

ADL plc

Annual Report and Accounts

2006

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Directors and advisers

DIRECTORS

Peter Dewe-Mathews	Chairman
Jeremy Davies	Managing Director
Richard Ellert	Commercial Director
Daniel Francis	Finance Director
Pearl Jackson	Operations Director

SECRETARY

Richard Ellert

REGISTERED OFFICE

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COMPANY NUMBER

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AUDITORS

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London E14 4HJ

NOMINATED ADVISER AND BROKER

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30 Old Broad Street
London EC2N 1HT

BANKERS

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23 Camomile Street
London EC3A 7PP

IXIS Corporate & Investment Bank S.A.
Cannon Bridge
25 Dowgate Hill
London EC4R 2YA

SOLICITORS

Birketts LLP
16-18 Queen Street
Norwich NR2 4SQ

VALUERS

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50 Victoria Street
London SW1H 0NW

REGISTRARS

Capita Registrars
The Registry
34 Beckenham Road
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Kent BR3 4TU

Chairman's statement

Financial Results

I am pleased to report that turnover for the year ended 31 March 2006 was £4.92 million (2005: £4.95 million), the profit on ordinary activities before taxation was £114,409 (2005: £30,842) before an exceptional loss of £15,100 (2005: gain £1.18 million). Profits after taxation were £130,309 (2005: £1,211,940 and earnings per share 1.38p (2005: 13.64p). Retained profits, have eliminated the deficit on the Group's distributable reserves. As a result of this the Directors intend, subject to acceptable trading results, to announce an interim dividend for the current year at the Annual General Meeting.

We continued the major refurbishment programme of the Group's care homes, which started in March 2004, in the year under review at a cost of £215,357 (2005: £220,858), which has been written off to the profit and loss account, as incurred, in accordance with the Group's accounting policy. This represents an average cost of £1,400 per bed over two years. Most of the work has now been completed bringing the Group's care homes up to the high physical standards we require.

Unfortunately progress in the year has been difficult owing to considerable resources being diverted to Newsham House and the continuing lack of Local Authority placements in three of ADL's care homes in Torbay which reduced turnover by £200,000.

As previously announced, on 26 July 2005 the police and CSCI inspectors arrived unannounced at Newsham House with a warrant to search the care home and remove residents' records. CSCI informed the Directors that they intended to apply under Section 20 of the Care Standards Act 2000 for immediate closure of the home. Having instructed lawyers the Directors were able to persuade CSCI to stop their action on condition a Director became acting manager. I am pleased to report that in a subsequent inspection there were no significant issues outstanding as a result of ADL compliance with all CSCI requirements. The police, however, are continuing their enquiries which we understand relate in the main to a period prior to ADL's ownership. One-off legal costs, amounting to £32,759, are subject to a claim from our insurers although we have fully expensed them in these accounts.

The Group's nine freehold properties, the profit sharing agreement with South Garth Residential Care Home Partnership and the rights to Newford Limited dividends were re-valued by Christie & Co. at 31 March 2006 at £14.13 million. The increase in value has resulted in a further addition to revaluation reserves amounting to £1.42 million (2005: £1.33 million). Net assets per share at 31 March 2006 amounted to 81.5p (2005: 68.7p) and have increased by 103% since 31 March 2004.

Outlook

The cornerstone of the management team's strategy has been to upgrade the care homes in preparation to franchising them. The rationale for franchising is that, from an operational perspective, care homes owned by their management have better marketing and attention to detail which should lead to improved profitability and thus increased care home values.

The Directors have invested considerable time in developing unique franchise and joint venture operating models. ADL is now in a position to commence a programme of franchising its portfolio of care homes. This will free up operational management to improve the performance of the existing care homes and seek further care homes to purchase.

The current year has seen the acquisition of Solutions (Yorkshire) Limited, which owns a 40 bed nursing home in Leeds, and the refinancing of the Groups bank facility with IXIS Corporate & Investment Bank S.A.. The new facility will allow the Group to acquire a further £16 million of care homes. Group trading in the first three months of the current year is slightly behind budget although I expect this to recover as occupancy increases. I remain cautiously optimistic of the outlook for the current year.

Peter Dewe-Mathews

Chairman

26 July 2006

Managing Director's review

The Group continues its policy of improving its care homes with a view to franchising them. The identification and disposal of surplus land has resulted in a number of transactions during the year:

- On 26 July 2005 the Company entered into a conditional contract with Elmley Homes Limited, subject to detailed planning consent to convert Morton Manor into six flats, to sell Morton Manor for a consideration of £499,000 plus a share of the development profits. In March 2006 the Company received £250,000 initial consideration following grant of planning permission. Elmley Homes Limited's marketing campaign commences in August and the Company is looking to receive £249,000 deferred consideration by the end of December 2006. Negotiations have commenced with Elmley Homes Limited to develop a care village of 40 to 50 flats on an area of unutilised land adjacent to Morton Manor;
- Planning Permission for four dwellings at Newsham House was granted by the City of Gloucester on 6 September 2005. The Company is in negotiation with several purchasers regarding the sale of the four plots; and
- On 26 July 2006 the Company entered into a conditional contract with Garalexin (Nuneaton) Limited, to sell them part of the garden at Allambie Court for £225,000 plus £15,000 contribution to the Company's architects fees in respect of Allambie Court. The contract is conditional on the purchaser obtaining detailed planning permission, which is free from onerous planning conditions, for the development of eight apartments. At the same time the Company intends to submit a planning application for an extension to the front of Allambie Court to significantly increase the day space at ground floor level, thus providing all day space on one floor. This scheme will also increase the number of beds from 30 to 36, whilst at the same time bringing the home up to National Minimum Standards.

The refurbishment of Nightingale has not led to the expected increase in occupancy. The Directors are exploring alternative health related uses for which demand exists. At the same time the Company has been approached by the developer of an adjacent site to convert the buildings into apartments. The Directors intend to maximise the value of this property;

On 1 January 2006 the Company entered into a joint venture with Newford Limited to operate Newford Nursing Home, Milton, Stoke on Trent, Staffordshire. Newford Nursing Home comprises a 40 bed single storey care home with all beds in single rooms with en suite toilets. The Company entered into a shareholders' agreement and subscribed for one "B" share in Newford. This agreement provides for the first £120,000 of profits per annum to be paid as dividends to the existing shareholder of Newford, with the next £120,000 of profits per annum to be paid as dividends to ADL. Any surplus profits per annum are divided equally between the existing shareholder of Newford and ADL. The agreement lasts for an initial period of five years and has been valued by Christie and Co at £390,000. Trading is in line with budget and ADL has received £24,000 dividends in the year under review.

On 25 May 2006 the Company entered into an conditional acquisition agreement to acquire the entire issued share capital of Solutions (Yorkshire) Limited, owner and operator of a purpose built 40 bed nursing home in Leeds, from Pearl Jackson, Operations Director of the Company. On 4 July 2006 the Company completed the acquisition for £1.76 million and assumed Solution's debt amounting to approximately £770,000. Deferred consideration, subject to a maximum of £0.5 million, representing the net tangible assets of Solutions as derived from its statutory accounts at 31 March 2006 is payable in cash within 10 business days of finalisation of the completion accounts.

On 26 July 2006 the Company entered into conditional contracts with Hume Laboure Limited and L E Taylor, to franchise Harewood Court Nursing Home, Leeds. The franchise agreement is for five years with an option for the franchisee to renew for further periods of five years. The Company has leased Harewood Court Nursing Home at an initial rent of £240,000 plus 50% of Hume Laboure Limited's EBITDA after rent. The contract is conditional on the registration of Hume Laboure Limited and the registration of L E Taylor as manager with the Commission for Social Care Inspection.

Jeremy Davies
Managing Director
26 July 2006

Financial review

Group Profit and Loss Account

Turnover for the year ended 31 March 2006 amounted to £4.92 million (2005: £4.95 million).

Operating profit amounted to £541,914 (2005: £1,685,265), after £15,100 costs of obtaining planning permission for the development of Morton Manor (2005: £1,180,000 exceptional gain from the reversal of provisions of previous year's impairment charges in respect of freehold properties) and £83,658 (2005: £66,893) other income. After net interest costs, the profit before taxation amounted to £99,309 (2005: £1,210,842). There was a tax credit of £31,000 (2005: £1,098) leaving a retained profit for the year of £130,309 (2005: £1,211,940). Earnings per share amounted to 1.38p (2005: 13.64p per share).

Group Balance Sheet

The Group's nine freehold properties, the profit sharing agreement with South Garth Residential Care Home Partnership and the Newford Limited "B" Redeemable Ordinary Share, entitling the Company to a share of dividends, were re-valued by Christie & Co. at 31 March 2006 at £14.13 million. The increase in value has resulted in a further addition to revaluation reserves amounting to £1.42 million (2005: £1.33 million). Net assets per share at 31 March 2006 amounted to 81.5p (2005: 68.7p).

The Group's freehold care homes were valued, on an existing use basis. In arriving at the portfolio valuation, Christie & Co. have separately assessed the market values of the individual care homes and made an adjustment by way of a portfolio premium equating to around 7.5%.

Bank Facility and Hedging

On 19 January 2004 the Company entered into a £9.75 million facilities agreement with Fortis Bank S.A./N.V. This provided an initial £5.4 million seven year term loan and £600,000 working capital facility, which has been increased to £900,000. A further £3.75 million seven year term loan was available for acquisitions. Interest was payable on the term loans at 1.5% over LIBOR and £300,000 repayments were made during the year (2005: nil). On 20 May 2004 £1 million of the additional seven year term loan was used to purchase Jubilee House. Finance costs incurred in obtaining bank loans are written off over the period of the loan. The bank loans were refinanced on 4 July 2006 and, as a result, the balance of the finance costs at 4 July 2006 was written off to the profit and loss account in the current year.

The Fortis Bank facility required the Company to purchase an interest rate cap from it by which the interest rate on at least 75% of the facility is hedged for the term of the facility. On 21 April 2004 the Company purchased, through Fortis Bank, an interest rate cap of a 6% interest rate, in the amount of £5 million from 30 April 2004 to 30 April 2009, at a cost of £87,000.

On 3 May 2006 the Company signed a £25 million loan facility with IXIS Corporate & Investment Bank S.A. ("IXIS"). The interest rate is 1.25% over LIBOR falling to 1.125% over LIBOR if interest cover is between 2.5 and 2.75 times EBITDA and 1% over LIBOR if interest cover is over 2.75 times EBITDA. There are no repayments on the IXIS loan facility until 30 October 2009.

On 4 July 2006 the Company drew £9.25 million of the IXIS £25 million loan facility to repay the Fortis Bank A and B Facilities and the overdraft and complete the acquisition of Solutions (Yorkshire) Limited. Further drawings on the £25m IXIS facility are subject to IXIS being satisfied in all respects with the proposed acquisition to be funded and that the loan does not exceed 70% of the value of the Group's charged properties.

Daniel Francis
Finance Director
26 July 2006

Directors' report

Financial Statements

The Directors present their report and the audited Financial Statements of the Group for the year ended 31 March 2006.

Principal activities

The principal activity of the Group continued to be the ownership and management of care homes.

Business review

The year reported on has continued the major refurbishment programme of the Group's care homes commenced in March 2004 at a cost of £215,357 (2005: £220,858), which has been written off to the profit and loss account, as incurred, in accordance with the Group's accounting policy. This represents an average cost of £1,400 per bed over two years. Most of the work has now been completed to bring the Group's care homes up to the high physical standards we require.

Progress in the year has been difficult owing to considerable resources being diverted to Newsham House and the continuing lack of Local Authority placements in three of ADL's care homes in Torbay which reduced turnover by £200,000.

The Group's nine freehold properties, the profit sharing agreement with South Garth Residential Care Home Partnership and the Newford Limited "B" Redeemable Ordinary Share, entitling the Company to a share of dividends, were re-valued by Christie & Co. at 31 March 2006 at £14.13 million. The increase in value has resulted in a further addition to revaluation reserves amounting to £1.42 million (2005: £1.33 million). Net assets per share at 31 March 2006 amounted to 81.5p (2005: 68.7p).

The current year has seen the acquisition of Solutions (Yorkshire) Limited, which owns a 40 bed nursing home in Leeds, and the refinancing of the Groups bank facility with IXIS Corporate & Investment Bank S.A.. The new facility will allow the Group to acquire a further £16 million of care homes.

The principal risks facing the Group are regulatory requirements imposed by the Commission for Social Care Inspection and low occupancy from lack of placements or contract blocking by Local Authorities, both of which the Group suffered from in the year under review. Over the year occupancy fell from 78.7% to 74.5% however average weekly fees increased 5.3% to £410 and staff costs fell from 59.6% to 57% of turnover. Group trading in the first three months of the current year is slightly behind budget although this is expected to recover as occupancy increases.

Financial risk management is set out in note 18 to the accounts and events occurring after the balance sheet date are reported in note 27 to the accounts.

Going concern

After making enquiries, the Directors have formed a judgement at the time of approving the accounts that there is a reasonable expectation that the Company and Group have adequate resources to continue its operations for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the accounts.

Results and dividends

The Group profit for the year after taxation amounted to £130,309 (£1,211,940). The Directors have not recommended the payment of a dividend during the year ended 31 March 2006 (2005: nil).

Charitable and political donations

The Company made no charitable or political donations during the year.

Directors' report *(continued)*

Directors and Directors' interests in shares

The Directors who held office during the period and their beneficial interests in the shares of the Company at the start and end of the period under review were as follows:

	31 March 2006		31 March 2005	
	Ordinary shares of 5p each	Deferred shares of 5p each	Ordinary shares of 5p each	Deferred shares of 5p each
Peter Dewe-Mathews	35,000	810,000	35,000	810,000
Jeremy Davies	4,944,520	–	4,244,520	–
Richard Ellert	1,500,000	–	1,475,000	–
Daniel Francis	240,000	–	160,000	–
Pearl Jackson	1,000,000	–	1,000,000	–

All the Directors served throughout the year ended 31 March 2006. There have been no changes to any of the Director's interests between 31 March 2006 and the date of this report.

Substantial shareholdings

At the date of this report, the Directors had received notifications under the Companies Act that the following had an interest of 3% or more in the issued Ordinary and Deferred shares of the Company.

	Number of shares		% of issued share capital	
	Ordinary	Deferred	Ordinary	Deferred
Jeremy Davies	4,944,520	–	50.0%	–
Richard Ellert	1,500,000	–	15.2%	–
Pearl Jackson	1,000,000	–	10.1%	–
BEST Investment Limited	121,900	3,041,100	1.2%	14.8%
S Jagsi	172,000	643,500	1.7%	3.1%
Peter Dewe-Mathews	35,000	810,000	0.4%	3.9%
R H Burchett	–	720,000	–	3.5%

Policy on payments to suppliers

The Group's policy is to pay suppliers generally at the end of the month following that in which the supplier's invoice is received. This policy is made known to the staff, who handle payments to suppliers and is made known to all suppliers on request. Trade creditors of the Company at 31 March 2006 expressed in relation to the total amounts invoiced by suppliers for services during the period were equivalent to 36 (2005: 46) days.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps one ought to have taken as a director to make oneself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

A resolution to re-appoint CLB Littlejohn Frazer as auditors to the Company will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

By Order of the Board

Richard Ellert
Company Secretary
26 July 2006

Registered Office
Corbie Steps
89 Harehills Lane
Leeds LS7 4HA

Statement of 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 the Group and of the profit or loss of the Company and the Group for that year. 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 United Kingdom 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 and Company will continue in business.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Directors' Report is prepared in accordance with company law in the United Kingdom.

Independent auditors' report to shareholders

We have audited the Financial Statements of ADL plc for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheets, the statement of total recognised gains and losses, the cash flow statement, the accounting policies and the related notes 1 to 28. These Financial Statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

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 preparing the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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.

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

We read the other information contained in the annual report and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Chairman's statement, Managing Director's review and the Financial review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

Independent auditors' report to shareholders *(continued)*

Opinion

In our opinion, the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's and Group's affairs as at 31 March 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In our opinion, the information given in the Directors' Report is consistent with the Financial Statements.

CLB Littlejohn Frazer
Chartered Accountants
and Registered Auditors
26 July 2006

1 Park Place
Canary Wharf
London E14 4HJ

Group profit and loss account

Year ended 31 March 2006

	Note	Year to 31 Mar 06 Audited £	Year to 31 Mar 05 Audited £
Group turnover	2	4,916,890	4,949,982
Cost of sales		(3,231,269)	(3,367,172)
Gross profit		<u>1,685,621</u>	<u>1,582,810</u>
Administrative expenses – ordinary		(1,212,265)	(1,144,438)
Exceptional (loss)/gain	3	(15,100)	1,180,000
Other operating income	3	83,658	66,893
Operating profit	3	<u>541,914</u>	<u>1,685,265</u>
Costs of restructuring the company		–	(34,873)
		<u>541,914</u>	<u>1,650,392</u>
Interest receivable		3,067	3,801
Interest payable	6	(445,672)	(443,351)
Profit on ordinary activities before taxation		<u>99,309</u>	<u>1,210,842</u>
Tax credit on profit on ordinary activities	7	31,000	1,098
Retained profit for the year	8	<u><u>130,309</u></u>	<u><u>1,211,940</u></u>
Earnings per ordinary share (pence)	9	<u><u>1.38p</u></u>	<u><u>13.64p</u></u>

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

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

Notes 1 to 28 form part of these financial statements.

Group statement of total recognised gains and losses

Year ended 31 March 2006

	Year to 31 Mar 06 £	Year to 31 Mar 05 £
Profit attributable to the shareholders	130,309	1,211,940
Unrealised surplus on revaluation of freehold properties	1,032,000	1,203,906
Unrealised surplus on revaluation of the rights to Newford Limited dividends	390,000	–
Unrealised surplus on revaluation of South Garth Residential Care Partnership	–	125,000
Total gains recognised since the last annual report	<u>1,552,309</u>	<u>2,540,846</u>

Notes 1 to 28 form part of these financial statements.

Group balance sheet

31 March 2006

	Note	31 Mar 06 £	31 Mar 05 £
Fixed assets			
Intangible assets	10	981,050	610,137
Tangible assets	11	13,506,930	12,533,509
Investments	12	1,600	–
Total fixed assets		14,489,580	13,143,646
Current assets			
Stocks	13	10,520	10,520
Debtors	14	816,303	494,474
Cash at bank and in hand		8,313	5,508
		835,136	510,502
Creditors: Amounts falling due within one year	15	(1,626,191)	(1,578,960)
Net current liabilities		(791,055)	(1,068,458)
Total assets less current liabilities		13,698,525	12,075,188
Creditors: Amounts falling due after more than one year	16	(5,644,819)	(5,973,791)
Net assets		8,053,706	6,101,397
Capital and reserves			
Called-up equity share capital	22	1,521,825	1,471,825
Share premium account	23	3,712,396	3,362,396
Revaluation reserve	23	2,750,906	1,328,906
Profit and loss account	23	68,579	(61,730)
Total equity shareholders' funds	24	8,053,706	6,101,397
Net assets per ordinary share	26	81.5p	68.7p

These financial statements on pages 10 to 29 were approved by the Directors on 26 July 2006 and are signed on their behalf by:

R J Ellert
Commercial Director

D F Francis
Finance Director

Notes 1 to 28 form part of these financial statements.

Company balance sheet

31 March 2006

	Note	31 Mar 06 £	31 Mar 05 £
Fixed assets			
Intangible assets	10	390,000	–
Tangible assets	11	9,269,516	8,481,640
Investments	12	1,376,507	1,374,927
Total fixed assets		11,036,023	9,856,567
Current assets			
Stocks	13	7,520	7,520
Debtors	14	3,291,392	3,160,346
Cash in hand		7,756	5,421
		3,306,668	3,173,287
Creditors: Amounts falling due within one year	15	(1,483,019)	(1,421,041)
Net current assets		1,823,649	1,752,246
Total assets less current liabilities		12,859,672	11,608,813
Creditors: Amounts falling due after more than one year	16	(5,644,819)	(5,973,791)
Net Assets		7,214,853	5,635,022
Capital and reserves			
Called-up equity share capital	22	1,521,825	1,471,825
Share premium account	23	3,712,396	3,362,396
Revaluation reserve	23	1,738,906	503,907
Profit and loss account	23	241,726	296,894
Total equity shareholders' funds		7,214,853	5,635,022

These financial statements on pages 10 to 29 were approved by the Directors on 26 July 2006 and are signed on their behalf by:

R J Ellert
Commercial Director

D F Francis
Finance Director

Notes 1 to 28 form part of these financial statements.

Group cash flow statement

Year ended 31 March 2006

	Note	Year to 31 Mar 06 £	Year to 31 Mar 05 £
Net cash inflow from operating activities	25	<u>351,794</u>	<u>236,310</u>
Returns on investments and servicing of finance			
Interest paid		(445,672)	(443,351)
Interest received		<u>3,067</u>	<u>3,801</u>
Net cash outflow from returns on investments And servicing of finance		<u>(442,605)</u>	<u>(439,550)</u>
Taxation			
UK Corporation Tax refunded/(paid)		<u>19,487</u>	<u>(335,545)</u>
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(63,527)	(25,046)
Sale Morton Manor/(purchase of Jubilee House)		<u>499,000</u>	<u>(1,046,094)</u>
Net cash inflow/(outflow) from capital expenditure And financial investment		<u>435,473</u>	<u>(1,071,140)</u>
Cash inflow/(outflow) before financing		<u>364,149</u>	<u>(1,609,925)</u>
Financing			
New secured loans		–	996,144
Repayments of amounts borrowed		<u>(300,000)</u>	<u>–</u>
Net cash (outflow)/inflow from financing		<u>(300,000)</u>	<u>996,144</u>
Increase/(decrease) in cash in the year		<u>64,149</u>	<u>(613,781)</u>

Material non-cash transaction

During the year the Company issued 1 million Ordinary Shares of 5p each, at a premium of 35p per share, as deferred consideration for the purchase of Newsham House Limited.

Notes 1 to 28 form part of these financial statements.

Notes to the financial statements

Year ended 31 March 2006

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.

In preparing the Financial Statements the Group has included a policy of impairment review, under FRS 15, of its freehold land and buildings, including fixtures and fittings, representing the Group's care homes.

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 twenty years from the year of acquisition. The results of companies acquired or disposed of are included in the Group profit and loss account after or up to the date that control passes respectively. As a consolidated Group profit and loss account is published, a separate profit and loss account for the parent company is omitted from the Group Financial Statements by virtue of section 230 of the Companies Act 1985.

Turnover

The turnover shown in the Group profit and loss account represents the value of services provided during the year.

Goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised over its estimated useful life up to a maximum of 20 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

Amortisation

Amortisation 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:

Goodwill	20 years
Intangible assets	8.75 years and 4.75 years from 31 March 2006

Fixed assets

All fixed assets are initially recorded at cost.

Notes to the financial statements *(continued)*

Year ended 31 March 2006

1. Accounting policies *(continued)*

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:

Motor vehicles	25% straight line
Office equipment	25% straight line

Depreciation is provided on all tangible fixed assets, other than freehold land and buildings. Included within freehold land and buildings are all fixtures and fittings in respect of care homes. An impairment review permitted by FRS 15 is carried out each year to ensure the carrying value of the cost of the care homes is not overstated. The care homes must be maintained to a standard approved by the Commission for Social Care Inspection.

Stocks

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

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; and

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.

Group Relief

Taxable losses acquired by the Company from another company within the Group are charged/credited to the profit and loss account at a fair value reflecting the reduction in corporation tax liability of the Company.

Notes to the financial statements *(continued)*
Year ended 31 March 2006

1. Accounting policies *(continued)*

Capital Instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if they are not included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

2. Turnover

The turnover and loss before tax are attributable to the one principal activity of the Group. An analysis of turnover is given below:

	Year to 31 Mar 06	Year to 31 Mar 05
	£	£
United Kingdom	<u>4,916,890</u>	<u>4,949,982</u>

3. Operating profit

Operating profit includes other operating income:

	Year to 31 Mar 06	Year to 31 Mar 05
	£	£
South Garth profit share	59,658	66,893
Newford Limited dividends	24,000	–
Total other operating income	<u>83,658</u>	<u>66,893</u>

Operating profit is stated after charging/(crediting):

Directors' emoluments	235,000	183,000
Amortisation: - intangible assets	19,087	10,867
Depreciation: - of owned fixed assets	22,106	26,547
Auditors' remuneration:		
- as auditors	36,000	33,037
- other services	22,590	40,209
Exceptional loss/(gain)	<u>15,100</u>	<u>(1,180,000)</u>

The exceptional loss relates to the costs of obtaining planning permission for the development of Morton Manor and the exceptional gain relates to the reversal of previous years' impairment charges in respect of freehold properties.

4. Particulars of employees

The average number of staff employed by the Group during the year amounted to:

	Year to 31 Mar 06	Year to 31 Mar 05
	No.	No.
Engaged in provision of care	95	114
Catering, domestic and maintenance	30	37
Management and administration	19	24
	<u>144</u>	<u>175</u>

Notes to the financial statements *(continued)*
Year ended 31 March 2006

4. Particulars of employees *(continued)*

The aggregate payroll costs of the above were:

	Year to 31 Mar 06	Year to 31 Mar 05
	£	£
Wages and salaries	2,594,145	2,668,939
Social security costs	233,000	196,193
	<u>2,827,145</u>	<u>2,865,132</u>

5. Directors' emoluments

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

	Year to 31 Mar 06	Year to 31 Mar 05
	£	£
Emoluments receivable	235,000	183,000

The highest paid Director's emoluments amounted to £55,000 (2005: £55,000)

6. Interest payable

	Year to 31 Mar 06	Year to 31 Mar 05
	£	£
Interest payable on bank and other loans	445,672	443,351

7. Tax charge/(credit) on profit on ordinary activities

(a) Analysis of charge in the year

	Year to 31 Mar 06	Year to 31 Mar 05
	£	£
Current tax: in respect of the year		
UK Corporation tax based on the results for the year at 19% (2005: 19%)	20,000	6,260
Over provision in prior years	—	(7,358)
Total tax charge/(credit)	20,000	(1,098)
Deferred tax:		
Deferred tax credit	(51,000)	—
Tax credit on profit on ordinary activities	(31,000)	(1,098)

(b) Factors affecting current tax charge

The difference between the total current tax shown above and the amount calculated by applying the effective standard rate of UK corporation tax to the loss before tax is as follows:

Notes to the financial statements *(continued)*
Year ended 31 March 2006

7. Tax charge/(credit) on profit on ordinary activities *(continued)*

	Year to 31 Mar 06	Year to 31 Mar 05
	£	£
Profit on ordinary activities before taxation	<u>99,309</u>	<u>1,210,842</u>
Profit on ordinary activities by rate of tax	18,869	230,060
Difference between depreciation and capital allowances	(1,286)	(8,813)
Over provision in prior period	–	(7,358)
Expenses not deductible for tax	2,417	9,213
Revaluation of property	–	(224,200)
Total tax charge/(credit) (note 7(a))	<u>20,000</u>	<u>(1,098)</u>

8. Profit attributable to members of the parent company

The loss dealt with in the accounts of the parent company was £55,168 (2005: profit £829,984).

9. Earnings per share

	Year to 31 Mar 06	Year to 31 Mar 05
	Pence	Pence
Earnings per ordinary share	<u>1.38</u>	<u>13.64</u>

Earnings per share have been calculated on the net basis on the profit on ordinary activities after taxation of £130,309 (2005: £1,211,940 using the weighted average number of ordinary shares in issue during the year of 9,414,461 (2005: 8,885,694).

10. Intangible fixed assets

Group	Goodwill	Intangible Asset	Total
	£	£	£
Cost			
At 1 April 2005	381,733	250,000	631,733
Revaluation	–	390,000	390,000
At 31 March 2006	<u>381,733</u>	<u>640,000</u>	<u>1,021,733</u>
Amortisation			
At 1 April 2005	21,596	–	21,596
Charge for the year	19,087	–	19,087
At 31 March 2006	<u>40,683</u>	<u>–</u>	<u>40,683</u>
Net book value			
At 31 March 2006	<u>341,050</u>	<u>640,000</u>	<u>981,050</u>
At 31 March 2005	<u>360,137</u>	<u>250,000</u>	<u>610,137</u>

Notes to the financial statements *(continued)*
Year ended 31 March 2006

10. Intangible fixed assets *(continued)*

Company	Total £
At 1 April 2005	–
Revaluation	<u>390,000</u>
At 31 March 2006	<u>390,000</u>

£250,000 of the intangible assets represents Christie & Co (valuers, surveyors and agents) open market valuation at both 31 March 2005 and 2006 of a profit sharing agreement with South Garth Residential Care Home Partnership. £390,000 revaluation represents Christie & Co (valuers, surveyors and agents) open market valuation, at 31 March 2006 of the rights to Newford Limited dividends.

11. Tangible fixed assets

Group	Freehold Property £	Motor Vehicles £	Fixtures and Fittings £	Office Equipment £	Total £
Cost or valuation					
At 1 April 2005	12,500,000	23,600	7,245	90,677	12,621,522
Additions	455,000	–	–	8,527	463,527
Disposals	(500,000)	–	–	–	(500,000)
Revaluation	1,032,000	–	–	–	1,032,000
At 31 March 2006	<u>13,487,000</u>	<u>23,600</u>	<u>7,245</u>	<u>99,204</u>	<u>13,617,049</u>
Depreciation					
At 1 April 2005	–	23,600	1,767	62,646	88,013
Charge for the year	–	–	2,120	19,986	22,106
At 31 March 2006	<u>–</u>	<u>23,600</u>	<u>3,887</u>	<u>82,632</u>	<u>110,119</u>
Net book value					
At 31 March 2005	<u>13,487,000</u>	<u>–</u>	<u>3,358</u>	<u>16,572</u>	<u>13,506,930</u>
At 31 March 2004	<u>12,500,000</u>	<u>–</u>	<u>5,478</u>	<u>28,031</u>	<u>12,533,509</u>

The freehold properties are held for long term retention and were valued by Christie & Co (valuers, surveyors and agents) at 31 March 2006 at open market value for existing use on both portfolio and individual property basis in accordance with The Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. The portfolio basis has been used in the Group valuation.

The historical cost of the Group's freehold properties at 31 March 2006 was £11,402,806.

Notes to the financial statements *(continued)*
Year ended 31 March 2006

11. Tangible fixed assets *(continued)*

Company	Freehold Property £	Fixtures and Fittings £	Office Equipment £	Total £
Cost or valuation				
At 1 April 2005	8,450,000	7,245	69,302	8,526,547
Additions	455,000	–	8,527	463,527
Disposals	(500,000)	–	–	(500,000)
Revaluation	845,000	–	–	845,000
At 31 March 2006	9,250,000	7,245	77,829	9,335,074
Depreciation				
At 1 April 2005	–	1,767	43,140	44,907
Charge for the year	–	2,120	18,531	20,651
At 31 March 2006	–	3,887	61,671	65,558
Net book value				
At 31 March 2006	9,250,000	3,358	16,158	9,269,516
At 31 March 2005	8,450,000	5,478	26,162	8,481,640

The freehold properties are held for long term retention and were valued by Christie & Co (valuers, surveyors and agents) at 31 March 2006 at open market value for existing use on an individual property basis in accordance with The Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors.

The historical cost of the freehold property at 31 March 2006 was £8,052,806.

12. Investments

The Group investment represents the cost of one Newford Limited redeemable “B” Share of £1.

Company at Cost	Total £
At 1 April 2005	1,374,927
Additions	1,600
Disposals	(20)
Net book value at 31 March 2006	1,376,507

Subsidiary Undertakings	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Woodland Healthcare Limited	England	Ordinary	100%	Care home operator
Woodland Nursing Homes Limited	England	Ordinary	100%	Dormant
The Knoll Nursing Home Limited	England	Ordinary	100%	Dormant
Barleyglow Limited	England	Ordinary	100%	Dormant

Notes to the financial statements *(continued)*
Year ended 31 March 2006

13. Stocks

	Group		Company	
	31 Mar 06	31 Mar 05	31 Mar 06	31 Mar 05
	£	£	£	£
Stock	<u>10,520</u>	<u>10,520</u>	<u>7,520</u>	<u>7,520</u>

14. Debtors

	Group		Company	
	31 Mar 06	31 Mar 05	31 Mar 06	31 Mar 05
	£	£	£	£
Trade debtors	365,299	288,043	216,492	155,289
Amounts owed by group undertakings	–	–	2,645,653	2,817,669
Other debtors	29,622	58,655	17,898	51,475
Deferred taxation (note 19)	51,000	–	51,000	–
Deferred consideration Morton Manor	249,000	–	249,000	–
Prepayments and accrued income	121,382	147,776	111,349	135,913
	<u>816,303</u>	<u>494,474</u>	<u>3,291,392</u>	<u>3,160,346</u>

The debtors above include the following amounts falling due after more than one year:

	Group		Company	
	31 Mar 06	31 Mar 05	31 Mar 06	31 Mar 05
	£	£	£	£
Amounts owed by group undertakings	<u>–</u>	<u>–</u>	<u>2,645,653</u>	<u>2,817,669</u>

15. Creditors: Amounts falling due within one year

	Group		Company	
	31 Mar 06	31 Mar 05	31 Mar 06	31 Mar 05
	£	£	£	£
Bank overdrafts	688,705	750,049	712,689	765,987
Bank loans	350,000	300,000	350,000	300,000
Trade creditors	150,013	194,547	109,597	112,174
Amount due to group undertaking	–	–	–	20
Corporation tax	20,309	–	–	–
PAYE and social security	129,382	101,084	93,326	73,393
Other creditors	179,896	185,444	133,360	133,085
Accruals and deferred income	107,886	47,836	84,047	36,382
	<u>1,626,191</u>	<u>1,578,960</u>	<u>1,483,019</u>	<u>1,421,041</u>

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

	Group		Company	
	31 Mar 06	31 Mar 05	31 Mar 06	31 Mar 05
	£	£	£	£
Bank loans	5,750,000	6,100,000	5,750,000	6,100,000
Less finance costs	(105,181)	(126,209)	(105,181)	(126,209)
	<u>5,644,819</u>	<u>5,973,791</u>	<u>5,644,819</u>	<u>5,973,791</u>

Notes to the financial statements *(continued)*
Year ended 31 March 2006

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

The bank loan and overdraft are secured by way of a legal charge and fixed and floating charges over all the Company's and the Group's freehold properties and other assets both present and future. Interest on the bank loan is 1.5% over LIBOR and is repayable in instalments.

Finance costs incurred in obtaining bank loans are written off over the period of the loan. The bank loans were refinanced on 4 July 2006 and, as a result, the balance of the finance costs at 4 July 2006 has been written off to the profit and loss account in the current year.

17. Creditors - capital instruments

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

	Group		Company	
	31 Mar 06	31 Mar 05	31 Mar 06	31 Mar 05
	£	£	£	£
Amounts repayable:				
In one year or less or on demand	350,000	300,000	300,000	300,000
In more than one year but not more than two years	400,000	350,000	400,000	350,000
In more than two years but not more than five years	1,450,000	1,350,000	1,450,000	1,350,000
In more than five years	3,900,000	4,400,000	3,900,000	4,400,000
	<u>6,100,000</u>	<u>6,400,000</u>	<u>6,100,000</u>	<u>6,400,000</u>

18. Bank loans and overdrafts

The Group's financial instruments comprise borrowings, some cash and liquid resources, and various items, such as trade debtors, trade creditors etc that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The interest rate profile of the financial liabilities was as follows:

	31 Mar 06	31 Mar 05
	£	£
Floating rate:		
Bank overdraft	688,705	750,049
Bank loan	6,100,000	6,400,000
Total	<u>6,788,705</u>	<u>7,150,049</u>

The interest rate on floating rate financial liabilities is 1.5% above LIBOR for the bank loan and 1.75% above LIBOR for the bank overdraft (2005: 1.5% and 1.75% above LIBOR).

The Group finances its operations through a mixture of retained profits and bank borrowings.

Short term debtors and creditors have been excluded for the purposes of FRS 13 disclosure requirements.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below:

Notes to the financial statements *(continued)*

Year ended 31 March 2006

18. Bank loans and overdrafts *(continued)*

Interest Rate Risk:

At the year end none of the Group's borrowings were at fixed rates (2005: nil).

The Fortis Bank facility required the Company to purchase an interest rate cap from it by which the interest rate on at least 75% of the facility is hedged for the term of the facility. On 21 April 2004 the Company purchased through Fortis Bank an interest rate cap of a 6% interest rate, in the amount of £5 million from 30 April 2004 to 30 April 2009, at a cost of £87,000. This cost has been capitalised and is being amortised over the life of the interest rate cap.

Liquidity Risk:

As regards liquidity, the Group's policy has throughout the year been to ensure continuity of funding. In order that this is achieved, the Group maintains close control over future cash flows and regularly reviews medium and long-term finance against those future cash flows.

On 19 January 2004 the Group arranged a £9.75 million facility with Fortis Bank S.A./N.V. split into £5,400,000 Facility A, which was drawn down in full on 13 February 2004 to refinance the Company and complete the acquisitions of Newsham House Limited and Woodland Healthcare Limited, £3,750,000 Facility B, which is available for acquisitions, £1,000,000 of which was drawn down on 20 May 2004 to purchase Jubilee House, and a £600,000 Overdraft Facility. The Overdraft Facility has been increased to £900,000.

Repayment of Facility A: The Company must repay the Facility A loan in the following amounts on the following dates:

Repayment Date	Amount £
30 April 2006	£150,000
30 October 2006	£150,000
30 April 2007	£175,000
30 October 2007	£175,000
30 April 2008	£200,000
30 October 2008	£200,000
30 April 2009	£225,000
30 October 2009	£225,000
30 April 2010	£225,000
30 October 2010	£225,000
30 April 2011	£3,200,000
Total	£5,150,000

Repayment of Facility B: On each of the above repayment dates, the Company must repay the Facility B loan in the amount of 2.5% of the aggregate of all amounts from time to time advanced under the Facility B loan and, on the final repayment date, the Company must repay in full all amounts outstanding under the Facility B loan. Based on £950,000 loan drawn at 31 March 2006, £25,000 is repayable on each of the above repayment dates with a final repayment of £700,000 on 30 April 2011.

Repayment of Overdraft Facility: The Overdraft Facility is repayable on demand.

On 3 May 2006 the Company signed a £25 million loan facility with IXIS Corporate & Investment Bank S.A. ("IXIS"). On 4 July 2006 the Company drew £9.25 million to repay the Fortis Bank A and B Facilities and the Overdraft and complete the acquisition of Solutions (Yorkshire) Limited.

Notes to the financial statements *(continued)*
Year ended 31 March 2006

18. Bank loans and overdrafts *(continued)*

Further drawings on the £25m IXIS facility are subject to IXIS being satisfied in all respects with the proposed acquisition to be funded and that the loan does not exceed 70% of the value of the Group's charged properties.

The interest rate is 1.25% over LIBOR falling to 1.125% over LIBOR if net interest cover is between 2.5 and 2.75 times EBITDA and 1% over LIBOR if net interest cover is over 2.75 times EBITDA.

There are no repayments on the IXIS loan facility until 30 October 2009 when the following repayments are to be made:

Repayment Date	Amount £
30 October 2009	2.5% of the loan outstanding
30 April 2010	2.5% of the loan outstanding
30 October 2010	2.5% of the loan outstanding
30 April 2011	2.5% of the loan outstanding
30 October 2011	2.5% of the loan outstanding
30 April 2012	2.5% of the loan outstanding
30 October 2012	2.5% of the loan outstanding
30 April 2013	the remaining balance of the loan in full

19. Deferred taxation

The deferred taxation asset of £51,000 included in debtors (note 14) represents excess of capital allowances over depreciation.

The Directors have made no provision in the Financial Statements for deferred tax on the revaluation of the Group's intangible assets and freehold properties as these assets are held for continuing use in the business. The amounts un-provided at the end of each year were as follows:

	Year to	Year to
	31 Mar 06	31 Mar 05
	£	£
Revaluation of intangible assets and freehold properties	<u>824,792</u>	<u>398,672</u>

20. Contingencies

The Company has agreed to issue a further 250,000 ordinary shares of 5 pence each at price of 40 pence per share to the shareholders of Newsham House Limited as deferred consideration if planning permission is granted in respect of further development.

21. Related party transactions

During the year 31 March 2005, Star Healthcare Limited, a company owned by P L Jackson a Director, provided goods to the Company for a consideration of £895 (2006; nil).

During the year ended 31 March 2006, Solutions (Yorkshire) Limited, a company owned by P L Jackson, a Director, provided goods and services to the Group for a consideration of £10,282 (2005: £4,668).

During the year ended 31 March 2006 the Company paid £12,000 to Mrs P L Jackson, a Director, for the rent of the Company's head office (2005: £11,000).

Notes to the financial statements *(continued)*
Year ended 31 March 2006

21. Related party transactions *(continued)*

During the year ended 31 March 2005 the Company paid £5,842 to Mr A Jackson (husband of Mrs P L Jackson, a Director), for services to the Company (2006: nil).

During the year ended 31 March 2006, Energy Telecom Limited, a company of which Directors, W J Davies and R J Ellert are directors and shareholders, provided telecommunications services to the Group for a consideration of £5,645 (2005: £5,101).

During the year ended 31 March 2005, Compton Consulting Limited, a company of which D F Francis, a Director, is a director and shareholder, provided accounting services to the Group for a consideration of £37,099 (2006: nil).

During the year ended 31 March 2006 the Company issued 700,000 Ordinary Shares of 5p each to W J Davies, a Director, at a price of 40 pence per share in respect of deferred consideration for Newsham House Limited.

All the above transactions were undertaken on an arms length basis.

During the year ended 31 March 2006 the Company paid a health insurance premium on behalf of P L Jackson, a Director, which has been repaid since the year end.

22. Share capital

Authorised share capital:

	31 Mar 06	31 Mar 05
	£	£
15,000,000 Ordinary shares of £0.05 each	750,000	750,000
45,000,000 Deferred non equity shares of £0.05 each	2,250,000	2,250,000
	<u>3,000,000</u>	<u>3,000,000</u>

Allotted, called up and fully paid:

	31 Mar 06		31 Mar 05	
	No.	£	No.	£
Ordinary shares of £0.05 each	9,885,694	494,285	8,885,694	444,285
Deferred non equity shares of £0.05 each	20,550,798	1,027,540	20,550,798	1,027,540
	<u>30,436,492</u>	<u>1,521,825</u>	<u>29,436,492</u>	<u>1,471,825</u>

During the year the Company issued 1 million Ordinary Shares of 5p each, at a premium of 35p per share, as deferred consideration for the purchase of Newsham House Limited.

The deferred shares, issued in January 2001, are considered to be non equity shares since they carry no voting rights, no rights to receive a dividend and have no value in a winding up unless ordinary share valuation exceeds £1,000 per share. Whilst they are stated in the financial statements at their nominal value, they have no commercial value.

Notes to the financial statements *(continued)*
Year ended 31 March 2006

23. Reserves

Group	Revaluation Reserve	Share Premium Account	Profit and Loss Account
	£	£	£
At 1 April 2005	1,328,906	3,362,396	(61,730)
Movement for the year	<u>1,422,000</u>	<u>350,000</u>	<u>130,309</u>
At 31 March 2006	<u><u>2,750,906</u></u>	<u><u>3,712,396</u></u>	<u><u>68,579</u></u>

Company	Revaluation Reserve	Share Premium Account	Profit and Loss Account
	£	£	£
At 1 April 2005	503,906	3,362,396	296,894
Movement for the year	<u>1,235,000</u>	<u>350,000</u>	<u>(55,168)</u>
At 31 March 2006	<u><u>1,738,906</u></u>	<u><u>3,712,396</u></u>	<u><u>241,726</u></u>

24. Reconciliation of movements in shareholders' funds

	Year to 31 Mar 06	Year to 31 Mar 05
	£	£
Profit on ordinary activities after taxation	130,309	1,211,940
New equity share capital subscribed	50,000	–
Premium on new share capital subscribed	350,000	–
Increase in revaluation reserve	<u>1,422,000</u>	<u>1,328,906</u>
Net addition to funds	1,952,309	2,540,846
Opening shareholders' funds	<u>6,101,397</u>	<u>3,560,551</u>
Closing shareholders' funds	<u><u>8,053,706</u></u>	<u><u>6,101,397</u></u>

Included within shareholders' funds is £1,027,540 (2005: £1,027,540) relating to non-equity interests.

25. Notes to statement of cash flows

Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	Year to 31 Mar 06	Year to 31 Mar 05
	£	£
Operating profit	541,914	1,685,265
Amortisation	19,087	10,867
Depreciation	22,106	26,547
Increase in stocks	–	(1,000)
Increase in debtors	(284,680)	(172,051)
Increase/(decrease) in creditors	38,267	(98,445)
Exceptional item – loss on sale/revaluation of fixed assets	15,100	(1,180,000)
Re-organisation costs	–	(34,873)
Net cash inflow from operating activities	<u><u>351,794</u></u>	<u><u>236,310</u></u>

Notes to the financial statements *(continued)*
Year ended 31 March 2006

25. Notes to statement of cash flows *(continued)*

Reconciliation of net cash flow to movement in net debt

	Year to 31 Mar 06	Year to 31 Mar 05
	£	£
Increase/(decrease) in cash in the period	64,149	(613,781)
Amortisation of finance costs	(21,028)	–
New secured loans	–	(996,144)
Repayment of amounts borrowed	300,000	–
Change in net debt	343,121	(1,609,925)
Net debt at 1 April 2005	(7,018,332)	(5,408,407)
Net debt at 31 March 2006	(6,675,211)	(7,018,332)

Analysis of changes in net debt

	At 1 Apr 05	Cash Flows	At 31 Mar 06
	£	£	£
Net cash:			
Cash in hand and at bank	5,508	2,805	8,313
Overdrafts	(750,049)	61,344	(688,705)
Debt:			
Bank loans due after more than one year	(5,973,791)	328,972	(5,644,819)
Bank loans due within one year	(300,000)	(50,000)	(350,000)
Net debt	<u>(7,018,332)</u>	<u>343,121</u>	<u>(6,675,211)</u>

26. Net asset value per share

The calculation of 81.5p (2005: 68.7p) net asset value per share at 31 March 2006 is based on net assets of £8,053,706 (2005: £6,101,397) divided by the 9,885,694 ordinary shares in issue at that date (2005: 8,885,694).

27. Post balance sheet events

On 3 May 2006 the Company signed a £25 million loan facility with IXIS Corporate & Investment Bank S.A. (“IXIS”). The interest rate is 1.25% over LIBOR falling to 1.125% over LIBOR if interest cover is between 2.5 and 2.75 times EBITDA and 1% over LIBOR if interest cover is over 2.75 times EBITDA. There are no repayments on the IXIS loan facility until 30 October 2009 when the following repayments are to be made:

Repayment Date	Amount £
30 October 2009	2.5% of the loan outstanding
30 April 2010	2.5% of the loan outstanding
30 October 2010	2.5% of the loan outstanding
30 April 2011	2.5% of the loan outstanding
30 October 2011	2.5% of the loan outstanding
30 April 2012	2.5% of the loan outstanding
30 October 2012	2.5% of the loan outstanding
30 April 2013	the remaining balance of the loan in full

Notes to the financial statements *(continued)*

Year ended 31 March 2006

27. Post balance sheet events *(continued)*

On 25 May 2006 the Company conditionally entered into an acquisition agreement to acquire the entire issued share capital of Solutions (Yorkshire) Limited, owner and operator of a 40 bed nursing home in Leeds, from P L Jackson, Operations Director of the Company. The acquisition was conditional on, *inter alia*, the consent of shareholders. The consideration for the acquisition is a maximum of £2.26 million payable in cash. In addition, the Company assumed Solution's debt amounting to approximately £770,000.

On 12 June 2006 shareholders unanimously approved the acquisition of Solutions (Yorkshire) Limited) at an Extraordinary General Meeting.

On 4 July 2006 the Company drew £9.25 million of the IXIS £25 million loan facility to repay the Fortis Bank A and B Facilities and the overdraft and complete the acquisition of Solutions (Yorkshire) Limited. Further drawings on the £25m IXIS facility are subject to IXIS being satisfied in all respects with the proposed acquisition to be funded and that the loan does not exceed 70% of the value of the Group's charged properties.

On 26 July 2006 the Company entered into a conditional contract with Garalexin (Nuneaton) Limited, to sell them part of the garden at Allambie Court for £225,000 plus £15,000 contribution to the Company's architects fees in respect of Allambie Court. The contract is conditional on the purchaser obtaining detailed planning permission, which is free from onerous planning conditions, for the development of eight separate residential units of an average 62 square metres per unit.

On 26 July 2006 the Company entered into conditional contracts with Hume Laboure Limited and L E Taylor, to franchise Harewood Court Nursing Home, Leeds. The franchise agreement is for five years with an option for the franchisee to renew for further periods of five years. The Company has leased Harewood Court Nursing Home at an initial rent of £240,000 plus 50% of Hume Labour Limited's EBITDA after rent. The contract is conditional on registration of Hume Laboure Limited and the registration of L E Taylor as manager with the Commission for Social Care Inspection.

28. Ultimate controlling party

W J Davies, by virtue of his 50.02% shareholding, controls the Company.

Notice of the annual general meeting

Notice is hereby given that the annual general meeting of the Company will be held at the offices of Corporate Synergy plc, 30 Old Broad Street, London EC2N 1HT at 11.00 am on Tuesday 19 September 2006 for the following purposes.

Ordinary Business

1. To receive the Directors' report and financial statements of the Company for the year ended 31 March 2006 together with the Auditors' report thereon.
2. To re-appoint CLB Littlejohn Frazer as Auditors to the Company to hold office until the conclusion of the next general meeting before which financial statements are laid, and to authorise the Directors to set their remuneration.
3. To re-appoint William Jeremy Davies as a Director.
4. To re-appoint Pearl Lorraine Jackson as a Director.

By Order of the Board

Richard Ellert
Company Secretary
26 July 2006

Registered Office
Corbie Steps
89 Harehills Lane
Leeds LS7 4HA

Notes

1. A person entitled to receive notice of, and attend and vote at the above meeting may appoint a proxy to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company. Forms of proxy must be deposited with the Company's Registrars, Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time appointed for the meeting or adjourned meeting. Completion and return of the form of proxy will not prevent the holder from attending the meeting and voting in person should he wish to do so.
2. To have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person may cast), a person must have his name entered in the register of members of the Company by no later than 11.00 am on 17 September 2006. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.