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YORKSHIRE CARE GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS
30 JULY 1998



YORKSHIRE CARE GROUP LIMITED

YEAR ENDED 30 JULY 1998

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COMPANY INFORMATION

DIRECTORS

R A Summarsell (Managing)
Sir N H P Bacon, Bt
Dr S Arasu

SECRETARY

R A Summarsell

REGISTERED OFFICE

Sovereign House
6 Windsor Court
Clarence Drive
Harrogate
HG1 2PE

REGISTERED NUMBER

3016902

REGISTERED AUDITORS

Saffery Champness
Sovereign House
6 Windsor Court
Clarence Drive
Harrogate
HG1 2PE

BANKERS

The British Linen Bank Limited
19/21 Spring Gardens
Manchester
M2 1EB

Yorkshire Bank Plc
14 Broadway
Bradford
West Yorkshire
BD1 1EZ

SOLICITORS

Dunn Connell
49 Hustlergate
Bradford
West Yorkshire
BD1 1PG

DIRECTORS' REPORT

The directors submit their report and the financial statements of Yorkshire Care Group Limited for the year ended 30 July 1998.

RESULTS AND DIVIDENDS

The profit for the year was £209,495.

The directors do not recommend the payment of a final dividend for this year.

REVIEW OF THE BUSINESS

The principal activity of the company during the year was the operation of nursing homes.

The directors are satisfied with the performance of the company to date and hope to build on this in the future.

DIRECTORS

The directors who have held office since 31 July 1997 are shown on page 1.

DIRECTORS AND THEIR INTERESTS

The directors of the company who have held office since 31 July 1997 had the following interests in the shares of the Yorkshire Care Group Limited:

	<u>Ordinary shares of £1 each</u>	
	<u>30 July 1998</u>	<u>31 July 1997</u>
Sir N H P Bacon, Bt	525,000	525,000
R A Summarsell	525,000	525,000
Dr S Arasu	525,000	525,000

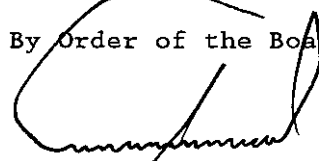
YEAR 2000

The directors have considered the potential implications concerning the company in respect of the year 2000 date change, and are of the opinion that this will have no significant impact on the ability of the company to continue to operate.

AUDITORS

A resolution to confirm the re-appointment of Saffery Champness will be put to the members at the forthcoming annual general meeting.

By Order of the Board



R A Summarsell
Secretary

14 December 1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the Report of the Auditors set out on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

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 period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent;
- 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 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.

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 19.

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 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 affairs of the company as at 30 July 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



SAFFERY CHAMPNESS
Chartered Accountants
Registered Auditors

14 December 1998

YORKSHIRE CARE GROUP LIMITED

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PROFIT AND LOSS ACCOUNT
for the year ended 30 July 1998

		1998	1997
	Notes		
TURNOVER	1	1,845,499	1,769,227
COST OF SALES		<u>1,151,548</u>	<u>1,078,766</u>
GROSS PROFIT		693,951	690,461
Other operating expenses (net)	2	<u>309,636</u>	<u>459,825</u>
OPERATING PROFIT		384,315	230,636
Interest receivable	3	7,914	8,693
Interest payable	4	<u>(164,234)</u>	<u>(74,151)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	227,995	165,178
Taxation	8	<u>(18,500)</u>	<u>(41,280)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	18	<u><u>£209,495</u></u>	<u><u>£123,898</u></u>

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

The profit for the period is derived wholly from continuing operations within the meaning of Financial Reporting Standard No 3.

The notes on pages 10 to 19 form part of these financial statements.

YORKSHIRE CARE GROUP LIMITED

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BALANCE SHEET
30 July 1998

	Notes	1998	1997
FIXED ASSETS			
Intangible assets	9	33,844	35,835
Tangible assets	10	3,546,669	3,608,906
Investments	11	-	-
		<u>3,580,513</u>	<u>3,644,741</u>
CURRENT ASSETS			
Stocks	12	2,337	2,272
Debtors	13	263,770	94,705
Cash at bank and in hand		164,392	138,914
		<u>430,499</u>	<u>235,891</u>
CREDITORS:-			
Amounts falling due within one year	14	457,729	717,385
NET CURRENT (LIABILITIES)		<u>(27,230)</u>	<u>(481,494)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,553,283</u>	<u>3,163,247</u>
CREDITORS:-			
Amounts falling due after more than one year	15	(1,500,250)	(1,353,709)
PROVISION FOR LIABILITIES AND CHARGES	16	(54,868)	(20,868)
		<u>£1,998,165</u>	<u>£1,788,670</u>
CAPITAL AND RESERVES			
Called up share capital	17	1,575,000	1,575,000
Profit and loss account	18	423,165	213,670
SHAREHOLDERS' FUNDS	19	<u>£1,998,165</u>	<u>£1,788,670</u>

The notes on pages 10 to 19 form part of these financial statements.

Approved by the board on 14 December 1998

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R A Summarsell

Sir N H P Bacon, Bt

Dr S Arasu

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CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JULY 1998

	Notes	1998	1997
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	20	(198,330)	818,723
Returns on investments and servicing of finance	21	(156,320)	(65,458)
Taxation		(14,000)	(26,512)
Capital revenue/(expenditure)	21	142,524	(1,290,664)
		<u>(226,126)</u>	<u>(563,911)</u>
Equity dividends paid		-	-
NET CASH OUTFLOW		<u>(226,126)</u>	<u>(563,911)</u>
Financing received	21	251,604	621,690
INCREASE IN CASH	22	<u>£25,478</u>	<u>£57,779</u>
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		25,478	57,779
Cash received from bank loan	22	(251,793)	(624,957)
Change in net debt	22	(226,315)	(567,178)
Net debt at 31 July 1997		<u>(1,286,043)</u>	<u>(718,865)</u>
Net debt at 30 July 1998	22	<u>£(1,512,358)</u>	<u>£(1,286,043)</u>

The notes on pages 10 to 19 form part of these financial statements.

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

INTANGIBLE FIXED ASSETS

Purchased goodwill is written off on a straight line basis over its estimated useful economic life which is considered to be 20 years.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are capitalised at cost including interest incurred in financing the cost of new buildings during construction.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold land and buildings	- Nil%
Fixtures and equipment	- 15% per annum straight line
Motor vehicles	- 25% per annum straight line

Because of the nature of the company's activities the directors consider that it is essential to maintain the buildings to such a standard that their residual values are at least equal to their book value and that consequently there is no charge for depreciation in the accounts.

STOCKS

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

DEFERRED TAXATION

Taxation deferred or accelerated by the effect of timing differences is accounted for to the extent that it is probable that a liability will crystallise in the foreseeable future.

PENSION COSTS

The company operates a pension scheme for its directors, the assets of which are held separately from the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over the directors working lives with the company.

ACCOUNTING POLICIES (Continued)

LEASES AND HIRE PURCHASE CONTRACTS

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The corresponding leasing or contract commitment is shown under creditors as obligations under finance leases and hire purchase contracts. Payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account under the annuity method. Finance leases are leasing agreements that give rights approximating to ownership.

Depreciation on the relevant assets is charged to the profit and loss account.

All other leases are 'operating leases' and the annual rentals are charged to the profit and loss on a straight line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 July 1998

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover represents the invoiced amounts of services provided.

	1998	1997
2 OTHER OPERATING EXPENSES (NET)		
Administration expenses	503,606	517,505
Other operating income	(193,970)	(57,680)
	<u>£309,636</u>	<u>£459,825</u>
3 INVESTMENT INCOME		
Bank interest receivable	<u>£7,914</u>	<u>£8,693</u>
4 INTEREST PAYABLE AND INVESTMENT EXPENSE		
Amounts written off investments	<u>£-</u>	<u>£1,000</u>
Interest payable and similar charges on:		
Bank overdraft	102	4
Bank Loans	164,029	73,919
On hire purchase contracts	103	228
	<u>£164,234</u>	<u>£74,151</u>
5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of, and amounts written off, assets:		
Charge for the period		
- owned assets	£66,925	£47,922
- assets held under hire purchase contracts	£-	£1,785
Amortisation of goodwill	£1,991	£1,991
(Profit)/Loss on disposal of fixed assets	£(497)	£989
Directors' remuneration	£76,854	£96,127
Auditors' remuneration - audit work	£7,603	£6,300
- non audit work	<u>£9,768</u>	<u>£6,796</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 July 1998

	1998	1997
6 EMPLOYEES		
The average monthly number of persons (including directors) employed by the company during the period was:	Number	Number
Administration including directors	7	7
Nursing and domestic	117	122
	<u>124</u>	<u>129</u>
Staff costs (for the above persons)		
Wages and salaries	1,023,316	1,019,605
Social security costs	74,008	73,525
Other pension costs	25,000	41,400
	<u>£1,122,324</u>	<u>£1,134,530</u>
7 DIRECTORS' REMUNERATION		
Directors' emoluments (including benefits in kind)	51,854	54,727
Contributions to the pension scheme	25,000	41,400
	<u>£76,854</u>	<u>£96,127</u>
The number of directors in the pension scheme	<u>3</u>	<u>3</u>
8 TAXATION		
UK Corporation tax at 21% (1997 - 23.9%) on the profit for the year:		
Current	2,500	25,500
Deferred	34,000	9,368
Payment for group relief	-	14,600
Adjustment in respect of prior years	(18,000)	(8,188)
	<u>£18,500</u>	<u>£41,280</u>

The taxation charge for the year has been reduced by approximately £30,000 in respect of chargeable gains arising on the disposal of freehold properties which have been rolled over against other property additions.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 July 1998

9 INTANGIBLE FIXED ASSETS

	Purchased Goodwill
Cost:	
At 31 July 1997	39,817
At 30 July 1998	39,817
Amortisation:	
At 31 July 1997	3,982
Provided during period	1,991
At 30 July 1998	5,973
Net book value	
At 30 July 1998	£33,844
At 30 July 1997	£35,835

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 July 1998

10 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Buildings Under Construction	Freehold Reversionary Interests
Cost:			
31 July 1997	2,838,280	464,408	7
Additions	29,100	170,000	7
Reclassifications	634,408	(634,408)	-
Disposals	(279,401)	-	-
30 July 1998	3,222,387	-	14
Depreciation:			
31 July 1997	-	-	-
Eliminated in respect of disposals	-	-	-
30 July 1998	-	-	-
Net book value 30 July 1998	£3,222,387	£-	£14
Net book value 30 July 1997	£2,838,280	£464,408	£7
	Fixtures and equipment	Motor vehicles	Total
Cost:			
31 July 1997	358,616	20,521	3,681,832
Additions	84,880	4,500	288,487
Reclassifications	-	-	-
Disposals	(850)	(9,827)	(290,078)
30 July 1998	442,646	15,194	3,680,241
Depreciation:			
31 July 1997	66,790	6,136	72,926
Charge for the year	61,920	5,005	66,925
Eliminated in respect of disposals	(149)	(6,130)	(6,279)
30 July 1998	128,561	5,011	133,572
Net book value 30 July 1998	£314,085	£10,183	£3,546,669
Net book value 30 July 1997	£291,826	£14,385	£3,608,906

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 July 1998

	1998	1997
11 FIXED ASSET INVESTMENTS		
Subsidiary undertakings:-		
31 July 1997	1,000	-
Additions	-	1,000
30 July 1998	1,000	1,000
Provision for diminution in value		
31 July 1997	(1,000)	-
Provided in the period	-	(1,000)
30 July 1998	£-	£-

At 30 July 1998 the company held 100% of the equity of the following company:-

Yorkshire Care
Developments Limited

Country of incorporation	England
Holding	Ordinary shares
Nature of business	Construction services
Turnover	£589,536
Capital and reserves	£(96,130)
Result for the year	£122,977

12 STOCKS

Consumables	£2,337	£2,272
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13 DEBTORS

Due within one year:

Trade debtors	72,382	73,645
Amounts owed by group undertakings	170,457	-
Other debtors	-	3,998
Corporation tax repayable	6,500	-
Prepayments and accrued income	14,431	17,062
	£263,770	£94,705

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 July 1998

14 CREDITORS	1998	1997
Amounts falling due within one year:		
Current instalments due on loans (note 15)	176,500	71,248
Trade creditors	43,093	54,232
Amounts owed to group undertakings	-	448,453
Corporation tax	2,500	25,500
Other taxation and social security costs	19,575	21,053
Other creditors	140,414	17,833
Obligations under hire purchase	-	189
Accruals and deferred income	75,647	78,877
	<u>£457,729</u>	<u>£717,385</u>

15 CREDITORS

Amounts falling due after more than one year:

Secured bank loan	1,676,750	1,424,957
	<u>1,676,750</u>	<u>1,424,957</u>
Amounts falling due within one year (note 14)	(176,500)	(71,248)
	<u>£1,500,250</u>	<u>£1,353,709</u>

	Secured Bank Loans	Total	Total
Repayable in 1 year	176,500	176,500	71,248
Between 1 & 2 years	176,500	176,500	142,496
Between 2 & 5 years	529,500	529,500	427,487
After 5 years	794,250	794,250	783,726
	<u>£1,676,750</u>	<u>£1,676,750</u>	<u>£1,424,957</u>

The bank loan is secured by a legal charge over the company's Freehold land and buildings and by a fixed and floating charge on all the assets of the company.

Interest is payable on loans repayable after more than one year at 1.625% above LIBOR and MLA, except that £1,000,000 of the debt is on a fixed base rate of 7.6%. Repayments are made in forty equal quarterly instalments of £44,125, the loan having reached the agreed facility for tranches 1 and 2 of £1,765,000. Repayments commenced in March 1998.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 July 1998

16 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability, are as follows:

	Amount provided		Amount unprovided	
	1998	1997	1998	1997
Accelerated capital allowances	54,868	20,868	-	-
Capital gains rolled over (See below)	-	-	30,000	-
	<u>£54,868</u>	<u>£20,868</u>	<u>£30,000</u>	<u>£-</u>

The movement on the provision for deferred taxation is as follows:

At 31 July 1997	20,868	11,500
Transfer from profit and loss account (Note 8)	34,000	9,368
At 30 July 1998	<u>£54,868</u>	<u>£20,868</u>

Capital gains arising have been rolled over against expenditure on other property additions. There is no intention to dispose of this property in the foreseeable future and hence no provision has been made in respect of the potential liability thereon.

17 SHARE CAPITAL

Authorised:

Ordinary shares of £1 each	1,600,000	1,600,000
	<u>£1,600,000</u>	<u>£1,600,000</u>

Allotted, called up and fully paid:

Ordinary shares of £1 each	1,575,000	1,575,000
	<u>£1,575,000</u>	<u>£1,575,000</u>

YORKSHIRE CARE GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 July 1998

	1998	1997
18 RESERVES		
PROFIT AND LOSS ACCOUNT		
At 31 July 1997	213,670	89,772
Retained profit for the year	209,495	123,898
At 30 July 1998	<u>£423,165</u>	<u>£213,670</u>
19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Profit for the financial year	209,495	123,898
Opening shareholders' funds	<u>1,788,670</u>	<u>1,664,772</u>
Closing shareholders' funds	<u>£1,998,165</u>	<u>£1,788,670</u>
20 NET CASHFLOW FROM OPERATING ACTIVITIES		
Operating Profit	384,315	230,636
Depreciation of tangible fixed assets	66,925	49,707
Amounts written off investments	-	1,000
Amortisation of intangible fixed assets	1,991	1,991
(Profit) on sale of tangible fixed assets	(147,212)	(14,641)
(Increase)/decrease in stocks	(65)	348
(Increase)/decrease in debtors	(162,565)	36,936
(Decrease)/increase in creditors	(341,719)	512,746
Net cash flow from operating activities	<u>£(198,330)</u>	<u>£818,723</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 July 1998

21 GROSS CASH FLOWS

	1998	1997
Returns on investments and servicing of finance		
Interest received	7,914	8,693
Interest paid	(164,234)	(74,151)
	<u>£(156,320)</u>	<u>£(65,458)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(288,487)	(1,353,929)
Receipts from sales of tangible fixed assets	431,011	64,265
Payments to acquire fixed asset investments	-	(1,000)
	<u>£142,524</u>	<u>£(1,290,664)</u>
Financing		
Payments in respect of hire purchase contracts	(189)	(3,267)
Addition to bank loan	251,793	624,957
	<u>£251,604</u>	<u>£621,690</u>

22 ANALYSIS OF CHANGES IN NET DEBT

	At 30 July 1997	Cash Flows	At 30 July 1998
Cash at bank and in hand	138,914	25,478	164,392
	<u>138,914</u>	<u>25,478</u>	<u>164,392</u>
Debt due within one year	(71,248)	(105,252)	(176,500)
Debt due after one year	(1,353,709)	(146,541)	(1,500,250)
	<u>£(1,286,043)</u>	<u>£(226,315)</u>	<u>£(1,512,358)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 July 1998

23 TRANSACTIONS WITH DIRECTORS

During the period the company paid administration charges and rent totalling £6,167 (1997 - £5,951) on normal trading terms to Gilt Finance and Leasing Limited a company in which Mr R A Summarsell is also a director.