year ended 30 September 1997

1 Accounting policies

The principal accounting policies adopted by the company are as follows:

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Group accounts

Group accounts have not been prepared as the subsidiary undertaking is immaterial. The subsidiary company acts as a collecting agent, paying out the majority of receipts, therefore generating insignificant profits. The accounts thus present information about the company only.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation

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

Plant and equipment	- 20% straight line
Fixtures, fittings and office equipment	- 10% straight line
Freehold land and buildings	- 3 1/3% straight line

Stocks

Stocks and work in progress are shown at the lower of cost and net realisable value. Cost includes all direct expenditure, an appropriate proportion of attributable overheads and a proportion of interest capitalised on borrowings drawn to finance development work.

Deferred taxation

Provision is made at the rate at which it is expected to be paid for taxation deferred by accelerated capital allowances and other timing differences to the extent that it is likely to become payable in the foreseeable future.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis.

Notes to the accounts (continued)

1 Accounting policies (continued)

Property sales

The company sells properties under two types of leases. The first ('old leases') obliges the company to repurchase the properties at the prices at which they were sold, either on the death or departure of the purchasers and on receiving three months notice. Upon fulfilling its future obligation to purchase properties in accordance with these agreements, the title to the properties concerned would revert to the company, and would then be available for resale in the company's normal course of business.

Under FRS5, "Reporting the substance of transactions", these are not recognised as sales as most of the risks and rewards are borne by the company. Consequently, these properties remain in stock at historical cost and provision for repurchase is created. During the year the company sold properties to a value of £390,000 (1996: £4,985,800) under this type of lease.

The second type of lease ('new leases') transfers the risks and rewards of ownership and therefore sales of such leases are treated as sales and the relevant income and cost of sales are taken to the profit and loss account.

2 Other operating income

	1997	1996
	£	£
Profit on sale of fixed assets	21,096	-
Sale of surplus land	-	19,000
Other income	107,121	115,017
	<u>128,217</u>	<u>134,017</u>

3 Operating profit/ (loss)

Operating (loss)/profit is stated after charging:	1997	1996
	£	£
Auditors' remuneration	10,000	5,270
Depreciation	70,030	71,497
Staff costs (note 4)	21,771	43,531
Operating lease rentals	<u>400</u>	<u>400</u>

Fees paid to the auditors in respect of non-audit work amounted to £4,050 (1996: £8,500).

Notes to the accounts (continued)

4 Staff costs

Staff costs comprise:

	1997	1996
	£	£
Wages and salaries	21,367	43,495
Social security costs	404	36
	<u>21,771</u>	<u>43,531</u>

Employees

The average number of employees during the year, including directors, was 6 (1996: 6).

Directors' emoluments

Amounts paid in respect of services to the company,
including consultancy fees of £72,000 (1996: £92,000)

<u>90,400</u>	<u>109,800</u>
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5 Interest payable

Interest on debentures	1,188,000	1,391,000
Bank interest	282,000	619
Other interest	<u>159,000</u>	<u>117</u>
	<u>1,629,000</u>	<u>1,391,736</u>

6 Tax on loss on ordinary activities

Losses available to carry forward and offset against future taxable profits amounted to £335,000 (1996: £235,000).

Notes to the accounts (continued)

7 Tangible fixed assets

	Administration and amenity buildings £	Plant and equipment £	Fixtures, fittings and equipment £	Total £
Cost				
1 October 1996	1,387,000	61,432	129,783	1,578,215
Disposals in year	(97,570)	(1,623)	-	(99,193)
Additions	-	1,882	23,595	25,477
30 September 1997	<u>1,289,430</u>	<u>61,691</u>	<u>153,378</u>	<u>1,504,499</u>
Depreciation				
1 October 1996	46,233	12,286	12,978	71,497
Disposals in year	(3,666)	(649)	-	(4,315)
Charge for the year	42,524	12,338	15,168	70,030
30 September 1997	<u>85,091</u>	<u>23,975</u>	<u>28,146</u>	<u>137,212</u>
Net book value				
30 September 1997	<u>1,204,339</u>	<u>37,716</u>	<u>125,232</u>	<u>1,367,287</u>
30 September 1996	<u>1,340,767</u>	<u>49,146</u>	<u>116,805</u>	<u>1,506,718</u>

8 Investments

The company has interests in two nil paid shares in Cedars Village Management Limited, a company registered in England and Wales, being all of the issued capital of that company.

9 Stocks

	1997 £	1996 £
Work in progress	1,617,966	4,846,346
Stock held for resale	<u>3,811,878</u>	<u>3,426,000</u>
	<u>5,429,844</u>	<u>8,272,346</u>

Work in progress includes interest and associated finance costs capitalised of £nil (1996: £124,122).

Based on current sales values, the directors' opinion is that the net realisable value of properties held for resale is approximately £5.2m.

10 Debtors

Other debtors	<u>133,715</u>	<u>200,378</u>
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Notes to the accounts (continued)

11 Creditors: amounts falling due within one year

	1997	1996
	£	£
Debenture loans	483,334	5,383,016
Bank loans and overdrafts	1,237,629	-
Payments received on account	4,500	-
Trade creditors	1,133,854	596,025
Other taxation and social security	20,196	24,360
Accruals and deferred income	291,271	274,056
Other creditors	28,672	37,592
	<u>3,199,456</u>	<u>6,315,049</u>

The debenture loans, bank loans and overdraft are secured by means of fixed and floating charges over all the assets of the company.

Within trade creditors is an amount of £1.1m owed to the original contractors for the building work of Cedars Village. Due to the unsatisfactory performance of the contractors, Cedars Village are claiming against them for excess of this sum and, having taken Counsel's opinion, are confident of a favourable outcome.

12 Provisions for liabilities and charges

	Repurchase provision £
30 September 1996	4,755,800
Increase during the year	<u>390,000</u>
30 September 1997	<u>5,145,800</u>

The repurchase provision represents the obligation of the company to repurchase properties sold under old leases at the price at which they were bought by the purchaser upon the terms described in note 1.

Notes to the accounts (continued)

13 Called up share capital

	1997	1996
	£	£
Authorised, issued and fully paid:		
250,000 ordinary shares of £1 each	250,000	250,000
166,666 'A' ordinary shares of £1 each	<u>166,666</u>	<u>166,666</u>
	<u>416,666</u>	<u>416,666</u>

Non-equity shareholders' funds relate entirely to the 'A' ordinary shares which have a preferential right to receive a dividend equal to 8.92% (1996: 8.92%) of the adjusted net profit before taxation. The ordinary shares then qualify for an equal dividend. For any further dividends both classes of share rank equally. Upon a return of capital the 'A' ordinary shares carry preferential rights to an amount of £1 per share plus arrears of dividends to date. No dividends are payable until 1 January 1998. Both classes of share carry equal voting rights.

14 Reserves

	Profit and loss account £
30 September 1996	(1,466,056)
Loss for the year	<u>(364,820)</u>
30 September 1997	<u>(1,830,876)</u>

15 Shareholders' Funds

a) Reconciliation of movements in shareholders' funds

	1997	1996
	£	£
Loss for the year	(364,820)	(1,467,989)
Opening shareholders' funds	<u>(1,049,390)</u>	<u>418,599</u>
Closing shareholders' funds	<u>(1,414,210)</u>	<u>(1,049,390)</u>

b) Analysis of shareholders' funds

Equity interests - £1 ordinary shares	(1,580,876)	(1,216,056)
Non-equity interests - £1 'A' ordinary shares	<u>166,666</u>	<u>166,666</u>
	<u>(1,414,210)</u>	<u>(1,049,390)</u>

Notes to the accounts (continued)

16 Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	1997	1996
	£	£
Operating profit/(loss)	1,255,927	(76,253)
Profit on disposal of fixed assets	(21,096)	-
Depreciation charges	70,030	71,497
Decrease/(increase) in stocks	2,842,502	(273,128)
Decrease/(increase) in debtors	66,663	(130,074)
Increase/(decrease) in creditors	546,460	(3,966)
Receipts from granting lease (note 1)	390,000	4,755,800
Net cash inflow from operating activities	5,150,486	4,343,876

17 Reconciliation of net cash flow to movement in net debt

	£
Decrease in cash in the period	(916,046)
Cash used to repurchase debenture	4,899,682
New loans	(363,400)
Change in net debt	3,620,236
Net debt at 1 October 1996	(5,340,999)
Net debt at 30 September 1997	(1,720,763)

18 Analysis of changes in net debt

	At 1 October 1996	Cash flow	At 30 September 1997
	£	£	£
Cash at bank and in hand	42,017	(41,817)	200
Bank overdrafts	-	(874,229)	(874,229)
		(916,046)	
New loans	-	(363,400)	(363,400)
Debt due within 1 year	(5,383,016)	4,899,682	(483,334)
Total	(5,340,999)	3,620,236	(1,720,763)

Notes to the accounts (continued)

19 Directors' interests in transactions

- a) Elderstreet Investments Limited, a company in which Mr Jackson has a material interest, received fees during the year for financial advice rendered to the company, in the ordinary course of business amounting to £nil (1996: £2,000).
- b) Amhurst Brown Colombotti, a partnership in which Mr Amhurst is a partner, received fees during the year for legal services rendered to the company, in the ordinary course of business, amounting to £46,239 (1996: £42,084).
- c) Retirement Village Contracts Limited, a company in which Mr Brown has a material interest, received fees during the year for general consultancy services rendered to the company, in the ordinary course of business, amounting to £46,898 (1996: £35,302).

20 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Equipment 1997 and 1996
	£
Lease expiring between two and five years	<u>400</u>

21 Capital commitments

At 30 September 1997 the company had contracted for capital expenditure of approximately £ nil (1996: £nil).

22 Contingencies

There are contingent liabilities in respect of guarantees entered into in the normal course of business.