

SUTTON COURT HOMES LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 1 APRIL 2000



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SUTTON COURT HOMES LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 1 APRIL 2000

DIRECTOR: Stockdale Limited

SECRETARY: Classic Secretaries Limited

REGISTERED OFFICE: 53 Paddington Street
London
W1M 3RQ

BANKERS: Barclays Bank plc
Argyll House
6 Clarence Street
Kingston Upon Thames
KT1 1NY

AUDITORS: Horwath Clark Whitehill
Chartered Accountants
25 New Street Square
London
EC4A 3LN

SUTTON COURT HOMES LIMITED
DIRECTORS' REPORT
YEAR ENDED 1 APRIL 2000

The directors present their report and the audited financial statements for the year ended 1 April 2000.

ACTIVITIES

The company's principal activity in the year was the operation of a nursing home in Ilford, Essex.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The profit and loss account for the year is set out on page 5. The company has made a loss in the year of £69,623 (1999 £350,621 (as restated)). The company will continue to operate the home and the occupancy levels of the home are expected to improve in the coming year.

DIRECTORS AND THEIR INTERESTS

The directors of the company who served during the year and their interests in the shares of the company were as follows:


	Ordinary Shares of £1 each	
	1 April 2000	27 March 1999
Stockdale Limited	100	100

AUDITORS

Horwath Clark Whitehill have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Director



SUTTON COURT HOMES LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 1 APRIL 2000

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the company's state of affairs at the end of the period and of its profit or loss for the period. 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume 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 or other irregularities.

**AUDITORS' REPORT
TO THE SHAREHOLDERS OF
SUTTON COURT HOMES LIMITED**

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on pages 8 and 9.

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 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 the information in the financial statements.

Going Concern

In forming our opinion we have considered the disclosures in Note 1(a) to the accounts which describes the requirement for continued financial support from the loan provider. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Unqualified Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 1 April 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


HORWATH CLARK WHITEHILL
Chartered Accountants
and Registered Auditors

London

31 October 2000

SUTTON COURT HOMES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 1 APRIL 2000

	Notes	Year ended 1 April 2000 £	Year ended 27 March 1999 As restated £
TURNOVER	1b	1,306,915	691,070
Cost of sales		<u>(825,433)</u>	<u>(511,080)</u>
GROSS PROFIT		481,482	179,990
Administrative expenses		<u>(225,662)</u>	<u>(166,705)</u>
OPERATING PROFIT	4	255,820	13,285
Interest receivable		772	109
Interest payable	5	<u>(326,215)</u>	<u>(364,015)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(69,623)	(350,621)
Tax on loss on ordinary activities	6	<u>-</u>	<u>-</u>
RETAINED LOSS FOR THE FINANCIAL YEAR		<u>(69,623)</u>	<u>(350,621)</u>
RETAINED LOSS BROUGHT FORWARD - as previously stated		(653,780)	(276,440)
Prior year adjustment (see Note7)		<u>(106,877)</u>	<u>(133,596)</u>
RETAINED LOSS BROUGHT FORWARD - as restated		<u>(760,657)</u>	<u>(410,036)</u>
RETAINED LOSS CARRIED FORWARD		<u>(830,280)</u>	<u>(760,657)</u>

The notes on pages 8 to 12 form part of these financial statements.

SUTTON COURT HOMES LIMITED
STATEMENT OF RECOGNISED GAINS AND LOSSES
YEAR ENDED 1 APRIL 2000

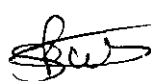
	Year ended 1 April 2000 £	Year ended 27 March 1999 <i>As restated</i> £
Loss for the financial year after taxation	<u>(69,623)</u>	<u>(350,621)</u>
TOTAL GAINS AND LOSS RELATING TO THE YEAR	(69,623)	(350,621)
Prior year adjustment (as explained in note 16)	<u>(106,877)</u>	<u>(133,596)</u>
TOTAL GAINS AND LOSSES SINCE LAST ANNUAL REPORT	<u>(176,500)</u>	<u>(484,217)</u>

The notes on pages 8 to 12 form part of these financial statements.

SUTTON COURT HOMES LIMITED
BALANCE SHEET
1 APRIL 2000

	Notes	2000 £	1999 As restated £
FIXED ASSETS			
Tangible assets	7	3,121,837	3,140,265
CURRENT ASSETS			
Debtors	8	90,770	112,620
Cash at bank and in hand		<u>68,499</u>	<u>500</u>
		159,269	113,120
CREDITORS: amounts falling due within one year	9	<u>(286,192)</u>	<u>(217,387)</u>
NET CURRENT LIABILITIES		<u>(126,923)</u>	<u>(104,267)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,994,914	3,035,998
CREDITORS: amounts falling due after one year	10	<u>(3,825,094)</u>	<u>(3,796,555)</u>
NET LIABILITIES		<u>(830,180)</u>	<u>(760,557)</u>
CAPITAL AND RESERVES			
Called up share capital	12	100	100
Profit and loss account		<u>(830,280)</u>	<u>(760,657)</u>
SHAREHOLDERS' DEFICIT	14	<u>(830,180)</u>	<u>(760,557)</u>

Approved by the Board on 21 October 2000
and signed on its behalf:



} Director

The notes on pages 8 to 12 form part of these financial statements.

SUTTON COURT HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 1 APRIL 2000

1. ACCOUNTING POLICIES

a) Accounting Convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards, and on the basis that the company can continue to operate as a going concern.

The directors believe that the loan provider will continue to support the company at a level adequate for the company's requirements. The directors therefore consider it appropriate to draw up the accounts on the going concern basis. If the company is unable to continue as a going concern, the accounts would have to be adjusted to write down assets to their recoverable amount, provide for any additional losses or liabilities that might arise and to reclassify fixed assets as current assets.

b) Turnover

This represents the fees receivable from the residents of the company's nursing home and all arises within the United Kingdom.

c) Depreciation

Following the adoption of FRS15 the property has been subject to a full valuation as at 1 April 2000 and thereafter will be subject to a full annual valuation and impairment review, in all cases carried out by a qualified external valuer.

No depreciation is provided on the freehold land element of the company's nursing homes. Unless immaterial, both in respect of the charge for the year and in aggregate, depreciation is provided to write-off the remaining carrying value of the company's nursing homes, excluding the amount relating to freehold land, less its residual value over its estimated useful life in equal annual instalments. In this respect the company's appraisal of its residual value is based on prices prevailing at the time of acquisition or subsequent revaluation and estimated useful economic life of the freehold property is 50 years.

Each home, when opened, has a stock of capital items of low individual cost but material aggregate value. These items are accounted for as a base stock and included in fixtures and fittings. No depreciation is provided but subsequent replacement is written off to the Profit and Loss account as incurred.

Depreciation is provided on all other tangible fixed assets in use at rates calculated to write off the cost of each asset in equal annual instalments over its expected useful life as follows:

Furniture and equipment	- 10% - 20%
Motor vehicles	- 25%

d) Capitalisation and Amortisation of Internal Costs

During the course of major refurbishment and extension of existing homes, costs directly attributable to building works are capitalised. Normal running costs which are incurred whilst a home is below capacity because of capital works are written off to the Profit and Loss account as incurred. The net amount of all revenue costs and income up to the date of registration and opening is included in the capital cost of the relevant home and amortised over 5 years. In view of the losses incurred by the company such costs were only capitalised up to January 1998 and have been written off to profit and loss account thereafter.

SUTTON COURT HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 1 APRIL 2000

1. ACCOUNTING POLICIES (Continued)

Change in Accounting Policy

In previous years the net amount of all revenue costs and income up to the date of registration and opening was included in the capital cost of the relevant home and amortised over 5 years. This policy has been changed and these amounts are now written off to the profit and loss account as incurred.

The new accounting standard, FRS 15, requires the adoption of an accounting policy in respect of internal costs which differs from the previously adopted by the company. Accordingly, changes have been made where necessary and the effect of these changes in accounting policy is disclosed in note 16.

e) Interest Payable

Interest on loans and financing costs relating to major construction works are capitalised until the date of registration and opening of that new building. In view of the losses incurred by the company interest costs have only been capitalised until the end of October 1997 and have been written off to the profit and loss account thereafter. All other interest payable, is written off to the Profit and Loss account as incurred.

f) Deferred Taxation

Deferred taxation is accounted for using the liability method on all material timing differences to the extent that it is probable that a liability will arise within the foreseeable future. Advance corporation tax is carried forward to the extent that it is expected to be recovered. Timing differences are taxable items, allowances or reliefs which are given effect to in taxation periods different from those in which they have effect in the financial statements. They comprise mainly accelerated tax depreciation allowances and short term timing differences.

2. INFORMATION REGARDING DIRECTORS

The director serving during the year received no emoluments for its services.

3. EMPLOYEE INFORMATION

The average monthly number of persons employed by the group (excluding directors) during the year is analysed below:

	2000 No.	1999 No.
Nursing home staff	75	46
Administration	3	3
	<u>78</u>	<u>49</u>
Employment costs		
	£	£
Staff costs during the year		
Wages and salaries	668,043	419,729
Social security costs	50,387	31,707
	<u>718,430</u>	<u>451,436</u>

SUTTON COURT HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 1 APRIL 2000

	Year ended 1 April 2000 £	Year ended 27 March 1999 £
4. OPERATING PROFIT		

Operating profit is stated after charging/(crediting):

Depreciation of tangible fixed assets	28,250	54,677
Profit on sale of motor vehicle	(334)	-
Auditors' remuneration including VAT and expenses - audit	3,430	3,760
- other	1,335	1,880
	<u> </u>	<u> </u>

5. INTEREST PAYABLE

On bank loans and overdrafts	<u>326,215</u>	<u>364,015</u>
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6. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no corporation tax payable as the company has taxable losses, the amount carried forward at 1 April 2000 being in excess of £1,000,000.

7. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Fixtures and fittings £	Motor Vehicles £	Total £
Cost				
At 28 March 1999 (as previously stated)	3,073,342	238,684	12,045	3,324,071
Prior year adjustment	(133,596)	-	-	(133,596)
At 28 March 1999 (as restated)	2,939,746	238,684	12,045	3,190,475
Additions	-	14,711	-	14,711
Disposals	-	-	(12,045)	(12,045)
At 1 April 2000	<u>2,939,746</u>	<u>253,395</u>	<u>-</u>	<u>3,193,141</u>
Depreciation				
At 28 March 1999 (as previously stated)	26,719	43,749	6,461	76,929
Prior year adjustment	(26,719)	-	-	(26,719)
At 28 March 1999 (as restated)	-	43,749	6,461	50,210
Charge for year	-	27,555	695	28,250
Disposals	-	-	(7,156)	(7,156)
At 1 April 2000	<u>-</u>	<u>71,304</u>	<u>-</u>	<u>71,304</u>
Net book value 1 April 2000	<u>2,939,746</u>	<u>182,091</u>	<u>-</u>	<u>3,121,837</u>
27 March 1999 (as restated)	<u>2,939,746</u>	<u>194,935</u>	<u>5,584</u>	<u>3,140,265</u>

Included in the cost of freehold land and building is capitalised interest of £243,321 (1999: £243,321).

SUTTON COURT HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 1 APRIL 2000

8. DEBTORS	2000 £	1999 £
Trade debtors	84,229	90,812
Prepayments and accrued income	<u>6,541</u>	<u>21,808</u>
	<u>90,770</u>	<u>112,620</u>

9. CREDITORS: amounts falling due within one year

Bank overdraft	-	18,717
Loans (Secured - see Note 10)	94,026	99,237
Trade creditors	20,900	10,490
Other taxes and social security	33,970	24,459
Other creditors	77,728	51,093
Accruals and deferred income	<u>59,568</u>	<u>13,391</u>
	<u>286,192</u>	<u>217,387</u>

10. CREDITORS: amounts falling due after more than one year

Loan	<u>3,825,094</u>	<u>3,796,555</u>
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The development was completed in July 1997. The interest rate on the loan is 2.5% above LIBOR except for £320,000 which attracts interest at 4% above LIBOR. The loan is secured by a legal charge over the freehold property and a floating charge over all the company's present and future assets. Capital repayments are due to commence in October 2000.

11. LOAN REPAYMENT

The loan falls due for repayment as follows:

Within one year	94,026	99,237
One to two years	188,050	182,915
Two to five years	564,151	548,745
Over five years	<u>3,072,893</u>	<u>3,064,895</u>
	<u>3,919,120</u>	<u>3,895,792</u>

SUTTON COURT HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 1 APRIL 2000

12. SHARE CAPITAL	2000	1999
	£	£
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

13. CAPITAL COMMITMENTS

The company has no capital commitments at 1 April 2000.

14. SHAREHOLDERS' DEFICIT

	2000	1999
	£	As restated
Reconciliation of movements on shareholders' deficit		£
Loss for the financial year	(69,623)	(350,621)
Opening shareholders' deficit (originally £653,680 before the additional prior year adjustment of £106,877)	<u>(760,557)</u>	<u>(409,936)</u>
Closing shareholders' deficit	<u>(830,180)</u>	<u>(760,557)</u>

15. TRANSACTIONS INVOLVING RELATED PARTIES

Control

In the opinion of the directors the company was controlled by Stockdale Limited.

16. CHANGE IN ACCOUNTING POLICY

The effect of the change in the accounting policy, discussed on page 9, on the comparative profit and loss account figures is as follows:

	1999
	£
Loss before tax as previously stated	(377,340)
Write back of amortisation of internal costs capitalised	<u>26,719</u>
Loss before tax as restated	<u>(350,621)</u>

The effect of the change on the current year's results is the non-inclusion of an amortisation charge of internal costs of £26,719.