

Esprit Fort Limited

Directors' report and financial statements

Registered number 3364338

31 December 2001



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Directors' report

The directors present their annual report and the audited financial statements for the nine month period ended 31 December 2001.

Principal activities

The principal activity of the company is the ownership and management of nursing and care homes.

Business review

With effect from 28 June 2001, the entire issued share capital of the company was acquired by Barchester Healthcare Homes Limited. The company's financial year end was changed to 31 December in order to align it with that of its new parent.

The directors are satisfied with the result for the period and are confident of continued profitability.

Details of the result for the period are set out in the profit and loss account on page 4.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors and directors' interests

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

| | |
|-------------|----------------------------|
| SP Leathley | (resigned 28 June 2001) |
| D Duncan | (appointed 28 June 2001) |
| M Parsons | (appointed 28 June 2001) |
| O McGartoll | (appointed 22 August 2001) |

None of the directors who held office at the end of the financial period had any disclosable interests in the shares of the company.

The directors' interest in the shares of the parent company are detailed in the directors' report of that company.

Auditors

During the period, KPMG were appointed as auditors (to fill a casual vacancy).

By order of the board



O McGartoll
Company secretary

Suite 201
The Chambers
Chelsea Harbour
London
SW10 0XF

15th April 2002

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that 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;
- 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.



Plym House
3 Longbridge Road
Marsh Mills
Plymouth PL6 8LT
United Kingdom

Independent auditors' report to the members of Esprit Fort Limited

We have audited the financial statements on pages 4 to 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 31 December 2001 and of its profit for the nine month period then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG
Chartered Accountants
Registered Auditors

26 April 2002

Profit and loss account

for the 9 month period ended 31 December 2001

| | <i>Notes</i> | 9 months ended 31 December 2001 £000 | Year ended 31 March 2001 £000 |
|--|--------------|--|-------------------------------------|
| Turnover | <i>1</i> | 930 | 846 |
| Cost of services | | (649) | (426) |
| | | <hr/> | <hr/> |
| Gross profit | | 281 | 420 |
| Administrative expenses | | (9) | (209) |
| | | <hr/> | <hr/> |
| Operating profit | <i>2</i> | 272 | 211 |
| Interest payable and similar charges | <i>4</i> | (15) | (72) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | | 257 | 139 |
| Tax on profit on ordinary activities | <i>5</i> | (70) | (27) |
| | | <hr/> | <hr/> |
| Retained profit for the financial period | | 187 | 112 |
| | | <hr/> | <hr/> |

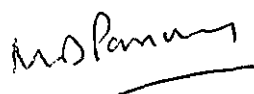
A statement of movement on reserves is given in note 12.

There were no recognised gains or losses other than those shown above.

Balance sheet
at 31 December 2001

| | Notes | 31 December 2001 | | 31 March 2001 | |
|--|-------|------------------|--------------|---------------|--------------|
| | | £000 | £000 | £000 | £000 |
| Fixed assets | | | | | |
| Tangible assets | 6 | | 1,734 | | 1,746 |
| Current assets | | | | | |
| Stocks | 7 | 6 | | 6 | |
| Debtors | 8 | 35 | | 111 | |
| Cash at bank and in hand | | 648 | | 167 | |
| | | <u>689</u> | | <u>284</u> | |
| Creditors: amounts falling due within one year | 9 | (167) | | (167) | |
| Net current assets | | | <u>522</u> | | <u>117</u> |
| Total assets less current liabilities | | | <u>2,256</u> | | <u>1,863</u> |
| Creditors: amounts falling due after more than one year | 10 | (967) | | (773) | |
| Provisions for liabilities and charges | 11 | (32) | | (20) | |
| | | <u>1,257</u> | | <u>1,070</u> | |
| Net assets | | | <u>1,257</u> | | <u>1,070</u> |
| Capital and reserves | | | | | |
| Called up share capital | 13 | 1,000 | | 1,000 | |
| Profit and loss account | 12 | 257 | | 70 | |
| | | <u>1,257</u> | | <u>1,070</u> | |
| Equity shareholders' funds | | | <u>1,257</u> | | <u>1,070</u> |

These financial statements were approved by the board of directors on
signed on its behalf by:



M Parsons
Director

15th April

2002 and were

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 financial statements.

Basis of preparation

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

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

Depreciation

Depreciation is provided 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 land and buildings | - | 50 years |
| Plant and equipment | - | 5 to 10 years |

Freehold land is not depreciated.

The estimated residual value of the company's freehold buildings reflects the high quality nature of these assets and the group's practice to maintain these assets in a continual state of sound repair and to make improvements thereto from time to time.

Following the acquisition of the company's entire share capital by Barchester Healthcare Homes Limited during the period, some methods of depreciation were changed to align them with those of the company's new parent.

Turnover

Turnover relates to the income and received from residents of the company's nursing and care homes.

Stocks

Stocks are at the lower of cost and 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.

Notes (continued)

2 Operating profit

| | 9 months ended 31 December 2001 £000 | Year ended 31 March 2001 £000 |
|---|--|-------------------------------------|
| <i>Operating profit is stated after charging:</i> | | |
| Auditors' remuneration | 5 | 9 |
| Depreciation of owned tangible fixed assets | 28 | 84 |
| | <hr/> | <hr/> |

3 Staff numbers and costs

The average number of persons employed (including directors) during the period was 72 (year ended 31 March 2001: 57).

| | 9 months ended 31 December 2001 £000 | Year ended 31 March 2001 £000 |
|-----------------------|--|-------------------------------------|
| Wages and salaries | 424 | 373 |
| Social security costs | 29 | 20 |
| Other pension costs | 2 | - |
| | <hr/> | <hr/> |
| | 455 | 393 |
| | <hr/> | <hr/> |

4 Interest payable and similar charges

| | 9 months ended 31 December 2001 £000 | Year ended 31 March 2001 £000 |
|------------------------------|--|-------------------------------------|
| On bank loans and overdrafts | 15 | 72 |
| | <hr/> | <hr/> |

5 Taxation

| | 9 months ended 31 December 2001 £000 | Year ended 31 March 2001 £000 |
|---|--|-------------------------------------|
| <i>UK corporation tax</i> | | |
| Current tax on income for the period | 54 | 7 |
| Deferred taxation (see note 11) | 12 | 20 |
| Adjustments in respect of prior periods | 4 | - |
| | <hr/> | <hr/> |
| | 70 | 27 |
| | <hr/> | <hr/> |

Notes (continued)

6 Tangible fixed assets

| | Freehold land and buildings £000 | Plant and equipment £000 | Total £000 |
|-----------------------|--|--------------------------------|---------------|
| Cost | | | |
| At 1 April 2001 | 1,526 | 337 | 1,863 |
| Additions | - | 16 | 16 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2001 | 1,526 | 353 | 1,879 |
| | <hr/> | <hr/> | <hr/> |
| Depreciation | | | |
| At 1 April 2001 | 31 | 86 | 117 |
| Charge for period | 9 | 19 | 28 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2001 | 40 | 105 | 145 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 31 December 2001 | 1,486 | 248 | 1,734 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2001 | 1,495 | 251 | 1,746 |
| | <hr/> | <hr/> | <hr/> |

Included in the cost of freehold land and buildings is freehold land valued at £339,691 (31 March 2001: £339,691) which is not depreciated.

7 Stocks

| | 31 December 2001 £000 | 31 March 2001 £000 |
|-------------|--------------------------|-----------------------|
| Consumables | 6 | 6 |
| | <hr/> | <hr/> |

Notes (continued)

8 Debtors

| | 31 December 2001 £000 | 31 March 2001 £000 |
|--------------------------------|--------------------------|-----------------------|
| Trade debtors | 30 | 20 |
| Other debtors | - | 86 |
| Prepayments and accrued income | 5 | 5 |
| | <u>35</u> | <u>111</u> |

9 Creditors: amounts falling due within one year

| | 31 December 2001 £000 | 31 March 2001 £000 |
|------------------------------------|--------------------------|-----------------------|
| Bank loans and overdrafts | - | 60 |
| Trade creditors | 24 | 19 |
| Corporation tax | 54 | 7 |
| Other taxation and social security | 8 | 23 |
| Other creditors | 37 | 9 |
| Accruals and deferred income | 44 | 49 |
| | <u>167</u> | <u>167</u> |

10 Creditors: amounts falling due after more than one year

| | 31 December 2001 £000 | 31 March 2001 £000 |
|------------------------------------|--------------------------|-----------------------|
| Bank loans | - | 773 |
| Amounts owed to parent undertaking | 967 | - |
| | <u>967</u> | <u>773</u> |

The amounts owed to the company's parent undertaking fall due after more than five years and are interest free.

Notes (continued)

11 Provisions for liabilities and charges

| | 31 December 2001 £000 |
|--------------------------|--------------------------|
| <i>Deferred taxation</i> | |
| At beginning of period | 20 |
| Charge for the period | 12 |
| | <hr/> |
| At end of period | 32 |
| | <hr/> |

12 Reserves

| | Profit and loss account £000 |
|--|------------------------------------|
| At beginning of period | 70 |
| Retained profit for the financial period | 187 |
| | <hr/> |
| At end of period | 257 |
| | <hr/> |

13 Called up share capital

| | 31 December 2001 £000 | 31 March 2001 £000 |
|--|--------------------------|-----------------------|
| <i>Authorised</i> | | |
| 2,000,000 Ordinary shares of £1 each | 2,000 | 2,000 |
| | <hr/> | <hr/> |
| <i>Allotted, issued and fully paid</i> | | |
| 1,000,000 Ordinary shares of £1 each | 1,000 | 1,000 |
| | <hr/> | <hr/> |

Notes *(continued)*

14 Related party transactions

The company has taken advantage of the exemption conferred by FRS 8 and has not disclosed transactions with relevant group undertakings.

15 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a wholly owned subsidiary undertaking of Barchester Healthcare Homes Limited, a company incorporated in Great Britain and registered in England.

The largest group in which the results of the company are consolidated is that headed by Barchester Healthcare PLC, the company's ultimate parent company. The consolidated accounts of Barchester Healthcare PLC are available to the public and may be obtained from:

Suite 201
The Chambers
Chelsea Harbour
London
SW10 0XF