

COMPANY REGISTRATION NUMBER 05150238

HESLEY HOLDINGS (SOUTH) LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31st DECEMBER 2004



PRINCECROFT WILLIS LLP
Chartered Accountants & Registered Auditors
Fleet Court
New Fields
Stinsford Road
Poole
Dorset
BH17 0NF

HESLEY HOLDINGS (SOUTH) LIMITED

FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2004

Contents	Pages
The Directors' Report	1 to 2
Independent Auditors' Report to the Shareholders	3 to 4
Profit and Loss Account	5
Reconciliation of Movements in Shareholders' Funds	6
Group Balance Sheet	7
Balance Sheet	8
Group Cash Flow	9 to 10
Notes to the Financial Statements	11 to 21

HESLEY HOLDINGS (SOUTH) LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD ENDED 31st DECEMBER 2004

The directors have pleasure in presenting their report and the financial statements of the group for the period ended 31st December 2004.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company was incorporated on 10th June 2004. Full consolidated financial statements, with comparatives, have been prepared as the company was formed as part of a group reconstruction. Merger accounting principles have been used to prepare these consolidated financial statements as detailed within the accounting policies on pages 11 to 12.

The principal activity of the group during the year was the education and care of children and young people with special needs.

The group has continued to trade successfully during the year. Significant investment in resources was made during the year and this investment is continuing into 2005. The results are expected to continue to improve as a consequence of these continued investments in our provision.

RESULTS AND DIVIDENDS

The trading results for the period and the group's financial position at the end of the period are shown in the attached financial statements.

The directors have not recommended a final dividend.

THE DIRECTORS AND THEIR INTERESTS

The directors who served the company during the period together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At	At date
	31 December 2004	of appointment
S R Lloyd	233	---
D N Haydon	—	—

The balance of 31 ordinary shares in issue at 31st December 2004 were held in trust for the children of S R Lloyd.

S R Lloyd was appointed as a director on 16th December 2004.

D N Haydon was appointed as a director on 23rd December 2004.

Castlegate Directors Limited was appointed as a director on 10th June 2004.

Castlegate Directors Limited retired as a director on 16th December 2004.

HESLEY HOLDINGS (SOUTH) LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD ENDED 31st DECEMBER 2004

DIRECTORS' RESPONSIBILITIES

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 group at the end of the period and of the group's profit or loss for the period then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 11 to 12, 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; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISABLED EMPLOYEES

The group encourages the employment of disabled persons to whom appropriate training, career development and promotion is offered.

EMPLOYEE INVOLVEMENT

All employees are aware of the group's mission statement, and of the group's Corporate Plan. Each operating unit within the group produces a Development Plan annually, to which employees are invited to contribute. Joint Consultative Councils have been established at all operating units which provide a forum for elected staff representatives to discuss issues with the company's management.

AUDITORS

A resolution to re-appoint Princecroft Willis LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the directors


D N Haydon
Director

Approved by the directors on 6 July 2005

HESLEY HOLDINGS (SOUTH) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HESLEY HOLDINGS (SOUTH) LIMITED

PERIOD ENDED 31st DECEMBER 2004

We have audited the financial statements of Hesley Holdings (South) Limited for the period ended 31st December 2004 on pages 5 to 21 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 11 to 12.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 group'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.

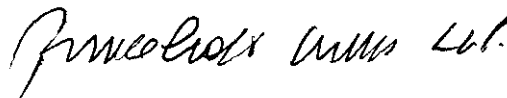
HESLEY HOLDINGS (SOUTH) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HESLEY HOLDINGS (SOUTH) LIMITED *(continued)*

PERIOD ENDED 31st DECEMBER 2004

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs and of the group as at 31st December 2004 and of the profit of the group for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.



PRINCECROFT WILLIS LLP
Chartered Accountants
& Registered Auditors

Fleet Court
New Fields
Stinsford Road
Poole
Dorset
BH17 0NF

8th July 2005

HESLEY HOLDINGS (SOUTH) LIMITED

PROFIT AND LOSS ACCOUNT

PERIOD ENDED 31st DECEMBER 2004

		2004	2003
		£	£
Group Turnover	1,2	20,463,860	17,042,782
Administrative expenses		17,134,142	15,854,414
Other operating income	3	(5,393)	(7,773)
Operating Profit	4	3,335,111	1,196,141
Profit on disposal of subsidiary		29,247,050	—
		32,582,161	1,196,141
Income from fixed asset investments	7	1,321,290	1,597,351
Interest receivable		497	—
Interest payable and similar charges	8	(290,600)	(304,871)
Profit on Ordinary Activities Before Taxation		33,613,348	2,488,621
Tax on profit on ordinary activities	9	1,201,334	375,091
Profit on Ordinary Activities after Taxation	10	32,412,014	2,113,530
Dividends	11	34,034,344	15,600
(Loss)/Retained Profit for the Financial Period		(1,622,330)	2,097,930

All of the activities of the group are classed as continuing.

The group has no recognised gains or losses other than the results for the period as set out above.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

The notes on pages 11 to 21 form part of these financial statements.

HESLEY HOLDINGS (SOUTH) LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

PERIOD ENDED 31st DECEMBER 2004

	2004	2003
	£	£
Profit for the financial period	32,412,014	2,113,530
Dividends	(34,034,344)	(15,600)
	(1,622,330)	2,097,930
New equity share capital subscribed	264	—
Net (reduction)/addition to funds	(1,622,066)	2,097,930
Opening shareholders' equity funds	3,739,119	1,641,189
Closing shareholders' equity funds	<u>2,117,053</u>	<u>3,739,119</u>

The notes on pages 11 to 21 form part of these financial statements.

HESLEY HOLDINGS (SOUTH) LIMITED

GROUP BALANCE SHEET

31st DECEMBER 2004

	Note	£	2004 £	£	Subsidiary company only 2003 £
Fixed Assets					
Tangible assets	12		10,360,531		17,756,180
Investments	13		—		—
			<u>10,360,531</u>		<u>17,756,180</u>
Current Assets					
Stocks	14	18,576		17,699	
Debtors	15	3,514,460		907,016	
Cash at bank and in hand		1,249,892		8,733	
		<u>4,782,928</u>		<u>933,448</u>	
Creditors: Amounts falling due within one year	16	<u>12,926,707</u>		<u>11,810,826</u>	
Net Current Liabilities			<u>(8,143,779)</u>		<u>(10,877,378)</u>
Total Assets Less Current Liabilities			<u>2,216,752</u>		<u>6,878,802</u>
Creditors: Amounts falling due after more than one year	17		<u>14,813</u>		<u>3,035,403</u>
			<u>2,201,939</u>		<u>3,843,399</u>
Provisions for Liabilities and Charges					
Deferred taxation	21		<u>69,000</u>		<u>91,080</u>
			<u>2,132,939</u>		<u>3,752,319</u>
Capital and Reserves					
Called-up equity share capital	25		264		13,200
Revaluation reserve	26		1,749,479		1,749,479
Other reserves	26		11,140		(4,746)
Profit and loss account	26		<u>372,056</u>		<u>1,994,386</u>
Shareholders' Funds			<u>2,132,939</u>		<u>3,752,319</u>

These financial statements were approved by the directors on the 6 July 2005 and are signed on their behalf by:


S R Lloyd
Director

The notes on pages 11 to 21 form part of these financial statements.

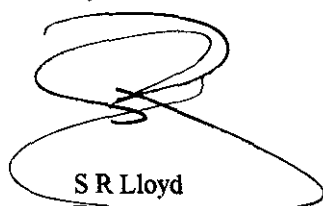
HESLEY HOLDINGS (SOUTH) LIMITED

BALANCE SHEET

31st DECEMBER 2004

	Note	2004 £
Fixed Assets		
Investments	13	264
Total Assets Less Current Liabilities		<u>264</u>
Capital and Reserves		
Called-up equity share capital	25	264
Shareholders' Funds		<u>264</u>

These financial statements were approved by the directors on the 6th January 2005 and are signed on their behalf by:



S R Lloyd
Director

The notes on pages 11 to 21 form part of these financial statements.

HESLEY HOLDINGS (SOUTH) LIMITED

GROUP CASH FLOW

PERIOD ENDED 31st DECEMBER 2004

	£	2004 £	£	2003 £
Net Cash (Outflow)/Inflow From Operating Activities		(841,360)		3,758,624
Returns on Investments and Servicing of Finance				
Income from other fixed asset investments	1,321,290		1,597,351	
Interest received	497		—	
Interest paid	(267,800)		(281,625)	
Interest element of hire purchase	(22,800)		(23,246)	
Net Cash Inflow From Returns on Investments and Servicing of Finance		1,031,187		1,292,480
Taxation		(588,584)		(290,200)
Capital Expenditure and Financial Investment				
Payments to acquire tangible fixed assets	(4,556,957)		(4,534,257)	
Receipts from sale of fixed assets	10,623,002		3,999	
Disposal of investments	29,247,050		—	
Net Cash Inflow/(Outflow) for Capital Expenditure and Financial Investment		35,313,095		(4,530,258)
Acquisitions and Disposals				
Acquisition of shares in group undertakings	(264)		—	
Net Cash Outflow From Acquisitions and Disposals		(264)		—
Equity Dividends Paid		(34,034,344)		(15,600)
Cash Inflow Before Financing		879,730		215,046
Financing				
Issue of equity share capital	264		—	
Increase in bank loans	653,877		266,015	
Capital element of hire purchase	(339,790)		(227,679)	
Hire purchase advances	205,796		231,826	
Net Cash Inflow From Financing		520,147		270,162
Increase in Cash		1,399,877		485,208

HESLEY HOLDINGS (SOUTH) LIMITED

GROUP CASH FLOW (continued)

PERIOD ENDED 31st DECEMBER 2004

Reconciliation of Operating Profit to Net Cash (Outflow)/Inflow From Operating Activities

	2004	2003
	£	£
Operating profit	3,335,111	1,196,141
Depreciation	1,083,017	954,981
Loss on disposal of fixed assets	246,585	645
Increase in stocks	(877)	(843)
(Increase)/decrease in debtors	(2,607,444)	4,153,393
Decrease in creditors	(2,897,752)	(2,545,693)
Net cash (outflow)/inflow from operating activities	<u>(841,360)</u>	<u>3,758,624</u>

Reconciliation of Net Cash Flow to Movement in Net Debt

	2004	2003
	£	£
Increase in cash in the period	1,399,877	485,208
Net cash (inflow) from bank loans	(653,877)	(266,015)
Net cash outflow in respect of hire purchase	<u>133,994</u>	<u>(4,147)</u>
	879,994	215,046
Change in net debt	879,994	215,046
Net debt at 1 January 2004	(3,791,173)	(4,006,219)
Net debt at 31 December 2004	<u>(2,911,179)</u>	<u>(3,791,173)</u>

Analysis of Changes in Net Debt

	At 1 Jan 2004	Cash flows	At 31 Dec 2004
	£	£	£
Net cash:			
Cash in hand and at bank	8,733	1,241,159	1,249,892
Overdrafts	(237,670)	158,718	(78,952)
	<u>(228,937)</u>	<u>1,399,877</u>	<u>1,170,940</u>
Debt:			
Debt due within 1 year	(333,985)	(3,551,525)	(3,885,510)
Debt due after 1 year	(2,897,648)	2,897,648	—
Hire purchase agreements	(330,603)	133,994	(196,609)
	<u>(3,562,236)</u>	<u>(519,883)</u>	<u>(4,082,119)</u>
Net debt	<u>(3,791,173)</u>	<u>879,994</u>	<u>(2,911,179)</u>

HESLEY HOLDINGS (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2004

1. Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method, and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of the companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

As part of a group reorganisation during the current period, the company acquired the whole of the issued share capital of certain companies identified in note 13, the consideration being satisfied by an issue of shares. The acquisition has been accounted for as a group reorganisation using merger accounting principles under the provisions of Financial Reporting Standard 6. Consequently the group accounts have been presented as if the companies had been owned throughout the current and comparative periods.

Turnover

Turnover is the total amount receivable by the group for fees charged in respect of the accounting period.

Fixed Assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Buildings	- 2% p.a straight line basis or over 15 years
Leasehold Property	- over the period of the lease
Fixtures, Fitting and Equipment	- 15% straight line basis
Motor Vehicles	- 10-20% straight line basis

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Hire Purchase Agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

HESLEY HOLDINGS (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2004

1. Accounting Policies *(continued)*

Operating Lease Agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

	2004	2003
	£	£
United Kingdom	<u>20,463,860</u>	<u>17,042,782</u>

3. Other Operating Income

	2004	2003
	£	£
Rent receivable	<u>5,393</u>	<u>7,773</u>

4. Operating Profit

Operating profit is stated after charging:

	2004	2003
	£	£
Depreciation of owned fixed assets	985,401	937,139
Depreciation of assets held under hire purchase agreements	97,616	17,842
Loss on disposal of fixed assets	246,585	645
Auditors' remuneration		
- as auditors	<u>11,337</u>	<u>41,174</u>

HESLEY HOLDINGS (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2004

5. Particulars of Employees

The average number of staff employed by the group during the financial period amounted to:

	2004	2003
	No	No
Number of administrative staff	<u>759</u>	<u>711</u>

The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	10,521,753	10,046,235
Social security costs	889,494	801,812
Other pension costs	342,607	317,381
	<u>11,753,854</u>	<u>11,165,428</u>

6. Directors' Emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2004	2003
	£	£
Emoluments receivable	<u>132,978</u>	<u>1,119,140</u>

7. Income From Fixed Asset Investments

	2004	2003
	£	£
Dividends receivable	<u>1,321,290</u>	<u>1,597,351</u>

8. Interest Payable and Similar Charges

	2004	2003
	£	£
Interest payable on bank borrowing	121,666	215,857
Finance charges	22,800	23,246
Other similar charges payable	146,134	65,768
	<u>290,600</u>	<u>304,871</u>

HESLEY HOLDINGS (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2004

9. Taxation on Ordinary Activities

(a) Analysis of charge in the period

	2004 £	2003 £
Current tax:		
In respect of the period:		
UK Corporation tax based on the results for the period at 30% (2003 - 29.65%)	1,216,747	381,840
(Over)/under provision in prior year	6,667	16,437
	<u>1,223,414</u>	<u>398,277</u>
Group relief in previous year	-	(24,066)
Total current tax	<u>1,223,414</u>	<u>374,211</u>
Deferred tax:		
Origination and reversal of timing differences	(22,080)	880
Tax on profit on ordinary activities	<u>1,201,334</u>	<u>375,091</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	2004 £	2003 £
Profit on ordinary activities before taxation	<u>33,613,348</u>	<u>2,488,621</u>
Profit on ordinary activities by rate of tax	10,084,003	737,983
Depreciation in excess of capital allowances	244,934	112,177
Expenses not deductible	58,312	11,850
Profit on disposal of investment	(8,774,115)	-
Dividends receivable	(396,387)	(480,170)
Under provision in previous years	6,667	16,437
Group relief relating to previous years	-	(24,066)
Total current tax (note 9(a))	<u>1,223,414</u>	<u>374,211</u>

10. Profit Attributable to Members of the Parent Company

The profit dealt with in the accounts of the parent company was £Nil.

11. Dividends

The following dividends have been paid in respect of the period:

	2004 £	2003 £
Dividend paid on ordinary shares	<u>34,034,344</u>	<u>15,600</u>

HESLEY HOLDINGS (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2004

12. Tangible Fixed Assets

Group	Freehold Property £	Leasehold Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost or Valuation					
At 1 January 2004	15,879,295	1,864,260	4,291,566	506,510	22,541,631
Additions	3,545,101	127,846	764,275	119,734	4,556,956
Disposals	(9,733,903)	(1,746,496)	(929,823)	(181,386)	(12,591,608)
At 31 December 2004	9,690,493	245,610	4,126,018	444,858	14,506,979
Depreciation					
At 1 January 2004	1,764,709	310,688	2,431,818	278,236	4,785,451
Charge for the period	371,095	111,396	521,967	78,560	1,083,018
On disposals	(843,346)	(385,285)	(373,399)	(119,991)	(1,722,021)
At 31 December 2004	1,292,458	36,799	2,580,386	236,805	4,146,448
Net Book Value					
At 31 December 2004	8,398,035	208,811	1,545,632	208,053	10,360,531
At 31 December 2003	14,114,586	1,553,572	1,859,748	228,274	17,756,180

The freehold properties were last professionally revalued in 2001. The directors have not commissioned independent valuations since then. They consider that the value of the properties to the business is in excess of the value at which they are included in the balance sheet by virtue of the trades that operate within them. The directors propose to commission independent professional valuations of all freehold properties during 2005.

In respect of certain fixed assets stated at valuations, the comparable historical cost and depreciation values are as follows:

	2004 £
Historical cost:	
At 1 January 2004	7,483,369
Cost of additions to revalued assets brought forward	293,361
At 31 December 2004	7,776,730
Depreciation:	
At 1 January 2004	947,395
Charge for period	155,535
At 31 December 2004	1,102,930
Net historical cost value:	
At 31 December 2004	6,673,800
At 1 January 2004	6,535,974

HESLEY HOLDINGS (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2004

12. Tangible Fixed Assets *(continued)*

Hire purchase agreements

Included within the net book value of £10,360,531 is £640,244 (2003 - £75,791) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £97,616 (2003 - £17,842).

13. Investments

Company	Group companies
	£
Cost	
Additions	264
At 31st December 2004	<u>264</u>
Net Book Value	
At 31st December 2004	<u>264</u>

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings				
All held by the company:				
The Hesley Group Limited	England	Ordinary shares	100%	Education and care
Hesley Autism Services Limited	England	Ordinary shares	100%	Education and care
Hesley Asperger Syndrome Services Limited	England	Ordinary shares	100%	Education and care
Hesley Hall Limited	England	Ordinary shares	100%	Dormant
Purbeck View Limited	England	Ordinary shares	100%	Dormant

14. Stocks

	2004	Group 2003	Company 2004
	£	£	£
Stock	<u>18,576</u>	<u>17,699</u>	<u>-</u>

HESLEY HOLDINGS (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2004

15. Debtors

	2004	Group 2003	Company 2004
	£	£	£
Trade debtors	1,408,712	685,399	—
Amounts owed by related undertakings	1,909,238	—	—
Other debtors	40,958	111,392	—
Prepayments and accrued income	155,552	110,225	—
	<u>3,514,460</u>	<u>907,016</u>	<u>—</u>

16. Creditors: Amounts falling due within one year

	2004	Group 2003	Company 2004
	£	£	£
Bank loans and overdrafts	3,964,462	571,655	—
Payments received on account	6,404,560	5,585,248	—
Trade creditors	565,742	155,625	—
Amounts owed to related undertakings	—	3,789,743	—
Hire purchase agreements	181,796	192,848	—
Directors' loan accounts	—	4,441	—
Other creditors	1,540,486	1,166,813	—
Accruals and deferred income	269,661	344,453	—
	<u>12,926,707</u>	<u>11,810,826</u>	<u>—</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2004	Group 2003	Company 2004
	£	£	£
Bank loans and overdrafts	2,940,425	820,670	—
Hire purchase agreements	181,796	192,848	—
	<u>3,122,221</u>	<u>1,013,518</u>	<u>—</u>

17. Creditors: Amounts falling due after more than one year

	2004	Group 2003	Company 2004
	£	£	£
Bank loans and overdrafts	—	2,897,648	—
Hire purchase agreements	14,813	137,755	—
	<u>14,813</u>	<u>3,035,403</u>	<u>—</u>

HESLEY HOLDINGS (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2004

17. Creditors: Amounts falling due after more than one year (continued)

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2004	Group 2003	Company 2004
	£	£	£
Bank loans and overdrafts	—	1,722,648	—
Hire purchase agreements	14,813	137,755	—
	<u>14,813</u>	<u>1,860,403</u>	<u>—</u>

18. Creditors - Capital Instruments

Creditors include finance capital which is due for repayment as follows:

	2004	Group 2003	Company 2004
	£	£	£
Amounts repayable:			
In one year or less or on demand	3,884,113	525,000	—
In more than one year but not more than two years	—	325,000	—
In more than two years but not more than five years	—	1,375,000	—
In more than five years	—	996,250	—
	<u>3,884,113</u>	<u>3,221,250</u>	<u>—</u>

19. Commitments under Hire Purchase Agreements

Future commitments under hire purchase agreements are as follows:

	2004	Group 2003	Company 2004
	£	£	£
Amounts payable within 1 year	181,796	192,848	—
Amounts payable between 1 and 2 years	—	123,389	—
Amounts payable between 3 and 5 years	14,813	14,366	—
	<u>196,609</u>	<u>330,603</u>	<u>—</u>

20. Pensions

The group contributes to a defined benefit scheme for the benefit of the teaching staff. The assets are administered by Teachers' Pensions.

The total contributions for the period amounted to £342,607 (2003: £317,381).

The Teachers' Pension scheme is a multi-employer defined benefit scheme, therefore the employer is unable to identify its share of the underlying assets and liabilities, and any available information about the existence of the surplus or deficit in the scheme and the implications of that surplus or deficit for the employer.

HESLEY HOLDINGS (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2004

21. Deferred Taxation

The movement in the deferred taxation provision during the period was:

	<i>Group</i>		<i>Company</i>
	2004	2003	2004
	£	£	£
Provision brought forward	91,080	90,200	-
(Decrease)/Increase in provision	(22,080)	880	-
Provision carried forward	<u>69,000</u>	<u>91,080</u>	<u>-</u>

22. Commitments under Operating Leases

At 31st December 2004 the group had annual commitments under non-cancellable operating leases as set out below.

Group	<i>Land and buildings</i>	
	2004	2003
	£	£
Operating leases which expire:		
After more than 5 years	<u>73,950</u>	<u>73,950</u>

23. Transactions With the Directors

During the year the group provided loans to a number of directors. These loans were transferred to a related company, Hesley Lifecare Services Limited, during the year, and the balances at the balance sheet date were £nil. The balances at the beginning of the year and the maximum amounts outstanding were as follows:

J R Lloyd - Beginning of the year £15,274, maximum during the year £15,274.

D N Haydon - Beginning of the year £23,062, maximum during the year £23,062.

D J Rigg - Beginning of the year £24,785, maximum during the year £24,785.

A market rate of interest was paid on all of the above loans.

HESLEY HOLDINGS (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2004

24. Related Party Transactions

The company was under the control of Mr S R Lloyd throughout the period. Mr S R Lloyd is the majority shareholder.

The following companies are related parties of the group by virtue of being under common control of S R Lloyd:

Hesley Holdings (North) Limited
Hesley Lifecare Services Limited
Hesley Care Services Limited

Quality On Line Limited (ceased trading 31st January 2004)

All of the trading companies are managed on a unified basis and certain joint expenses are apportioned between these companies.

A number of properties were rented from Community Properties, a partnership in which the directors of the company are partners. The company pays a market rate of rent for these properties. The rents charged in the year amounted to £73,950 (2003: £63,325). There were no amounts outstanding at the balance sheet date (2003: £nil).

The group in which the companies were a part in the previous year was de-merged during the current year. To facilitate the reconstruction, a new company, Castlegate 336 Limited was incorporated. This was considered to be a related party for the part of the year by virtue of common ownership. Castlegate 336 Limited was put into voluntary liquidation on 31st December 2004 as part of the reconstruction process. Certain freehold properties were transferred to Castlegate 336 Limited on 31st December 2004 for a consideration of £8,000,083, which was considered to be at a fair market value. In addition, The Hesley Group Limited sold its investment in Hesley Lifecare Services Limited to Castlegate 336 Limited, as part of the reorganisation, for its market value of £29,250,000. Prior to the year end, the assets and liabilities of Castlegate 336 Limited were transferred to Hesley Holdings (North) Limited. At the balance sheet date, the group was owed £3,250,000 by Hesley Holdings (North) Limited.

Transactions between Hesley Lifecare Services Limited and The Hesley Group Limited fall to be disclosed as related party transactions as they were no longer part of the same group at the balance sheet date. During the period, The Hesley Group Limited recharged various operating costs to Hesley Lifecare Services Limited amounting to £4,901,491 (2003: £3,709,045). At the balance sheet date £1,574,652 (2003: £4,288,629) was owed by the group to Hesley Lifecare Services Limited.

Hesley Care Services Limited is a related party by virtue of being under common control. The Hesley Group Limited ran an interest free current account with Hesley Care Services Limited throughout the period. At the balance sheet date the amount owed to The Hesley Group Limited was £225,459 (2003: £316,200 owed by The Hesley Group Limited).

Quality On Line Limited was a related party by virtue of being under common control. The Hesley Group Limited ran an interest free current account with Quality On Line Limited until it ceased trading in January 2004. During the year the outstanding loan balance due to The Hesley Group Limited of £178,734 was written off as an irrecoverable debt. The balance outstanding at the balance sheet date was £nil (2003: £133,021 due to The Hesley Group Limited).

HESLEY HOLDINGS (SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2004

25. Share Capital

Authorised share capital:

	2004
	£
1,000 Ordinary shares of £1 each	<u>1,000</u>

Allotted, called up and fully paid:

	No	2004
		£
Ordinary shares of £1 each	<u>264</u>	<u>264</u>

During the period the company issued 264 ordinary £1 shares at par.

26. Reserves

Group	Revaluation reserve £	Merger reserve £	Profit and loss account £
Balance brought forward	1,749,479	(4,746)	1,994,386
Loss for the period	—	—	(1,622,330)
Other movements			
- transfer to other reserves	—	15,886	—
Balance carried forward	<u>1,749,479</u>	<u>11,140</u>	<u>372,056</u>

Company

	Profit and loss account £
Balance carried forward	<u>—</u>