

ADL plc

Annual Report and Accounts

2007

Contents

	Page
Directors and advisers	1
Chairman's statement	2
Managing Director's review	3
Financial review	4
Directors' report	6
Statement of Directors' responsibilities	8
Independent auditors' report to the shareholders	9
Group profit and loss account	11
Group statement of total recognised gains and losses	12
Group balance sheet	13
Company balance sheet	14
Group cash flow statement	15
Notes to the financial statements	16
Notice of the annual general meeting	32

Contents

DIRECTORS

Sir William Wells	Chairman
Jeremy Davies	Managing Director
Pearl Jackson	Operations Director
Daniel Francis	Finance Director
Peter Dewe-Mathews	Non-Executive Director

SECRETARY

Jeremy Davies

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Leeds LS7 4HA

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COMPANY NUMBER

2463465

AUDITORS

CLB Littlejohn Frazer
1 Park Place
Canary Wharf
London E14 4HJ

NOMINATED ADVISER AND BROKER

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30 Old Broad Street
London EC2N 1HP

BANKERS

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

HSBC Bank plc
41 Southgate
Bath BA1 1TN

SOLICITORS

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16-18 Queen Street
Norwich NR2 4SQ

VALUERS

Christie & Co
50 Victoria Street
London SW1H 0N

REGISTRARS

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Chairman's statement

Financial Results

I am pleased to report that turnover for the year ended 31 March 2007 was £5.65 million (2006: £4.92 million) including £0.68 million from Solutions (Yorkshire) Limited which was acquired in July 2006 and the profit on ordinary activities, before exceptional costs and tax, was £407,323 (2006: £114,409). We notified share holders in a press release on 11 May 2007 that the Group's profits would be depressed by a number of exceptional items and details of these are set out in the accounts and have not changed since our statement.

Profit before taxation amounted to £151,717 (2006: £99,309) and after tax profits £133,717 (2006: £130,309). Earnings per share are marginally reduced to 1.35p (2006 1.38p).

In view of the high level of "one-off" exceptional items the Board does not consider it prudent to recommend a final dividend for the financial year ended 31 March 2007 having already declared and paid an interim dividend on 20 October 2006 of 1p per Ordinary Share amounting to £98,857 which was announced in the interim results.

Following the revaluation by Christie & Co. of the Group's freehold properties, the effect of the profit sharing agreement and the rights to the Newford Limited dividends, the net asset value of the Group at 31 March 2007 has increased by 24.6% to 101.5p per share (2006: 81.5p).

The Industry

During the year your Board has put in place an upgrading of management systems to cope with an increasingly challenging regulatory environment. Although we understand and support the need for proper regulation, the much publicised actions of CSCI are making it increasingly difficult to encourage and employ the calibre of managers that we need to deal appropriately and sensitively with an increasingly ageing population. The knock-on effect of this on the industry should not be underestimated.

As a result your Board has postponed (at least for the time being) the implementation of the franchise of our care homes.

Outlook

Although the Company is operating in an increasingly challenging environment it is the Board's intention to continue to expand the Company by the acquisition of further care homes in appropriate locations. In parallel we will continue to upgrade the management systems in our care homes and we will also simplify the current group corporate structure.

Current trading is satisfactory and if the present trend continues throughout the financial year we should be able to report a further improvement in trading.

The year has seen the Group face a number of new challenges which have placed a considerable strain on all those involved in the management of homes. I should like to take this opportunity to place on record my appreciation of their hard work and dedication in providing such high quality care to the people for whom the Company is responsible.

Sir William Wells

Chairman

30 July 2007

Managing Director's review

The Group continues to seek to dispose of land which is surplus to the requirements of operating the homes, whilst continuing to upgrade our operating facilities. This includes improving systems to ensure compliance with the increasingly challenging regulatory inspection regime.

Operations

I am pleased to report that occupancy in the homes under the Group's management averaged 80% in the year to 31 March 2007 and this has increased to in excess of 84% in the first quarter of the current year. The Company has maintained cost control, commensurate with the standard of care we provide to our clients.

Properties

On 19 December 2006 the Company sold the Nightingale Nursing Home at the carrying value in the Company's books for £800,000 for redevelopment.

There are a number of property transactions in various stages of completion

- Morton Manor – the developer has completed the development of six flats. The Company is due to receive £249,000 deferred consideration and a profit share which will be finalised when the last property is sold
- Morton Manor - negotiations are continuing with Elmley Homes Limited to develop a care village of 40 to 50 dwellings on an area of unutilised land adjacent to Morton Manor.
- Newsham House – the offer for Newsham House set out in the interim statement is still extant and should be completed when planning in relation to car parking is finalised
- Allambie – planning consent has been obtained for the extension to the home and the proposed developer continues negotiation with the Local Planning Authority for the development of the surplus land.
- The Knoll - the proposed developer continues to negotiate with the Local Planning Authority relating to the provision of two small blocks of close care apartments.

Jeremy Davies
Managing Director
30 July 2007

Financial review

Group Profit and Loss Account

Turnover for the year ended 31 March 2007 amounted to £5.65 million (2006: £4.92 million). The 2007 turnover includes £0.68 million for the trading of Solutions (Yorkshire) Limited since the Company acquired it on 4 July 2006.

Operating profit before exceptional items amounted to £923,581 (2006: £557,014). The 2007 operating profit includes the contribution of £177,304 made by Solutions (Yorkshire) Limited in the nine months from 4 July 2006. The Directors decided to close and sell Nightingale as it was making losses and an acceptable offer had been received for the home of £800,000 which equated to the carrying value in the accounts. The operating profit includes other operating income arising from the Group's profit share from the South Garth Partnership of £61,704 (2006: £59,658), the full year benefit of dividends from Newford Limited £108,000 (2006: £24,000 for three months) and further consideration on the sale of land at Morton net of costs amounting to £32,657.

The exceptional and non-recurring costs of £255,606 were the write off of unamortised finance costs of £99,924 on 4 July 2006 on the refinancing of the bank loan facility with IXIS, legal costs of £100,682 incurred in the defence of the position following the CSCI enquiry at Newsham House and the severance costs of £55,000 incurred on the departure of a director in February 2007. In 2006 the exceptional costs were £15,100 for the planning permission on the disposal of land at Morton Close Nursing Home.

Operating profit for the Group after exceptional costs amounted to £667,975 (2006: £541,914).

After net interest costs, the profit before taxation amounted to £151,717 (2006: £99,309). The Group tax charge for the year is £18,000 (2006: £31,000 tax credit) leaving a retained profit for the year of £133,717 (2006: £130,309). Earnings per share amounted to 1.35p (2006 1.38p).

The Directors declared and paid an interim dividend of 1p per Ordinary Share amounting to £98,857 (2006 £nil). No final dividend is proposed.

Group Balance Sheet

In July 2006 the Group acquired Solutions (Yorkshire) Limited for £2.1 million and in December 2006 the Group sold the Nightingale Nursing Home at its book value of £0.8 million.

On 31 March 2007 the Group's nine freehold properties, together with 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 £17.59 million (2006: £14.13 million). The increase in value has resulted in a further addition to revaluation reserves amounting to £1.94 million (2006: £1.42 million). Net assets per share at 31 March 2007 were 101.5p (2006: 81.5p).

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 9.5% (2006: 7.5%).

Bank Facility and Hedging

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 due on the IXIS loan facility until 30 October 2009.

On 4 July 2006 the Company drew down £9.25 million of the IXIS £25 million loan facility to repay the Fortis Bank A and B Facilities and the overdraft which had been in existence since January 2004 and to complete the acquisition of Solutions (Yorkshire) Limited. Further drawings on the £25 million

Financial review

IXIS facility is 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. As a result, the balance of the finance costs of arranging the Fortis facility amounting to £0.1 million at 4 July 2006 was written off to the profit and loss account.

On 29 December 2006 £0.8 million proceeds from the sale of Nightingale were applied in reducing the Group's bank loan from £9.25 million to £8.45 million and the facility from £25 million to £24.2 million.

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.

Daniel Francis
Finance Director
30 July 2007

Directors' Report

Financial Statements

The Directors present their report and the audited Financial Statements of the Group for the year ended 31 March 2007.

Principal activities

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

Business review

Over the year occupancy of the homes under management, including South Garth and Newford, rose from 74.5% to 80.0%, average weekly fees increased 6.1% to £435 and staff costs improved from 57.0% to 54.7% of turnover. These statistics comparative to last year are favourably affected by the closure and sale of Nightingale in December 2006, the acquisition of Solutions (Yorkshire) Limited in July 2006, the reduction of 10 available beds across the Group as double occupancy became single, to suit market conditions, and a full year of management of Newford. After a slow start to the calendar year, as some homes began to recover after contract blocking, Group trading in the first quarter of the current financial year has picked up and is expected to continue to improve.

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 2007 at £17.59 million. The increase in value has resulted in a further addition to revaluation reserves amounting to £1.94 million (2006: £1.42 million). Net assets per share at 31 March 2007 amounted to 101.5p (2006: 81.5p).

On 4 July 2006 the Group acquired Solutions (Yorkshire) Limited, which owns a 40 bed nursing home in Leeds, and the Group was refinanced by a new £25 million bank facility with IXIS Corporate & Investment Bank S.A.. The new facility allows the Group to acquire a further £16 million of care homes.

The principal risks facing the Group are still the practical implementation of 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. Finding and maturing high quality managers and senior staff across all locations presents management with a continual challenge.

Financial risk management is set out in note 18 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 £133,717 (£130,309). The Directors recommended and paid an interim dividend during the year ended 31 March 2007 of £98,857 (2006 £Nil). The Directors do not propose to recommend any further dividend in relation to the profits for the year to 31 March 2007.

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 2007		31 March 2006	
	Ordinary shares of 5p each	Deferred shares of 5p each	Ordinary shares of 5p each	Deferred shares of 5p each
Sir Williams Wells	100,000	-	-	-
Peter Dewe-Mathews	35,000	810,000	35,000	810,000
Jeremy Davies	4,944,520	-	4,244,520	-
Daniel Francis	240,000	-	160,000	-
Pearl Jackson	1,000,000	-	1,000,000	-

There have been no changes to any of the Director's interests between 31 March 2007 and the date of this report. Sir William Wells was appointed Group Chairman on 19 September 2006 and Richard Ellert (31 March 2007 and 31 March 2006 1,500,000 shares) left the Group on 28 February 2007.

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%	-
H Harford	400,000	-	4.0%	-
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 2007 expressed in relation to the total amounts invoiced by suppliers for services during the period were equivalent to 35 days (2006: 36 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

Jeremy Davies
Company Secretary
30 July 2007

Registered Office
Corbie Steps
89 Harehills Lane
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 Group and Parent Company Financial Statements of ADL plc for the year ended 31 March 2007 which comprise the Group profit and loss account, Group and parent company balance sheets, the Group statement of total recognised gains and losses, the Group 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 whether, in our opinion, the information given in the Directors' Report is consistent with the Financial Statements. In addition we report to you if, in our opinion, 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 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 Group and 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 Group's and Company's affairs as at 31 March 2007 and of the Group's 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
30 July 2007

1 Park Place
Canary Wharf
London E14 4HJ

Group profit and loss account

Year ended 31 March 2007

	Note	Continuing Activities	Acquisitions	Year to 31 Mar 07 £	Year to 31 Mar 06 £
Group turnover	2	4,972,853	675,595	5,648,448	4,916,890
Cost of sales		(3,166,031)	(409,130)	(3,575,161)	(3,231,269)
Gross profit		1,806,822	266,465	2,073,287	1,685,621
Administrative expenses		(1,262,906)	(89,161)	(1,352,067)	(1,212,265)
Exceptional costs	3	(255,606)	-	(255,606)	(15,100)
Other operating income	3	202,361	-	202,361	83,658
Operating profit	3	490,671	177,304	667,975	541,914
Interest receivable				11,187	3,067
Interest payable	6			(527,445)	(445,672)
Profit on ordinary activities before taxation				151,717	99,309
Tax on profit on ordinary activities	7			(18,000)	31,000
Retained profit for the year	8			133,717	130,309
Earnings per ordinary share (pence)	9			1.35p	1.38p

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 2007

	Year to 31 Mar 07 £	Year to 31 Mar 06 £
Profit attributable to the shareholders	133,717	130,309
Unrealised surplus on revaluation of freehold properties	1,943,000	1,032,000
Unrealised surplus on revaluation of the rights to Newford Limited dividends	-	390,000
Total gains recognised since the last annual report	<u>2,076,717</u>	<u>1,552,309</u>

Notes 1 to 28 form part of these financial statements.

Group balance sheet

31 March 2007

	Note	31 Mar 07 £	31 Mar 06 £
Fixed assets			
Intangible assets	10	982,201	981,050
Tangible assets	11	17,031,906	13,506,930
Investments	12	1,600	1,600
Total fixed assets		18,015,707	14,489,580
Current assets			
Stocks	13	10,520	10,520
Debtors	14	934,231	816,303
Cash at bank and in hand		340,534	8,313
		1,285,285	835,136
Creditors: Amounts falling due within one year	15	(932,626)	(1,626,191)
Net current assets/(liabilities)		352,659	(791,055)
Total assets less current liabilities		18,368,366	13,698,525
Creditors: Amounts falling due after more than one year	16	(8,336,800)	(5,644,819)
Net assets		10,031,566	8,053,706
Capital and reserves			
Called-up equity share capital	22	1,521,825	1,521,825
Share premium account	23	3,712,396	3,712,396
Revaluation reserve	23	4,613,906	2,750,906
Profit and loss account	23	183,439	68,579
Total equity shareholders' funds	24	10,031,566	8,053,706
Net assets per ordinary share	27	101.5p	81.5p

These financial statements on pages 11 to 31 were approved by the Directors on 30 July 2007 and are signed on their behalf by:

W J Davies
Managing Director

D F Francis
Finance Director

Notes 1 to 28 form part of these financial statements.

Company balance sheet

31 March 2007

	Note	31 Mar 07 £	31 Mar 06 £
Fixed assets			
Intangible assets	10	310,000	390,000
Tangible assets	11	10,121,698	9,269,516
Investments	12	3,476,559	1,376,507
Total fixed assets		13,908,257	11,036,023
Current assets			
Stocks	13	7,520	7,520
Debtors	14	3,531,844	3,291,392
Cash in hand		245,829	7,756
		3,785,193	3,306,668
Creditors: Amounts falling due within one year	15	(625,705)	(1,483,019)
Net current assets		3,159,488	1,823,649
Total assets less current liabilities		17,067,745	12,859,672
Creditors: Amounts falling due after more than one year	16	(8,336,800)	(5,644,819)
Net Assets		8,730,945	7,214,853
Capital and reserves			
Called-up equity share capital	22	1,521,825	1,521,825
Share premium account	23	3,712,396	3,712,396
Revaluation reserve	23	3,328,906	1,738,906
Profit and loss account	23	167,818	241,726
Total equity shareholders' funds		8,730,945	7,214,853

These financial statements on pages 11 to 31 were approved by the Directors on 30 July 2007 and are signed on their behalf by:

W J Davies
Managing Director

D F Francis
Finance Director

Notes 1 to 28 form part of these financial statements.

Group cash flow statement

Year ended 31 March 2007

	Note	Year to 31 Mar 07 £	Year to 31 Mar 06 £
Net cash inflow from operating activities	26	<u>1,127,825</u>	<u>351,794</u>
Returns on investments and servicing of finance			
Interest paid		(527,445)	(445,672)
Finance charges paid		(127,156)	-
Interest received		<u>11,187</u>	<u>3,067</u>
Net cash outflow from returns on investments and servicing of finance		<u>(643,414)</u>	<u>(442,605)</u>
Taxation			
UK Corporation Tax (paid)/refunded		<u>(46,078)</u>	<u>21,087</u>
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		-	(63,527)
Sale Nightingale Nursing Home/Morton Manor		800,700	499,000
Investment in Newford Limited		-	(1,600)
Acquisition of Solutions (Yorkshire) Limited	26	<u>(2,469,250)</u>	<u>-</u>
Net cash (outflow)/inflow from capital expenditure and financial investment		<u>(1,668,550)</u>	<u>433,873</u>
Dividends		<u>(98,857)</u>	<u>-</u>
Cash (outflow)/inflow before financing		<u>(1,329,074)</u>	<u>364,149</u>
Financing			
New secured loans		9,250,000	-
Repayments of amounts borrowed		<u>(6,900,000)</u>	<u>(300,000)</u>
Net cash inflow/(outflow) from financing		<u>2,350,000</u>	<u>(300,000)</u>
Increase in cash in the year		<u>1,020,926</u>	<u>64,149</u>

Notes 1 to 28 form part of these financial statements.

Notes to the financial statements

Year ended 31 March 2007

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	7.75 years and 3.75 years from 31 March 2007

Fixed assets

All fixed assets are initially recorded at cost.

Notes to the financial statements *(continued)*

Year ended 31 March 2007

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 2007

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 07	Year to 31 Mar 06
	£	£
United Kingdom	<u>5,648,448</u>	<u>4,916,890</u>

3. Operating profit

Operating profit includes other operating income:

	Year to 31 Mar 07	Year to 31 Mar 06
	£	£
Profit on disposal of land	32,657	-
South Garth profit share	61,704	59,658
Newford Limited dividends	108,000	24,000
Total other operating income	<u>202,361</u>	<u>83,658</u>
Operating profit is stated after charging:		
Directors' emoluments	298,958	235,000
Amortisation: - intangible assets	103,578	19,087
Depreciation: - of owned fixed assets	18,024	22,106
Auditors' remuneration:		
- as auditors	59,905	36,000
- other services	21,566	22,590
- corporate finance fees	125,829	-
Exceptional costs	<u>255,606</u>	<u>15,100</u>

The exceptional costs comprise the ongoing legal enquiry at Newsham House, compensation for the loss of office by a director and the write off of remaining capitalised finance costs relating to previous loan facility.

In the prior year the exceptional loss relates to the costs of obtaining planning permission for the development of Morton Manor.

4. Particulars of employees

The average number of staff employed (full time equivalents) by the Group during the year amounted to:

	Year to 31 Mar 07	Year to 31 Mar 06
	No.	No.
Engaged in provision of care	142	126
Catering, domestic and maintenance	44	38
Management and administration	18	19
	<u>204</u>	<u>183</u>

Following a review the average number of staff employed in 2006 has been restated.

Notes to the financial statements *(continued)*
Year ended 31 March 2007

4. Particulars of employees *(continued)*

The aggregate payroll costs of the above were:

	Year to 31 Mar 07	Year to 31 Mar 06
	£	£
Wages and salaries	3,016,823	2,594,145
Social security costs	231,950	233,000
	<u>3,248,773</u>	<u>2,827,145</u>

5. Directors' emoluments

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

	Year to 31 Mar 07	Year to 31 Mar 06
	£	£
Emoluments receivable	243,958	235,000
Compensation for loss of office	55,000	-
	<u>298,958</u>	<u>235,000</u>

The highest paid Director's emoluments amounted to £55,000 (2006: £55,000)

6. Interest payable

	Year to 31 Mar 07	Year to 31 Mar 06
	£	£
Interest payable on bank and other loans	527,445	445,672
	<u>527,445</u>	<u>445,672</u>

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

(a) Analysis of charge in the year

	Year to 31 Mar 07	Year to 31 Mar 06
	£	£
Current tax: in respect of the year		
UK Corporation tax based on the results for the year at 19% (2006: 19%)	23,000	20,000
Over provision in prior years	(12,000)	-
Total tax charge	11,000	20,000
Deferred tax:		
Deferred tax charge/(credit)	7,000	(51,000)
Tax charge/ (credit) on profit on ordinary activities	<u>18,000</u>	<u>(31,000)</u>

(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 2007

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

	Year to 31 Mar 07	Year to 31 Mar 06
	£	£
Profit on ordinary activities before taxation	151,717	99,309
Profit on ordinary activities by rate of tax	28,826	18,869
Difference between depreciation and capital allowances	(5,417)	(1,286)
Amortisation	15,600	-
Dividends not taxed	(20,520)	-
Other differences	(7,489)	2,417
Total tax charge (note 7(a))	11,000	20,000

8. Profit attributable to members of the parent company

The loss dealt with in the accounts of the parent company was £55,051 (2006: loss £55,168).

9. Earnings per share

	Year to 31 Mar 07	Year to 31 Mar 06
	Pence	Pence
Earnings per ordinary share	1.35	1.38

Earnings per share have been calculated on the net basis on the profit on ordinary activities after taxation of £133,717 (2006: £130,309) using the weighted average number of ordinary shares in issue during the year of 9,885,694 (2006: 9,414,461).

10. Intangible fixed assets

Group	Goodwill	Intangible Asset	Total
	£	£	£
Cost			
At 1 April 2006	381,733	640,000	1,021,733
Additions	104,729	-	104,729
At 31 March 2007	486,462	640,000	1,126,462
Amortisation			
At 1 April 2006	40,683	-	40,683
Charge for the year	23,578	80,000	103,578
At 31 March 2007	64,261	80,000	144,261
Net book value			
At 31 March 2007	422,201	560,000	982,201
At 31 March 2006	341,050	640,000	981,050

Notes to the financial statements *(continued)*

Year ended 31 March 2007

10. Intangible fixed assets *(continued)*

Company	Total £
At 1 April 2006	390,000
Amortisation	<u>(80,000)</u>
At 31 March 2007	<u>310,000</u>

£250,000 of the intangible assets represents Christie & Co (valuers, surveyors and agents) open market valuation at both 31 March 2006 and 2007 of a profit sharing agreement with South Garth Residential Care Home Partnership. £310,000 revaluation represents Christie & Co (valuers, surveyors and agents) open market valuation, at 31 March 2007 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 2006	13,487,000	23,600	7,245	99,204	13,617,049
Additions	2,400,000	-	-	-	2,400,000
Disposals	(800,000)	(23,600)	-	-	(823,600)
Revaluation	1,943,000	-	-	-	1,943,000
At 31 March 2007	<u>17,030,000</u>	<u>-</u>	<u>7,245</u>	<u>99,204</u>	<u>17,136,449</u>
Depreciation					
At 1 April 2006	-	23,600	3,887	82,632	110,119
Disposals	-	(23,600)	-	-	(23,600)
Charge for the year	-	-	2,121	15,903	18,024
At 31 March 2007	<u>-</u>	<u>-</u>	<u>6,008</u>	<u>98,535</u>	<u>104,543</u>
Net book value					
At 31 March 2007	<u>17,030,000</u>	<u>-</u>	<u>1,237</u>	<u>669</u>	<u>17,031,906</u>
At 31 March 2006	13,487,000	-	3,358	16,572	13,506,930

The freehold properties are held for long term retention and were valued by Christie & Co (valuers, surveyors and agents) at 31 March 2007 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 2007 was £12,202,518.

Notes to the financial statements *(continued)*

Year ended 31 March 2007

11. Tangible fixed assets *(continued)*

Company	Freehold Property £	Fixtures and Fittings £	Office Equipment £	Total £
Cost or valuation				
At 1 April 2006	9,250,000	7,245	77,829	9,335,074
Additions				
Disposals	(800,000)	-	-	(800,000)
Revaluation	1,670,000	-	-	1,670,000
At 31 March 2007	10,120,000	7,245	77,829	10,205,074
Depreciation				
At 1 April 2006	-	3,887	61,671	65,558
Charge for the year		2,121	15,697	17,818
At 31 March 2007		6,008	77,368	83,376
Net book value				
At 31 March 2007	10,120,000	1,237	461	10,121,698
At 31 March 2006	9,250,000	3,358	16,158	9,269,516

The freehold properties are held for long term retention and were valued by Christie & Co (valuers, surveyors and agents) at 31 March 2007 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 freehold revaluation includes £750,000 (2006 £Nil) in respect of the valuation of surplus land for short term development. The historical cost of the freehold property at 31 March 2007 was £6,305,806.

12. Investments

The Group investment of £1,600 represents the cost of one Newford Limited redeemable "B" Share of £1.

Company at Cost	Total £
At 1 April 2006	1,376,507
Additions	2,100,052
Disposals	-
Net book value at 31 March 2007	3,476,559

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
Solutions (Yorkshire) 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 2007

12. Investments (continued)

On 4 July 2006 the company acquired the whole of the issued share capital of Solutions (Yorkshire) Limited. Net assets acquired comprises

	Book Value	Fair Value adjustment	Fair Value
Tangible fixed assets	2,400,000	-	2,400,000
Debtors	224,585		224,585
Cash	298,988		298,988
Trade creditors	(13,494)		(13,494)
Corporation tax	(37,500)	(11,648)	(49,148)
Other creditors	(112,601)		(112,601)
Loans	(753,007)		(753,007)
	<u>2,006,971</u>	<u>(11,648)</u>	1,995,323
Cash consideration		1,905,000	
Deferred consideration		84,821	
Costs		110,231	
			<u>2,100,052</u>
Goodwill			<u>104,729</u>

For the 3 months up to 30 June 2006, the effective date of acquisition Solutions (Yorkshire) Limited management accounts show

	£'000
Turnover	246,000
Operating profit	61,000
Taxation	(11,000)
	<u>50,000</u>

13. Stocks

	Group		Company	
	31 Mar 07	31 Mar 06	31 Mar 07	31 Mar 06
	£	£	£	£
Stock	<u>10,520</u>	<u>10,520</u>	<u>7,520</u>	<u>7,520</u>

14. Debtors

	Group		Company	
	31 Mar 07	31 Mar 06	31 Mar 07	31 Mar 06
	£	£	£	£
Trade debtors	259,509	365,299	111,150	216,492
Amounts owed by group undertakings	-	-	2,782,485	2,645,653
Other debtors	27,323	29,622	6,625	17,898
Deferred taxation (note 19)	44,000	51,000	44,000	51,000
Deferred consideration Morton Manor	249,000	249,000	249,000	249,000
Prepayments and accrued income	354,399	121,382	338,584	111,349
	<u>934,231</u>	<u>816,303</u>	<u>3,531,844</u>	<u>3,291,392</u>

Notes to the financial statements *(continued)*
Year ended 31 March 2007

14. Debtors (continued)

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

	Group		Company	
	31 Mar 07	31 Mar 06	31 Mar 07	31 Mar 06
	£	£	£	£
Amounts owed by group undertakings	<u>-</u>	<u>-</u>	<u>2,782,485</u>	<u>2,645,653</u>

15. Creditors: Amounts falling due within one year

	Group		Company	
	31 Mar 07	31 Mar 06	31 Mar 07	31 Mar 06
	£	£	£	£
Bank overdrafts	-	688,705	-	712,689
Bank loans	-	350,000	-	350,000
Trade creditors	189,383	150,013	141,125	109,597
Amount due to group undertaking	-	-	-	-
Corporation tax	34,379	20,309	-	-
PAYE and social security	183,625	129,382	120,742	93,326
Other creditors	340,229	179,896	191,151	133,360
Accruals and deferred income	185,010	107,886	172,687	84,047
	<u>932,626</u>	<u>1,626,191</u>	<u>625,705</u>	<u>1,483,019</u>

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

	Group		Company	
	31 Mar 07	31 Mar 06	31 Mar 07	31 Mar 06
	£	£	£	£
Bank loans	8,450,000	5,750,000	8,450,000	5,750,000
Less finance costs	(113,200)	(105,181)	(113,200)	(105,181)
	<u>8,336,800</u>	<u>5,644,819</u>	<u>8,336,800</u>	<u>5,644,819</u>

The bank loan is 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 1.25% 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.

Notes to the financial statements *(continued)*
Year ended 31 March 2007

17. Creditors - capital instruments

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

	Group		Company	
	31 Mar 07	31 Mar 06	31 Mar 07	31 Mar 06
	£	£	£	£
Amounts repayable:				
In one year or less or on demand	-	350,000	-	350,000
In more than one year but not more than two years	-	400,000	-	400,000
In more than two years but not more than five years	1,056,250	1,450,000	1,056,250	1,450,000
In more than five years	7,393,750	3,900,000	7,393,750	3,900,000
	<u>8,450,000</u>	<u>6,100,000</u>	<u>8,450,000</u>	<u>6,100,000</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 07	31 Mar 06
	£	£
Floating rate:		
Bank overdraft	-	688,705
Bank loan	8,450,000	6,100,000
Total	<u>8,450,000</u>	<u>6,788,705</u>

The interest rate on floating rate financial liabilities is 1.25% above LIBOR for the bank loan (2006: 1.5% and 1.75% (overdraft) 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:

Interest Rate Risk:

At the year end none of the Group's borrowings were at fixed rates (2006: nil).

On 21 April 2004 the Company purchased through a Bank an interest rate cap of a 6% interest rate, on an 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.

Notes to the financial statements *(continued)*

Year ended 31 March 2007

18. Bank loans and overdrafts *(continued)*

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 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. Following the disposal of the Nightingale Nursing Home £800,000 was repaid in respect of the loan which reduced the facility to £24.2 million.

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

Repayment Date	Amount £
30 October 2009	£211,250
30 April 2010	£211,250
30 October 2010	£211,250
30 April 2011	£211,250
30 October 2011	£211,250
30 April 2012	£211,250
30 October 2012	£211,250
30 April 2013	£6,971,250
Total	£8,450,000

On each of the above repayment dates, the Company must repay the loan in the amount of 2.5% of the aggregate of all amounts from time to time advanced under the loan and, on the final repayment date, the Company must repay in full all amounts outstanding under the loan. Based on £8,450,000 loan drawn at 31 March 2007, £211,250 is repayable on each of the above repayment dates with a final repayment of £6,971,250 on 30 April 2013.

Further drawings on the £24.2m 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 further repayments on the IXIS loan facility until 30 October 2009.

Notes to the financial statements *(continued)*

Year ended 31 March 2007

19. Deferred taxation

	Year to 31 Mar 07	Year to 31 Mar 06
	£	£
At 1 April 2006	51,000	-
(Charge)/credit profit and loss account	<u>(7,000)</u>	<u>51,000</u>
At 31 March 2007	<u>44,000</u>	<u>51,000</u>

The deferred taxation asset 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 31 Mar 07	Year to 31 Mar 06
	£	£
Revaluation of intangible assets and freehold properties	<u>1,446,000</u>	<u>824,792</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 3 months ended 30 June 2007, Solutions (Yorkshire) Limited, a company owned by Mrs P L Jackson, a Director, provided goods and services to the Group for a consideration of £Nil (2006: £10,282).

During the year ended 31 March 2007 the Company paid £12,000 to Mrs P L Jackson, a Director, for the rent of the Company's head office (2006: £12,000).

During the year ended 31 March 2007, Energy Telecom Limited, a company of which W J Davies is a director and shareholder and R J Ellert is a director and shareholder, provided telecommunications services to the Group for a consideration of £10,360 (2006: £5,645).

On 4 July 2006 the Company acquired all the issued share capital of Solutions (Yorkshire) Limited owner and operator of a 40 bed nursing home in Leeds from Mrs P L Jackson, a Director, for £1,989,821. At 31 March 2007 £84,821 was outstanding in respect of deferred consideration.

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

Notes to the financial statements *(continued)*
Year ended 31 March 2007

22. Share capital

Authorised share capital:

	31 Mar 07	31 Mar 06
	£	£
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 07		31 Mar 06	
	No.	£	No.	£
Ordinary shares of £0.05 each	9,885,694	494,285	9,885,694	494,285
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>30,436,492</u>	<u>1,521,825</u>

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 2007

23. Reserves

Group	Revaluation Reserve	Share	
		Premium Account	Profit and Loss Account
	£	£	£
At 1 April 2006	2,750,906	3,712,396	68,579
Dividends	-	-	(98,857)
Transfer to profit and loss	(80,000)	-	80,000
Movement for the year	1,943,000	-	133,717
At 31 March 2007	4,613,906	3,712,396	183,439

Company	Revaluation Reserve	Share	
		Premium Account	Profit and Loss Account
	£	£	£
At 1 April 2006	1,738,906	3,712,396	241,726
Dividends	-	-	(98,857)
Transfer to profit and loss	(80,000)	-	80,000
Movement for the year	1,670,000	-	(55,051)
At 31 March 2007	3,328,906	3,712,396	167,818

24. Reconciliation of movements in shareholders' funds

	Year to 31 Mar 07	Year to 31 Mar 06
	£	£
Profit on ordinary activities after taxation	133,717	130,309
Dividends	(98,857)	-
New equity share capital subscribed	-	50,000
Premium on new share capital subscribed	-	350,000
Increase in revaluation reserve	1,943,000	1,422,000
Net addition to funds	1,977,860	1,952,309
Opening shareholders' funds	8,053,706	6,101,397
Closing shareholders' funds	10,031,566	8,053,706

Included within shareholders' funds is £1,027,540 (2006: £1,027,540) relating to non-equity interests.

25. Dividends

	Year to 31 Mar 07	Year to 31 Mar 06
	£	£
Interim dividend paid of 1p per ordinary share	98,857	-

Notes to the financial statements *(continued)*

Year ended 31 March 2007

26. Notes to statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	Year to 31 Mar 07	Year to 31 Mar 06
	£	£
Operating profit	667,975	541,914
Amortisation	103,578	19,087
Depreciation	18,024	22,106
Amortisation finance costs	119,137	-
Profit on sale of fixed assets	(700)	-
Decrease/(increase) in debtors	99,657	(284,680)
Increase in creditors	120,154	38,267
Exceptional item – loss on sale/revaluation of fixed assets	-	15,100
Net cash inflow from operating activities	<u>1,127,825</u>	<u>351,794</u>

	Year to 31 March 07	Year to 31 March 06
	£	£
Acquisitions		
Purchase of subsidiary undertaking	(1,905,000)	-
Acquisition costs	(110,231)	-
Cash acquired with subsidiary undertaking	298,988	-
Loans acquired with subsidiary undertaking	(753,007)	-
	<u>(2,469,250)</u>	<u>-</u>

Reconciliation of net cash flow to movement in net debt

	Year to 31 Mar 07	Year to 31 Mar 06
	£	£
Increase in cash in the period	1,020,926	64,149
New secured loans	(2,341,981)	-
Repayment of amounts borrowed	-	278,972
Change in net debt	<u>(1,321,055)</u>	<u>343,121</u>
Net debt at 1 April 2006	<u>(6,675,211)</u>	<u>(7,018,332)</u>
Net debt at 31 March 2007	<u>(7,996,266)</u>	<u>(6,675,211)</u>

Analysis of changes in net debt

	At 1 Apr 06	Cash Flows	Other non cash changes	At 31 Mar 07
	£	£	£	£
Net cash:				
Cash in hand and at bank	8,313	332,221	-	340,534
Overdrafts	(688,705)	688,705	-	-
Debt:				
Bank loans due after more than one year	(5,644,819)	(2,700,000)	8,019	(8,336,800)
Bank loans due within one year	(350,000)	350,000	-	-
Net debt	<u>(6,675,211)</u>	<u>(1,329,074)</u>	<u>8,019</u>	<u>(7,996,266)</u>

Notes to the financial statements *(continued)*

Year ended 31 March 2007

27. Net asset value per share

The calculation of 101.5p (2006: 81.5p) net asset value per share at 31 March 2007 is based on net assets of £10,031,566 (2006: £8,053,706) divided by the 9,885,694 ordinary shares in issue at that date (2006: 9,885,694).

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 Blue Oar Securities Plc, 30 Old Broad Street, London EC2N 1HT at 11.00 am on Tuesday 18 September 2007 for the following purposes.

Ordinary Business

1. To receive the Directors' report and financial statements of the Company for the year ended 31 March 2007 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

Jeremy Davies
Company Secretary
30 July 2007

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 14 September 2007. 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.