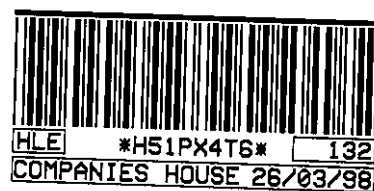


Speciality Care (Rest Homes) Limited

Directors' report and financial statements

30 June 1997

Registered number 3010116



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the auditors to the members of Speciality Care (Rest Homes) Limited	4
Profit and loss account	5
Reconciliation of movements in shareholders' funds	5
Balance sheet	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 1997.

Principal activities and business review

The principal activities of the company during the year were the provision of nursing and residential home facilities for the care of elderly frail, mental handicap and learning disability clients.

The results for the year can be seen in the profit and loss account on page 5.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

TF Nicholson
DG Cormack (resigned 17 December 1997)
AL Robinson
DM Hunter (appointed 3 February 1997, resigned 16 December 1997)
DM Harte (resigned 3 February 1997)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company at 30 June 1997. Their interests in the shares of the company's parent company, Speciality Care PLC, are disclosed in the financial statements of that company.

Directors' report

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company, is to be proposed at the forthcoming Annual General Meeting.

By order of the board



TF Nicholson

Director

Hamilton House
1 Temple Avenue
LONDON
EC4Y 0HA

25 February 1998

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 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; and
- prepare the financial statements 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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Peat House
1 Commercial Street
Forster Square
Bradford
BD1 4AS

Report of the auditors to the members of Speciality Care (Rest Homes) Limited

We have audited the financial statements on pages 5 to 11.

Respective responsibilities of directors and auditors

As described 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 information in the financial statements.

Opinion

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

A handwritten signature in dark ink, appearing to read 'KPMG'.

KPMG

25 February 1998

*Chartered Accountants
Registered Auditors*

Profit and loss account

for the year ended 30 June 1997

	Note	1997 £	Discontinued activities 1996 £
Turnover	1	228,815	354,444
Cost of sales		(184,055)	(219,610)
		<hr/>	<hr/>
Gross profit		44,760	134,834
Administrative expenses		(258,635)	(34,873)
		<hr/>	<hr/>
Operating loss		(213,875)	99,961
Interest payable and similar charges	5	-	(107,456)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	2-4	(213,875)	(7,495)
Tax on loss on ordinary activities	6	93,065	8,902
		<hr/>	<hr/>
(Loss)/profit for the financial year		(120,810)	1,407
		<hr/>	<hr/>

There were no recognised gains or losses other than the (loss)/profit for the year.

All of the turnover and operating loss for the year ended 30 June 1997 relates to continuing operations that were acquired during the year. The turnover and operating profit for the year ended 30 June 1996 relates to discontinued activities.

Reconciliation of movements in shareholders' funds

for the year ended 30 June 1997

	1997 £	1996 £
(Loss)/profit for the financial year	(120,810)	1,407
New share capital subscribed	-	2
	<hr/>	<hr/>
Net (reduction in)/addition to shareholders' funds	(120,810)	1,409
Opening shareholders' funds	1,409	-
	<hr/>	<hr/>
Closing shareholders' funds	(119,401)	1,409
	<hr/>	<hr/>

Balance sheet

at 30 June 1997

	Note	1997	1996
		£	£
Fixed assets			
Tangible assets	7	15,349	40,625
Current assets			
Stock	8	253	-
Debtors	9	12,942	-
Cash at bank and in hand		8,021	-
		<u>21,216</u>	<u>-</u>
Creditors: amounts falling due within one year	10	<u>(155,966)</u>	<u>(39,216)</u>
Net current liabilities		<u>(134,750)</u>	<u>(39,216)</u>
Net (liabilities)/assets		<u>(119,401)</u>	<u>1,409</u>
Capital and reserves			
Called up equity share capital	11	2	2
Profit and loss account	12	(119,403)	1,407
Shareholders' funds - equity		<u>(119,401)</u>	<u>1,409</u>

These financial statements were approved by the board of directors on 25 February 1998 and were signed on its behalf by:



TF Nicholson

Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, modified to include the revaluation of certain land and freehold property. The company's ultimate parent company, Speciality Care PLC, has confirmed its policy of providing financial support to the company and on the strength of this assurance the financial statements have been prepared on a going concern basis.

The company is exempt from the requirement of Financial Reporting Standard No.1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Speciality Care PLC and its cash flows are included within the consolidated cash flow statement of that company.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	Nil% per annum
Plant, equipment and motor vehicles	-	15% per annum to 33.33% per annum

No depreciation is provided on freehold property on the basis that the directors consider it essential to maintain the buildings to such a standard that their residual values are at least equal to their book value.

Goodwill

Goodwill relating to a business purchased by the company, is amortised over the directors' estimate of its useful life.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes (continued)

Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services during the year. Turnover is attributed to the provision of nursing and residential home facilities for the care of the elderly frail, mental handicap, and learning disability clients.

2 Profit/(loss) on ordinary activities before taxation

	1997 £	1996 £
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration	-	-
Depreciation and other amounts written off tangible fixed assets:		
Owned	1,660	2,847
Hire of other assets - operating leases	37,563	-
	<hr/>	<hr/>

The auditors' remuneration is discharged by Speciality Care PLC, the parent company.

3 Remuneration of directors

	1997 £	1996 £
Directors' emoluments:		
As directors	-	-
	<hr/>	<hr/>

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	Number of employees	
	1997	1996
Health care (including part time employees)	26	19
Directors	5	3
	<hr/>	<hr/>
	31	22
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1997	1996
	£	£
Wages and salaries	163,222	193,997
Social security costs	9,706	8,943
	<hr/>	<hr/>
	172,928	202,940
	<hr/>	<hr/>

5 Interest payable and similar charges

	1997	1996
	£	£
On bank loans, overdrafts and other loans wholly repayable within five years	-	107,456
	<hr/>	<hr/>

6 Taxation

	1997	1996
	£	£
Group relief receivable at 32 ¹ / ₂ % (1996 : 33%) - current year	(10,690)	(8,902)
Group relief receivable at 32 ¹ / ₂ % - prior year	(82,375)	-
	<hr/>	<hr/>
	(93,065)	(8,902)
	<hr/>	<hr/>

Notes (continued)

7 Tangible fixed assets

	Land and buildings £	Plant and equipment £	Development costs £	Total £
Cost				
At beginning of year	-	-	40,625	40,625
Additions	1,763	15,246	-	17,009
Transfers to fellow subsidiary undertaking	-	-	(23,000)	(23,000)
Disposals	-	-	(17,625)	(17,625)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1997	1,763	15,246	-	17,009
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
Charge for and at end of year	-	1,660	-	1,660
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
30 June 1997	1,763	13,586	-	15,349
	<hr/>	<hr/>	<hr/>	<hr/>
30 June 1996	-	-	40,625	40,625
	<hr/>	<hr/>	<hr/>	<hr/>

8 Stock

	1997 £	1996 £
Raw materials and consumables	253	-
	<hr/>	<hr/>

9 Debtors

	1997 £	1996 £
Trade debtors	10,700	-
Prepayments and accrued income	2,242	-
	<hr/>	<hr/>
	12,942	-
	<hr/>	<hr/>

Notes (continued)

10 Creditors: amounts falling due within one year

	1997 £	1996 £
Trade creditors	12,074	-
Amounts due to group undertakings	130,491	39,216
Other creditors	2,772	-
Accruals and deferred income	10,629	-
	<hr/> 155,966	<hr/> 39,216

11 Called up share capital

	1997 £	1996 £
<i>Authorised</i>		
Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	2	2
	<hr/>	<hr/>

12 Reserves

	Profit and loss account £
At beginning of year	1,407
Loss for the year	(120,810)
	<hr/>
At end of year	(119,403)
	<hr/>

13 Contingent liabilities

The company has entered into a cross guarantee with its bankers and Speciality Care PLC and other subsidiary undertakings. The contingent liability at 30 June 1997 was £1,102,532.

14 Ultimate parent company

Speciality Care PLC is the ultimate parent company, a company registered in England and Wales.