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YORKSHIRE CARE GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS
30 JULY 1997



YORKSHIRE CARE GROUP LIMITED

YEAR ENDED 30 JULY 1997

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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 1997.

RESULTS AND DIVIDENDS

The profit for the year was £123,898.

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.

During the year, the company acquired the whole of the issued share capital of Yorkshire Care Developments Limited, a company which provides construction services.

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 1996 are shown on page 1.

DIRECTORS AND THEIR INTERESTS

The directors of the company who have held office since 31 July 1996 had the following interests in the shares of the Yorkshire Care Group Limited:

	<u>Ordinary shares of £1 each</u>	
	<u>30 July 1997</u>	<u>31 July 1996</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

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

6 January 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 1997 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

13 January 1998

PROFIT AND LOSS ACCOUNT
for the year ended 30 July 1997

		Year ended 30 July 1997	1 February 1995 to 30 July 1996
	Notes		
TURNOVER	1	1,769,227	1,037,228
COST OF SALES		1,078,766	589,944
GROSS PROFIT		690,461	447,284
Other operating expenses (net)	2	459,825	325,167
OPERATING PROFIT		230,636	122,117
Interest receivable	3	8,693	8,620
Interest payable	4	(74,151)	(9,365)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	165,178	121,372
Taxation	8	(41,280)	(31,600)
RETAINED PROFIT FOR THE FINANCIAL YEAR	18	£123,898	£89,772

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.

BALANCE SHEET

30 July 1997

	Notes	1997	1996
FIXED ASSETS			
Intangible assets	9	35,835	37,826
Tangible assets	10	3,608,906	2,354,308
Investments	11	-	-
		<u>3,644,741</u>	<u>2,392,134</u>
CURRENT ASSETS			
Stocks	12	2,272	2,620
Debtors	13	94,705	131,641
Cash at bank and in hand		138,914	84,854
		<u>235,891</u>	<u>219,115</u>
CREDITORS:-			
Amounts falling due within one year	14	717,385	134,977
NET CURRENT (LIABILITIES)/ASSETS		<u>(481,494)</u>	<u>84,138</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,163,247</u>	<u>2,476,272</u>
CREDITORS:-			
Amounts falling due after more than one year	15	(1,353,709)	(800,000)
PROVISION FOR LIABILITIES AND CHARGES	16	(20,868)	(11,500)
		<u>£1,788,670</u>	<u>£1,664,772</u>
CAPITAL AND RESERVES			
Called up share capital	17	1,575,000	1,575,000
Profit and loss account	18	213,670	89,772
SHAREHOLDERS' FUNDS	19	<u>£1,788,670</u>	<u>£1,664,772</u>

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

Approved by the board on 6 January 1998

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R A Summarsell

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Sir N H P Bacon, Bt

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Dr S Arasu

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JULY 1997

	Notes	1997	1996
NET CASH INFLOW FROM OPERATING ACTIVITIES	20	818,723	89,173
Returns on investments and servicing of finance	21	(65,458)	(745)
Taxation		(26,512)	-
Capital expenditure	21	(1,290,664)	(2,385,749)
		<u>(563,911)</u>	<u>(2,297,321)</u>
Equity dividends paid		-	-
NET CASH OUTFLOW		<u>(563,911)</u>	<u>(2,297,321)</u>
Financing received	21	621,690	2,378,456
INCREASE IN CASH	22	<u>£57,779</u>	<u>£81,135</u>
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		57,779	81,135
Cash received from bank loan	22	<u>(624,957)</u>	<u>(800,000)</u>
Change in net debt	22	<u>(567,178)</u>	<u>(718,865)</u>
Net debt at 31 July 1996		<u>(718,865)</u>	-
Net debt at 30 July 1997	22	<u>£(1,286,043)</u>	<u>£(718,865)</u>

The notes on pages 10 to 19 form part of these consolidated 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 1997

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover represents the invoiced amounts of services provided.

	1997	1996
2 OTHER OPERATING EXPENSES (NET)		
Administration expenses	517,505	387,362
Other operating income	(57,680)	(62,195)
	<u>£459,825</u>	<u>£325,167</u>
3 INVESTMENT INCOME		
Bank interest receivable	<u>£8,693</u>	<u>£8,620</u>
4 INTEREST PAYABLE AND INVESTMENT EXPENSE		
Amounts written off investments	<u>£1,000</u>	<u>£-</u>
Interest payable and similar charges on:		
Bank overdraft	4	124
Bank Loans	73,919	8,690
On hire purchase contracts	228	551
	<u>£74,151</u>	<u>£9,365</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	£47,922	£23,187
- assets held under hire purchase contracts	£1,785	£1,723
Amortisation of goodwill	£1,991	£1,991
(Profit)/Loss on disposal of fixed assets	£989	£-
Directors' remuneration	£96,127	£79,039
Auditors' remuneration - audit work	£6,300	£20,000
- non audit work	£6,796	£4,560

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 July 1997

	1997	1996
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	122	62
	<u>129</u>	<u>69</u>
Staff costs (for the above persons)		
Wages and salaries	1,039,886	613,575
Social security costs	73,525	45,645
Other pension costs	41,400	30,000
	<u>£1,154,811</u>	<u>£689,220</u>
7 DIRECTORS' REMUNERATION		
Directors' emoluments	54,727	49,039
(including benefits in kind)		
Contributions to the pension scheme	41,400	30,000
	<u>£96,127</u>	<u>£79,039</u>
The number of directors in the pension scheme	<u>3</u>	<u>3</u>
8 TAXATION		
UK Corporation tax at 23.9% (1996 - 24.7%) on the profit for the year:		
Current	25,500	20,100
Deferred	9,368	11,500
Payment for group relief	14,600	-
Adjustment in respect of prior years	(8,188)	-
	<u>£41,280</u>	<u>£31,600</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 July 1997

9 INTANGIBLE FIXED ASSETS

	Purchased Goodwill
Cost:	
At 31 July 1996	39,817
At 30 July 1997	39,817
Amortisation:	
At 31 July 1996	1,991
Provided during period	1,991
At 30 July 1997	3,982
Net book value	
At 30 July 1997	£35,835
At 30 July 1996	£37,826

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 July 1997

10 TANGIBLE FIXED ASSETS

	<u>Freehold land and buildings</u>	<u>Buildings Under Construction</u>	<u>Freehold Reversionary Interests</u>
Cost:			
31 July 1996	2,081,436	-	6
Additions	7,075	1,259,016	1
Reclassifications	794,608	(794,608)	-
Disposals	(44,839)	-	-
	<u>2,838,280</u>	<u>464,408</u>	<u>7</u>
30 July 1997			
Depreciation:			
31 July 1996	-	-	-
Eliminated in respect	<u>-</u>	<u>-</u>	<u>-</u>
30 July 1997	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
30 July 1997	<u>£2,838,280</u>	<u>£464,408</u>	<u>£7</u>
Net book value			
30 July 1996	<u>£2,081,436</u>	<u>£-</u>	<u>£6</u>
	<u>Fixtures and equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
Cost:			
31 July 1996	286,021	11,755	2,379,218
Additions	77,143	10,694	1,353,929
Reclassifications	-	-	-
Disposals	(4,548)	(1,928)	(51,315)
	<u>358,616</u>	<u>20,521</u>	<u>3,681,832</u>
30 July 1997			
Depreciation:			
31 July 1996	22,075	2,835	24,910
Charge for the year	45,580	4,127	49,707
Eliminated in respect of disposals	(865)	(826)	(1,691)
	<u>66,790</u>	<u>6,136</u>	<u>72,926</u>
30 July 1997			
Net book value			
30 July 1997	<u>£291,826</u>	<u>£14,385</u>	<u>£3,608,906</u>
Net book value			
30 July 1996	<u>£263,946</u>	<u>£8,920</u>	<u>£2,354,308</u>

The net book value of motor vehicles includes an amount of £3,630 in respect of assets held under hire purchase contracts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 July 1997

	1997	1996
11 FIXED ASSET INVESTMENTS		
Subsidiary undertakings:-		
31 July 1996	-	-
Additions	1,000	-
30 July 1997	1,000	-
Provision for diminution in value	(1,000)	-
30 July 1997	£-	£-

At 30 July 1997 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	£794,608
Capital and reserves	£(219,107)
Result for the year	£(220,107)

12 STOCKS

Consumables	£2,272	£2,620
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13 DEBTORS

Due within one year:

Trade debtors	73,645	98,096
Other debtors	3,998	4,375
Prepayments and accrued income	17,062	29,170
	£94,705	£131,641

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 July 1997

14 CREDITORS	1997	1996
Amounts falling due within one year:		
Current instalments due on loans (note 15)	71,248	-
Bank overdraft	-	3,719
Trade creditors	54,232	36,840
Amounts owed to group undertakings	448,453	-
Corporation tax	25,500	20,100
Other taxation and social security costs	21,053	23,776
Other creditors	17,833	14,316
Obligations under hire purchase	189	3,456
Accruals and deferred income	78,877	32,770
	<u>£717,385</u>	<u>£134,977</u>

15 CREDITORS		
Amounts falling due after more than one year:		
Secured bank loan	1,424,957	800,000
	<u>1,424,957</u>	<u>800,000</u>
Amounts falling due within one year (note 14)	(71,248)	-
	<u>£1,353,709</u>	<u>£800,000</u>

	Secured Bank Loans	Total	Total
Repayable in 1 year	71,248	71,248	-
Between 1 & 2 years	142,496	142,496	40,000
Between 2 & 5 years	427,487	427,487	240,000
After 5 years	783,726	783,726	520,000
	<u>£1,424,957</u>	<u>£1,424,957</u>	<u>£800,000</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. Repayments will be made in forty equal quarterly instalments of £35,700, based on the year end borrowing which will increase to £44,125 if the loan reaches the agreed facility for tranches 1 and 2 of £1,765,000. Repayments commence 21 months after the initial draw down of funds (i.e. 2 March 1998).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 July 1997

16 PROVISION FOR LIABILITIES AND CHARGES	1997	1996
Deferred taxation		
The movements are:		
The amount provided being the full potential liability is as follows:		
Accelerated capital allowances	<u>£20,868</u>	<u>£11,500</u>
The movement in the period was as follows:		
At 31 July 1996	11,500	-
Transfer from profit and loss account (Note 8)	<u>9,368</u>	<u>11,500</u>
At 30 July 1997	<u>£20,868</u>	<u>£11,500</u>
The potential liability and provision are based on a corporation tax rate of 23.9%.		
17 SHARE CAPITAL		
Authorised:		
Ordinary shares of £1 each	<u>1,600,000</u>	<u>1,600,000</u>
	<u>£1,600,000</u>	<u>£1,600,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>1,575,000</u>	<u>1,575,000</u>
	<u>£1,575,000</u>	<u>£1,575,000</u>
18 RESERVES		
PROFIT AND LOSS ACCOUNT		
At 31 July 1996		89,772
Retained profit for the year		<u>123,898</u>
At 30 July 1997		<u>£213,670</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 July 1997

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997	1996
Profit for the financial year	123,898	89,772
New share capital issued	-	1,575,000
Net increase in shareholders' funds	123,898	1,664,772
Opening shareholders' funds	1,664,772	-
Closing shareholders' funds	<u>£1,788,670</u>	<u>£1,664,772</u>

20 NET CASHFLOW FROM OPERATING ACTIVITIES

Operating Profit	230,636	122,117
Depreciation of tangible fixed assets	49,707	24,910
Amounts written off investments	1,000	-
Amortisation of intangible fixed assets	1,991	1,991
(Profit) on sale of tangible fixed assets	(14,641)	(33,286)
Decrease/(increase) in stocks	348	(2,620)
Decrease/(increase) in debtors	36,936	(131,641)
Increase in creditors	512,746	107,702
Net cash flow from operating activities	<u>£818,723</u>	<u>£89,173</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 July 1997

21 GROSS CASH FLOWS

	1997	1996
Returns on investments and servicing of finance		
Interest received	8,693	8,620
Interest paid	(74,151)	(9,365)
	<u>£(65,458)</u>	<u>£(745)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(1,353,929)	(2,441,812)
Receipts from sales of tangible fixed assets	64,265	95,880
Payments to acquire fixed asset investments	(1,000)	-
Payments to acquire intangible fixed assets	-	(39,817)
	<u>£(1,290,664)</u>	<u>£(2,385,749)</u>
Financing		
Issue of share capital	-	1,575,000
Payments in respect of hire purchase contracts	(3,267)	3,456
Repayment of bank loan	624,957	800,000
	<u>£621,690</u>	<u>£2,378,456</u>

22 ANALYSIS OF CHANGES IN NET DEBT

	At 30 July 1996	Cash Flows	At 30 July 1997
Cash at bank and in hand	84,854	54,060	138,914
Bank overdrafts	(3,719)	3,719	-
	<u>81,135</u>	<u>57,779</u>	<u>138,914</u>
Debt due within one year	-	(71,248)	(71,248)
Debt due after one year	(800,000)	(553,709)	(1,353,709)
	<u>£(718,865)</u>	<u>£(567,178)</u>	<u>£(1,286,043)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 July 1997

23 TRANSACTIONS WITH DIRECTORS

During the period the company paid administration charges and rent totalling £5,951 (1996 - £6,830) on normal trading terms to Gilt Finance and Leasing Limited a company in which Mr R A Summarsell is also a director.