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Rochefort Healthcare (Newlands) Limited

Reports and Financial Statements

30th September 1997

**Nash & Company
Chartered Accountants**

43 Dover Street
London, W1X 3RE



Rochefort Healthcare (Newlands) Limited

Reports and financial statements

Director: M. M. Musa

Secretary: A. Musa

Registered office: 16 High Street
Windsor
Berkshire
SL4 1LD

Company number: 3075409

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Rochefort Healthcare (Newlands) Limited

Director's report

The director has pleasure in presenting his report, together with the financial statements for the year ended 30th September 1997.

Principal activity

The principal activity of the company in the year under review was maintaining and running Newlands, a nursing home for the elderly.

Review of business and future developments

A summary of the results of the year's trading is given in the profit and loss account on page 4 of the financial statements. No changes are planned in the company's operations in the foreseeable future.

Negotiations are in hand for the sale and leaseback of the company's freehold property at a valuation which is not substantially different from the valuation as disclosed in note 6 to these accounts.

Dividend

The director does not recommend the payment of a dividend for the year.

Director

The director who held office during the year, together with his beneficial interest in the share capital of the company, was as follows:

| | 1997 and 1996 Ordinary £1 shares |
|------------|-------------------------------------|
| M. M. Musa | 850 |

Statement of director's responsibilities

Company law requires the director 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- 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.

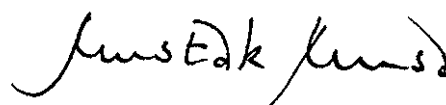
Rochefort Healthcare (Newlands) Limited

Director's report

Statement of director's responsibilities (continued)

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

By order of the Board



M. M. Musa
Chairman

Date of approval

15th May 1998

**Auditors' report to the members
of Rochefort Healthcare (Newlands) Limited**

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of director and auditors

As described on pages 1 and 2 the company's director is 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 director 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 cause 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 30th September 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Date of approval


Nash & Company
Chartered Accountants

Rochefort Healthcare (Newlands) Limited

Profit and loss account for the year ended 30th September 1997

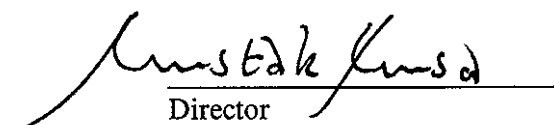
| | | Year ended 30th September 1997 | 5 month period ended 30th September 1996 |
|--|-------------|---|---|
| | Note | £ | £ |
| Turnover | 2 | 641,897 | 284,711 |
| Cost of sales | | (378,328) | (188,196) |
| | | <hr/> | <hr/> |
| Gross profit | | 263,569 | 96,515 |
| Administrative expenses | | (170,022) | (137,631) |
| Other operating expenses | 3 | (62,582) | (17,979) |
| Sales and marketing expenses | | (6) | - |
| | | <hr/> | <hr/> |
| Operating profit/(loss) | 3 | 30,959 | (59,095) |
| Interest payable and similar charges | 3(b) | (96,157) | (33,842) |
| | | <hr/> | <hr/> |
| Loss on ordinary activities before and after taxation | | (65,198) | (92,937) |
| Profit and loss account reserves brought forward | | (92,937) | - |
| | | <hr/> | <hr/> |
| Profit and loss account reserves carried forward | | £(158,135) | £(92,937) |
| | | <hr/> <hr/> | <hr/> <hr/> |

Rochefort Healthcare (Newlands) Limited

Balance sheet as at 30th September 1997

| | Note | £ | 1997 £ | £ | 1996 £ |
|--|------|------------------|------------------|------------------|------------------|
| Fixed assets | 6 | | 1,275,668 | | 1,294,922 |
| Current assets | | | | | |
| Debtors | 7 | 163,123 | | 110,470 | |
| Cash in hand | | 50 | | 373 | |
| | | | 163,173 | 110,843 | |
| Creditors: amounts due within one year | 8(a) | (444,489) | | (209,215) | |
| Net current liabilities | | | (281,316) | | (98,372) |
| Total assets less current liabilities | | | 994,352 | | 1,196,550 |
| Creditors: amounts falling due after more than one year | | | | | |
| Secured loan | 8(b) | 777,924 | | 914,924 | |
| | | | (777,924) | | (914,924) |
| Total net assets | | | £216,428 | | £281,626 |
| Capital and reserves | | | | | |
| Called up share capital | 9 | | 1,000 | | 1,000 |
| Share premium account | | | 108,800 | | 108,800 |
| Profit and loss account | | | (158,135) | | (92,937) |
| Revaluation reserve | | | 264,763 | | 264,763 |
| Shareholders' funds | 10 | | £216,428 | | £281,626 |

Approved by the Board on 15th May 1998


Director

Rochefort Healthcare (Newlands) Limited

Notes forming part of the financial statements

1 Accounting policies

(a) Accounting convention

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

(b) Turnover

Turnover represents net invoiced nursing home fees, including value added tax.

(c) Depreciation

Depreciation is provided at the following annual rates in order to write off the cost of each asset on a straight line basis over its estimated useful life:

| | |
|------------------------|------------------------------------|
| Furniture and fittings | - 15% |
| Office equipment | - 33 ¹ / ₃ % |

(d) Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing difference except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

(e) Operating leases

Operating lease rentals are charged evenly to the profit and loss account as incurred.

2 Turnover

The turnover and profit (1996 - loss) before taxation are attributable to the one principal activity of the company and arose entirely in the United Kingdom.

Rochefort Healthcare (Newlands) Limited

Notes (continued)

3 Profit/(loss) on ordinary activities before taxation

| | 1997 £ | 1996 £ |
|---|---------------|---------------|
| (a) The operation profit/(loss) is stated after charging: | | |
| Depreciation | 23,449 | 7,620 |
| Director's remuneration | - | - |
| | <u>23,449</u> | <u>7,620</u> |
| (b) Interest payable and similar charges comprise: | | |
| Loan interest | 64,070 | 31,759 |
| Other interest and charges | 32,087 | 2,083 |
| | <u>96,157</u> | <u>33,842</u> |

4 Staff numbers and costs

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

| | 1997 number | 1996 number |
|-----------------|----------------|----------------|
| Production | 45 | 48 |
| Other | 1 | 1 |
| | <u>46</u> | <u>49</u> |
| Total employees | 46 | 49 |

The aggregate payroll costs of these persons were as follows:

| | £ | £ |
|-----------------------|----------------|----------------|
| Wages and salaries | 298,758 | 130,950 |
| Social security costs | 20,893 | 9,201 |
| | <u>319,651</u> | <u>140,151</u> |

Rochefort Healthcare (Newlands) Limited

Notes (continued)

5 Taxation

The taxation charge arising from the profit on ordinary activities for the year was as follows:

| | 1997 | 1996 |
|---|-------------------|-------------------|
| UK corporation tax at 24% (1996 - 25%) based on the adjusted results for the year | £ - | £ - |
| | <u> </u> | <u> </u> |

6 Tangible fixed assets

| | Freehold building £ | Equipment, furniture and fittings £ | Total £ |
|------------------------|---------------------------|---|-------------------|
| Cost/valuation: | | | |
| At 1st October 1996 | 1,150,000 | 152,542 | 1,302,542 |
| Additions | - | 4,195 | 4,195 |
| | <u> </u> | <u> </u> | <u> </u> |
| At 30th September 1997 | 1,150,000 | 156,737 | 1,306,737 |
| | <u> </u> | <u> </u> | <u> </u> |
| Depreciation: | | | |
| At 1st October 1996 | - | 7,620 | 7,620 |
| Charge for the year | - | 23,449 | 23,449 |
| | <u> </u> | <u> </u> | <u> </u> |
| At 30th September 1997 | - | 31,069 | 31,069 |
| | <u> </u> | <u> </u> | <u> </u> |
| Net book values: | | | |
| At 30th September 1997 | £1,150,000 | £125,668 | £1,275,668 |
| | <u> </u> | <u> </u> | <u> </u> |
| At 30th September 1996 | £1,150,000 | £144,922 | £1,294,922 |
| | <u> </u> | <u> </u> | <u> </u> |

Rochefort Healthcare (Newlands) Limited

Notes (continued)

7 Debtors

| | 1997 £ | 1996 £ |
|-------------------------------------|-----------------|-----------------|
| Trade debtors | 2,436 | 15,175 |
| Other debtors | 18,384 | 16,970 |
| Prepayments and accrued income | 3,630 | 2,707 |
| Amounts owed by related enterprises | 138,673 | 75,618 |
| | <u>£163,123</u> | <u>£110,470</u> |

8(a) Creditors: Amounts falling due within one year

| | 1997 £ | 1996 £ |
|---------------------------------|-----------------|-----------------|
| Bank overdraft | 130,457 | 52,990 |
| Trade creditors | 35,004 | 22,144 |
| Social security and other taxes | 101,030 | 37,277 |
| Accruals | 8,624 | 7,724 |
| Other creditors | 32,374 | 83,629 |
| Loans | 137,000 | 5,451 |
| | <u>£444,489</u> | <u>£209,215</u> |

The bank loan and overdraft are secured by fixed and floating charges over the company's assets.

8(b) Creditors: Amounts falling due after more than one year

| | 1997 | 1996 |
|-------|-----------------|-----------------|
| Loans | <u>£777,924</u> | <u>£914,924</u> |

9 Called up share capital

| | 1997 | 1996 |
|-------------------------------------|---------------|---------------|
| Authorised: | | |
| 1,000 ordinary shares of £1 each | £1,000 | £1,000 |
| Allotted, called up and fully paid: | | |
| 1,000 ordinary shares of £1 each | <u>£1,000</u> | <u>£1,000</u> |

Rochefort Healthcare (Newlands) Limited

Notes (continued)

10 Movement on shareholders' funds

| | 1997 | 1996 |
|------------------------|-----------------|-----------------|
| | £ | £ |
| Loss for the period | (65,198) | (92,937) |
| Revaluation in period | - | 264,763 |
| Brought forward | 281,626 | - |
| Issue of share capital | - | 1,000 |
| Share premium on issue | - | 108,800 |
| | <hr/> | <hr/> |
| Carried forward | £216,428 | £281,626 |
| | <hr/> | <hr/> |

11 Related party transactions

The closing balances owed by related parties with whom transactions were entered into in the year were:

| | 1997 | 1996 |
|--|---------------|---------------|
| | £ | £ |
| Rochefort Healthcare (Highfield House) Limited | 77,925 | 75,158 |
| Rochefort Healthcare (Rookstone) Limited | 894 | 460 |
| Rochefort Healthcare (Riverview) Limited | 58,809 | - |
| Rochefort Healthcare (South Shields) Limited | 1,045 | - |
| | <hr/> | <hr/> |

All these companies are under common control and are registered in England. The transactions all related to reimbursement of operational and capital expenses at cost, amounting to £63,055 (1996 - £75,618).