

ADL plc

Interim Report for the six months to 30 September 2007

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Financial Highlights

- £631k Operating Profit before deducting £417k exceptional costs (30 September 2006: £538k before exceptional costs of £100k)- an increase of 17.3%
- £(147)k Retained loss after exceptional items (30 September 2006: Retained profit £142k)
- (1.49)p Earnings per Ordinary Share (30 September 2006: 1.44p)
- 85.10p Net Assets per Ordinary Share (30 September 2006: 77.78p) – an increase of 9.4% (Allowing for the transition from UK GAAP to IFRS)
- Interim dividend passed (2006: 1p per Ordinary Share)
- Trading in the second half is showing a similar performance to that experienced in the first half

For further information please contact:

ADL plc

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Chairman's statement

Financial Results

I have pleasure in presenting ADL's Interim Report for the six months ended 30 September 2007. Turnover was £3.023 million (30 September 2006: £2.741 million and year to 31 March 2007 £5.648 million). The profit on ordinary activities before interest, taxation and exceptional costs increased by 17% to £631,241 from £538,547 in the six months to 30 September 2006 (year to 31 March 2007 £1,647,158).

In September 2007 the company and two of its directors, Jeremy Davies and Pearl Jackson were charged with wilful neglect under the Mental Health Act following police enquiries emanating from the raid on Newsham House in July 2005.

Although these charges are being strenuously defended, this action effectively places an embargo on the further development of the company generally and in particular on the proposed acquisition of a group of five homes in the Bradford area which the company had been progressing well and which was nearing completion. Accordingly your board has written off some £310,112 in corporate finance costs incurred to date on this project.

In the period your company also incurred a further £51,554 in legal fees defending itself from the charges raised against it by the Crown.

Further exceptional costs of £55,000 were incurred following the unsuccessful defence by the company of a claim for wrongful dismissal by a former executive director of the group, who had relocated to the USA.

After deduction of these exceptional costs of £416,666, the company incurred a loss on ordinary activities after taxation of £146,567 (2006: Profit of £142,798, year to 31 March 2007: Profit of £857,295).

During the period the company adopted International Financial Reporting Standards (IFRS) in accordance with AIM regulations and has restated its previous results which were prepared under UK Generally Accepted Accounting Principles (UK GAAP). This has resulted in the add back of amortisation of goodwill of £9,543 in the comparative six month period to 30 September 2006 and £23,577 in the year to 31 March 2007, and the full provision of deferred tax of £1,446,000 as at 30 September 2007 (30 September 2006 £948,792 year to 31 March 2007 £1,446,000). In addition, £700,000, being the valuation of properties held for resale has been recognised in the Profit and Loss and transferred out of the revaluation reserve in the year to 31 March 2007.

Property rationalisation

Morton Manor

The developer of the six apartments at Morton Manor has sold four of the properties but has had no interest in two. The development company owes ADL plc £250,000 and it is proposed that ADL plc takes one of the remaining apartments independently valued at £280,000 in settlement of the debt.

Allambie Court

Planning permission has been granted for the extension to the home. The purchaser of the adjacent land, subject to planning permission for eight flats, awaits detailed planning consent.

Newsham House

The Company has agreed to sell the surplus land for £400,000 with its existing planning permission as it is unlikely that consent for any further units will be forthcoming. The developer has agreed to carry out the accommodation works, providing a new access and car parking area at their expense, costs which under the previous arrangement would have been borne by ADL plc.

The Knoll

The developer of the surplus land at The Knoll is continuing negotiations with the local planning authority and if successful will sign a contract to purchase the land.

Banking

As a result of the company being charged under the Mental Health Act, the company's bankers have indicated that at the present time they would be unwilling to increase the current level of borrowing despite the low level of gearing.

The company has been informed by its lawyers that the costs of defending the charges against it at Newsham House could be as high as £1 million. As a result, the company has agreed a standby facility of £1 million with Jeremy Davies, Managing Director.

Review of Business

From a trading point of view, the business continues to operate satisfactorily, with occupancy levels being maintained.

However, the future of the business is difficult to predict as a result of the uncertainty caused by the action brought by CSCI against the Company and two of its Directors.

Sir William Wells

Chairman

20 December 2007

Unaudited Income Statement for the six months ended 30 September 2007	6 months to 30 Sept 07 £'000	6 months to 30 Sept 06 £'000	Year to 31 Mar 07 £'000
Turnover			
Continuing operations	3,023	2,491	4,973
Acquisitions	-	250	675
	<u>3,023</u>	<u>2,741</u>	<u>5,648</u>
Cost of Sales			
Continuing operations	1,830	1,577	3,166
Acquisitions	-	137	409
	<u>1,830</u>	<u>1,714</u>	<u>3,575</u>
	<u>1,193</u>	<u>1,027</u>	<u>2,073</u>
Gross profit			
Administrative expenses – continuing operations	(643)	(567)	(1,239)
Administrative expenses – acquisitions	-	(19)	(89)
Exceptional loss	(417)	(100)	(255)
Other gains	-	-	700
Other operating income	81	97	202
	<u>(979)</u>	<u>(589)</u>	<u>(681)</u>
	<u>214</u>	<u>438</u>	<u>1,392</u>
Operating profit			
Continuing operations	214	344	1,215
Acquisitions	-	94	177
	<u>214</u>	<u>438</u>	<u>1,392</u>
Interest receivable	7	4	11
Interest payable	(299)	(243)	(527)
	<u>(78)</u>	<u>199</u>	<u>876</u>
(Loss) / Profit on ordinary activities before taxation			
Tax charge on profit on ordinary activities	(69)	(57)	(18)
	<u>(147)</u>	<u>142</u>	<u>858</u>
Retained (loss)/profit for the period			
Earnings per ordinary share – basic and diluted			
	(1.49)p	1.44p	8.68p
Weighted average number of shares	9,885,694	9,885,694	9,885,694

Consolidated Unaudited Balance Sheet as at 30 September 2007	30 Sept 07 £'000	30 Sept 06 £'000	31 Mar 07 £'000
Assets			
Non-current assets			
Intangible assets	950	1,022	1,006
Tangible assets	16,281	15,839	16,332
Investments	2	2	2
Deferred tax assets	44	51	44
	<u>17,277</u>	<u>16,914</u>	<u>17,384</u>
Current assets			
Inventories	11	11	11
Debtors	787	857	891
Cash and cash equivalents	446	538	341
	<u>1,244</u>	<u>1,406</u>	<u>1,243</u>
Non-current assets held for sale	700	500	700
Total Assets	<u>19,221</u>	<u>18,820</u>	<u>19,327</u>
Liabilities			
Current liabilities	(1,016)	(1,045)	(934)
Non-current liabilities	(9,792)	(10,085)	(9,783)
Total liabilities	<u>(10,808)</u>	<u>(11,130)</u>	<u>(10,717)</u>
Net Assets	<u>8,413</u>	<u>7,690</u>	<u>8,610</u>
Equity			
Called-up equity share capital	1,522	1,522	1,522
Share premium account	3,712	3,712	3,712
Revaluation reserve	2,362	2,245	2,468
Retained earnings	817	211	908
Total Equity	<u>8,413</u>	<u>7,690</u>	<u>8,610</u>
Net assets per ordinary share	<u>85.10</u>	<u>77.78</u>	<u>87.10</u>

Consolidated Unaudited Cash Flow Statement for the Six Months ended 30 September 2007	6 months to 30 Sept 07 £'000	6 months to 30 Sept 06 £'000	Year to 31 Mar 07 £'000
Net Cash Inflow from Operating Activities	397	666	1,128
Returns of Investments and Servicing of Finance			
Interest received	7	4	11
Interest paid	(299)	(243)	(527)
Finance charges paid			(127)
Net Cash Outflow from Returns on Investments and servicing of finance	(292)	(239)	(643)
Taxation			
UK Corporation tax paid	-	-	(46)
Capital Expenditure and Financial Investment			
Purchase of Solutions (Yorkshire) Ltd	-	(2,245)	(2,469)
Sale of Nightingale Nursing Home	-	-	800
Net cash outflow from Investing Activities	-	(2,245)	(1,669)
Dividends	-	-	(99)
Cash inflow / (outflow) before Financing Activities	105	(1,818)	(1,329)
Financing			
New secured loans	-	9,137	9,250
Repayment of amounts borrowed	-	(6,789)	(6,900)
Net Cash Inflow from Financing Activities	-	2,348	2,350
Increase in Cash and Cash Equivalents	105	530	1,021
Reconciliation of Operating profit to Net Cash Inflow from Operating Activities			
Operating profit	214	438	1,392
Amortisation	56	56	80
Amortisation of Finance costs	18	100	119
Depreciation	1	12	18
Profit on disposal of fixed assets	-	-	(1)
Fair value of non-current assets held for sale	-	-	(700)
(Increase)/decrease in debtors	96	(86)	100
Increase in creditors	12	146	120
Net Cash Inflow from Operating Activities	397	666	1,128

Consolidated Statement of Changes in Equity For the six months ended 30 September 2007	Share Capital £'000	Share Premium £'000	Revaluation Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 April 2006	1,522	3,712	1,926	69	7,229
Recognised income and expenses			-	142	142
Revaluation net of tax			319	-	319
Balance at 30 September 2006	1,522	3,712	2,245	211	7,690
Recognised income and expenses			-	16	16
Transfer to profit and loss			(80)	80	-
Revaluation net of tax			1,003	-	1,003
Transfer of land for resale			(700)	700	-
Dividends			-	(99)	(99)
Balance at 31 March 2007	1,522	3,712	2,468	908	8,610
Recognised income and expenses			-	(147)	(147)
Transfer to profit and loss			(56)	56	-
Impairment			(50)	-	(50)
Balance at 30 September 2007	1,522	3,712	2,362	817	8,413

1. Accounting Policies

Basis of Accounting

These unaudited interim financial statements were approved for issue by the ADL plc Board of Directors on 20 December 2007.

These consolidated interim financial statements for the six months ended 30 September 2007 have been prepared in accordance with the Listing Rules of the Financial Services Authority and IFRS. The interim financial statements should be read in conjunction with the financial statements for the year ended 31 March 2007 which have been prepared in accordance with UK Generally Accepted Accounting Practice (“UK GAAP”).

The Group now prepares its consolidated financial statements in accordance with applicable International Financial Reporting Standards (“IFRS”) as adopted by the EU. This is the first financial information on the Group to have been prepared under IFRS and the disclosures required by IFRS 1 “*First time adoption of IFRS*” concerning the transition from UK GAAP to IFRS have been included in these notes.

The Group has applied consistent accounting policies in preparing the consolidated interim financial statements for the six months ended 30 September 2007, the comparative information for the six months ended 30 September 2006, the financial statements for the year ended 31 March 2007 and the preparation of the opening IFRS balance sheet as at 1 April 2006, the date of transition.

These interim financial results are unaudited and do not constitute statutory financial statements as defined in section 240 of the Companies Act 1985. The functional currency of the Group is UK Sterling and accordingly the amounts in the interim results are denominated in that currency.

The statutory financial statements for ADL plc for the year ended 31 March 2007 received an unqualified Auditor’s Report and have been filed with the Registrar of Companies.

Basis of Consolidation

The consolidated interim results incorporate the interim results 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 arising on consolidation is capitalised and the value of this goodwill is reviewed on a periodic basis. The results of companies acquired are included in the Group profit and loss account after the date that control passed.

2. Operating Profit

Operating profit is stated after charging exceptional costs of £416,666 (2006: £100,000).

This cost comprises three elements; £310,112 in corporate finance costs which had previously been prepaid and were incurred on the abortive acquisition of a group of 5 care homes in Bradford, £51,554 in legal fees incurred by the company in defending itself and two directors from charges raised by the Crown, and exceptional costs of £55,000 that were incurred as a result of the unsuccessful defence by the company of a claim for wrongful dismissal by a former executive director of the group, who had relocated to the USA.

3. The retained loss per ordinary share have been calculated on the loss on ordinary activities after taxation of £146,567 (30 September 2006: Retained profit £142,798, 31 March 2007: Retained profit £857,295) using the weighted average number of shares in issue during the six months ended 30 September 2007 of 9,885,694 shares (30 September 2006: 9,885,694, 31 March 2007: 9,885,694).
4. Net assets per ordinary share have been calculated on net assets of £8,412,578 (30 September 2006: £7,689,240, 31 March 2007 £8,609,144) divided by 9,885,694 ordinary shares in issue at 30 September 2007, 30 September 2006 and 31 March 2007.

5. Comparative period

The corresponding amounts in the prior interim period for the six months ended 30 September 2006 and the audited financial statements for the year ended 31 March 2007 have been adjusted for the effects of changes to accounting policies on transition to IFRS as follows:

- (a) Goodwill arising on the acquisition of Newsham House Limited, Woodland Healthcare Limited and Solutions (Yorkshire) Limited of £9,543 in the 6 months ended 30 September 2006 and £23,577 in the year to 31 March 2007 has been written back to the profit and loss account and Goodwill on the balance sheet.
- (b) Deferred tax arising on the revaluation of properties as at 1 April 2006 of £824,792, as at 30 September 2006 of £948,792 and £1,446,000 as at 31 March 2007 has been provided in full and deducted from the Revaluation Reserve.
- (c) Dividends proposed of £98,857 but not paid as at 30 September 2006 have been added back to reserves as at that date in accordance with IAS32, "*Financial Instruments: Presentation*".
- (d) Non-current assets held for sale comprise surplus land at Newsham House, Morton Manor, Allambie Court and the Knoll which has been transferred from non-current assets as at 31 March 2007 in accordance with IFRS 5, "*Non-current Assets Held for Sale and Discontinued Operations*". £700,000 has been transferred from the revaluation reserve and included in income for the year ended 31 March 2007 accordingly.

Independent Review Report to the Directors of ADL plc

Introduction

We have reviewed the accompanying Balance Sheet of ADL Plc as of 30 September 2007 and the related statements of income, changes in equity and cash flows for the six month period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with EU-endorsed International Financial Reporting Standards (IFRS and IFRIC interpretations) applicable to companies reporting under IFRS and the listing rules of the Financial Services Authority. Our responsibility is to express a conclusion on this interim financial information based on our review.

The Report is made solely to the Company in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by Auditing Practices Board. Our work has been undertaken so that we may state to the Company those matters we are required to state to them in an Independent Review 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, for our review work, for this Report, or for the conclusion we have formed.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the entity as at 30 September 2007.

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20 December 2007