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Report of the Directors and

Financial Statements

for the Year Ended 30 June 2005

for

Aaroncare Plc



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for the Year Ended 30 June 2005

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Aaroncare Plc

Company Information  
for the Year Ended 30 June 2005

**DIRECTORS:**

J M Francis  
B R Camp  
M Paddock  
Ms C E Jarvis

**SECRETARY:**

B R Camp

**REGISTERED OFFICE:**

68 Argyle Street  
Birkenhead  
CH41 6AF

**REGISTERED NUMBER:**

2077314 (England and Wales)

**AUDITORS:**

McEwan Wallace  
Chartered Accountants  
Registered Auditors  
68 Argyle Street  
Birkenhead  
CH41 6AF

Aaroncare Plc

Report of the Directors  
for the Year Ended 30 June 2005

The directors present their report with the financial statements of the company for the year ended 30 June 2005.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of nursing home proprietors.

**REVIEW OF BUSINESS**

The results for the year and financial position of the company are as shown in the annexed financial statements.

**DIVIDENDS**

No dividends will be distributed for the year ended 30 June 2005.

**DIRECTORS**

The directors during the year under review were:

J M Francis  
B R Camp  
M Paddock  
Ms C E Jarvis

The beneficial interests of the directors holding office on 30 June 2005 in the issued share capital of the company were as follows:

	30.6.05	1.7.04
<b>Ordinary £1 shares</b>		
J M Francis	107,101	101,900
B R Camp	35,700	40,900
M Paddock	23,800	23,800
Ms C E Jarvis	11,900	11,900

**Preference £1 shares**

J M Francis	-	-
B R Camp	-	-
M Paddock	-	-
Ms C E Jarvis	-	-

**Ordinary 'A' £1 shares**

J M Francis	6,000	6,000
B R Camp	2,000	2,000
M Paddock	1,333	1,333
Ms C E Jarvis	666	666

**SUPPLIER PAYMENT POLICY AND PRACTICE**

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers provided that all trading terms and conditions are complied with.

At the year end the company had an average of 7 days purchases outstanding in trade creditors (3 days in 2004).

### **PURCHASE OF OWN SHARES**

On 10th May 2005, the company re-purchased the entire shareholding formerly held by D W Johnson. The total consideration paid for these 25,500, £1 shares was £350,000.

The shareholding re-purchased represented 8% of the total called up share capital.

The reason for the share re-purchase is that the shareholder had not contributed towards the running of the business for a number of years, and therefore it was considered in the best interest of the company that his shares were re-purchased.

### **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 of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

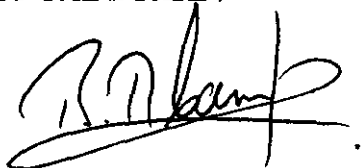
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **AUDITORS**

The auditors, McEwan Wallace, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

### **ON BEHALF OF THE BOARD:**



B R Camp - Director

25 January 2006

Report of the Independent Auditors to the Shareholders of  
Aaroncare Plc

We have audited the financial statements of Aaroncare Plc for the year ended 30 June 2005 on pages six to seventeen. 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 members, 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 members 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 members 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 on page three the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

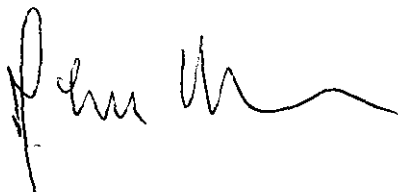
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the Independent Auditors to the Shareholders of  
Aaroncare Plc

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

McEwan Wallace  
Chartered Accountants  
Registered Auditors  
68 Argyle Street  
Birkenhead  
CH41 6AF



25 January 2006

Aaroncare Plc

Profit and Loss Account  
for the Year Ended 30 June 2005

		30.6.05	30.6.04
	Notes	£	£
<b>TURNOVER</b>	2	4,513,595	4,278,292
Cost of sales		3,054,896	2,978,276
<b>GROSS PROFIT</b>		1,458,699	1,300,016
Administrative expenses		773,486	1,034,444
		685,213	265,572
Other operating income		87,948	89,562
<b>OPERATING PROFIT</b>	4	773,161	355,134
Interest receivable and similar income		5,507	1,282
		778,668	356,416
Interest payable and similar charges	5	81,306	45,819
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		697,362	310,597
Tax on profit on ordinary activities	6	197,364	59,548
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>		499,998	251,049
Retained profit brought forward		4,240,170	3,989,121
<b>RETAINED PROFIT CARRIED FORWARD</b>		£4,740,168	£4,240,170

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current and previous years.

**TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the profits for the current and previous years.



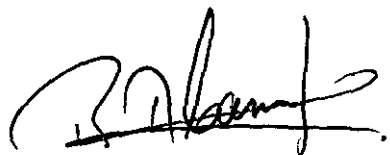
Aaroncare Plc

Balance Sheet

30 June 2005

	Notes	30.6.05		30.6.04	
		£	£	£	£
<b>FIXED ASSETS:</b>					
Tangible assets	7		8,454,213		8,455,027
<b>CURRENT ASSETS:</b>					
Debtors	8	111,830		41,136	
Cash at bank and in hand		29,234		776,159	
		141,064		817,295	
<b>CREDITORS: Amounts falling due within one year</b>	9	1,685,906		2,261,411	
<b>NET CURRENT LIABILITIES:</b>			(1,544,842)		(1,444,116)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES:</b>			6,909,371		7,010,911
<b>CREDITORS: Amounts falling due after more than one year</b>	10		-		234,039
			£6,909,371		£6,776,872
<b>CAPITAL AND RESERVES:</b>					
Called up share capital	13		315,000		340,499
Revaluation reserve	14		2,196,203		2,196,203
Other reserves	15		(342,000)		-
Profit and loss account			4,740,168		4,240,170
<b>SHAREHOLDERS' FUNDS:</b>	18		£6,909,371		£6,776,872

ON BEHALF OF THE BOARD:



B R Camp - Director

Approved by the Board on 25 January 2006

The notes form part of these financial statements

Aaroncare Plc

Cash Flow Statement  
for the Year Ended 30 June 2005

		30.6.05		30.6.04	
	Notes	£	£	£	£
<b>Net cash inflow from operating activities</b>	1		401,736		808,542
<b>Returns on investments and servicing of finance</b>	2		(75,799)		(44,537)
<b>Taxation</b>			(61,892)		(122,706)
<b>Capital expenditure</b>	2		(46,862)		(112,146)
			<u>217,183</u>		<u>529,153</u>
<b>Financing</b>	2		(659,997)		(432,277)
<b>(Decrease)/Increase in cash in the period</b>			<u>£(442,814)</u>		<u>£96,876</u>
<b>Reconciliation of net cash flow to movement in net funds</b>	3				
<b>(Decrease)/Increase in cash in the period</b>		(442,814)		96,876	
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		<u>44,900</u>		<u>(50,168)</u>	
Change in net funds resulting from cash flows			(397,914)		46,708
<b>Movement in net funds in the period</b>			(397,914)		46,708
<b>Net funds at 1 July</b>			<u>57,712</u>		<u>11,004</u>
<b>Net (debt)/funds at 30 June</b>			<u>£(340,202)</u>		<u>£57,712</u>

The notes form part of these financial statements

Notes to the Cash Flow Statement  
for the Year Ended 30 June 2005

1. **RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	30.6.05 £	30.6.04 £
Operating profit	773,161	355,134
Depreciation charges	42,205	42,581
Loss on sale of fixed assets	5,471	13,705
(Increase)/Decrease in debtors	(71,924)	35,862
(Decrease)/Increase in creditors	(347,177)	361,260
<b>Net cash inflow from operating activities</b>	<u>401,736</u>	<u>808,542</u>

2. **ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	30.6.05 £	30.6.04 £
<b>Returns on investments and servicing of finance</b>		
Interest received	5,507	1,282
Interest paid	(81,306)	(45,819)
<b>Net cash outflow for returns on investments and servicing of finance</b>	<u>(75,799)</u>	<u>(44,537)</u>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(46,862)	(112,846)
Sale of tangible fixed assets	-	700
<b>Net cash outflow for capital expenditure</b>	<u>(46,862)</u>	<u>(112,146)</u>
<b>Financing</b>		
New loan taken out in year	(25)	-
Loan repayments in year	(439,445)	(432,277)
Amount introduced by directors	146,973	-
Purchase of own shares	(367,500)	-
<b>Net cash outflow from financing</b>	<u>(659,997)</u>	<u>(432,277)</u>

Notes to the Cash Flow Statement  
for the Year Ended 30 June 2005

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.7.04 £	Cash flow £	At 30.6.05 £
Net cash:			
Cash at bank and in hand	776,159	(746,925)	29,234
Bank overdrafts	(656,830)	304,111	(352,719)
	<u>119,329</u>	<u>(442,814)</u>	<u>(323,485)</u>
Debt:			
Hire purchase or finance leases	(61,617)	44,900	(16,717)
	<u>(61,617)</u>	<u>44,900</u>	<u>(16,717)</u>
Total	<u>57,712</u>	<u>(397,914)</u>	<u>(340,202)</u>
<b>Analysed in Balance Sheet</b>			
Cash at bank and in hand	776,159		29,234
Bank overdrafts	(656,830)		(352,719)
Hire purchase or finance leases within one year	(61,617)		(16,717)
	<u>57,712</u>		<u>(340,202)</u>

Notes to the Financial Statements  
for the Year Ended 30 June 2005

1. **ACCOUNTING POLICIES**

**Accounting convention**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- NIL
Fixtures and fittings	- 25% on reducing balance
Motor vehicles	- 25% on reducing balance
Computer equipment	- 25% on cost

**Deferred tax**

Deferred tax liabilities are recognised in respect of timing differences that have originated but not reversed at the balance sheet date.

Deferred tax assets which are not material, are not recognised in respect of timing differences that have originated but not reversed at the balances sheet date.

**Pensions**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

2. **TURNOVER**

Turnover represents fees received on behalf of the residents , residing at the nursing homes.

The company is exempt from charging value added tax.

3. **STAFF COSTS**

	30.6.05	30.6.04
	£	£
Wages and salaries	2,430,250	2,680,930
Social security costs	192,364	218,259
Other pension costs	53,002	10,000
	<u>2,675,616</u>	<u>2,909,189</u>

The average monthly number of employees during the year was as follows:

	30.6.05	30.6.04
Management	4	5
Nursing home staff	<u>215</u>	<u>219</u>
	<u>219</u>	<u>224</u>

Notes to the Financial Statements  
for the Year Ended 30 June 2005

**4. OPERATING PROFIT**

The operating profit is stated after charging:

	30.6.05	30.6.04
	£	£
Depreciation - owned assets	42,205	42,581
Loss on disposal of fixed assets	5,471	13,705
Auditors' remuneration	18,452	16,192
	<u>          </u>	<u>          </u>
Directors' emoluments	25,000	405,000
	<u>          </u>	<u>          </u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	30.6.05	30.6.04
	£	£
Bank interest	189	197
Bank loan interest	31,884	45,622
Other loan interest	49,233	-
	<u>          </u>	<u>          </u>
	81,306	45,819
	<u>          </u>	<u>          </u>

**6. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

	30.6.05	30.6.04
	£	£
Current tax:		
UK corporation tax	190,912	56,670
Underprovision of corporation tax charges	5,222	22
	<u>          </u>	<u>          </u>
Total current tax	196,134	56,692
Origination and reversal of timing differences	1,230	2,856
	<u>          </u>	<u>          </u>
Tax on profit on ordinary activities	197,364	59,548
	<u>          </u>	<u>          </u>

UK corporation tax has been charged at 27% (2004 - 19%).

Notes to the Financial Statements  
for the Year Ended 30 June 2005

**7. TANGIBLE FIXED ASSETS**

	Freehold property	Fixtures and fittings	Motor vehicles	Computer equipment	Totals
	£	£	£	£	£
<b>COST OR VALUATION:</b>					
At 1 July 2004	8,328,896	403,575	11,691	29,097	8,773,259
Additions	-	46,862	-	-	46,862
Disposals	-	(93,587)	-	(2,131)	(95,718)
At 30 June 2005	8,328,896	356,850	11,691	26,966	8,724,403
<b>DEPRECIATION:</b>					
At 1 July 2004	-	288,877	2,923	26,432	318,232
Charge for year	-	39,019	2,192	994	42,205
Eliminated on disposals	-	(88,116)	-	(2,131)	(90,247)
At 30 June 2005	-	239,780	5,115	25,295	270,190
<b>NET BOOK VALUE:</b>					
At 30 June 2005	8,328,896	117,070	6,576	1,671	8,454,213
At 30 June 2004	8,328,896	114,698	8,768	2,665	8,455,027

Cost or valuation at 30 June 2005 is represented by:

	Freehold property	Fixtures and fittings	Motor vehicles	Computer equipment	Totals
	£	£	£	£	£
Valuation in 1994	2,196,204	-	-	-	2,196,204
Cost	6,132,692	356,850	11,691	26,966	6,528,199
	8,328,896	356,850	11,691	26,966	8,724,403

If Freehold Property had not been revalued it would have been included at the following historical cost:

	30.6.05	30.6.04
	£	£
Cost	5,948,909	5,948,909

Freehold property was valued on existing build cost basis on 30 June 1994 by the directors.

Notes to the Financial Statements  
for the Year Ended 30 June 2005

**8. DEBTORS: AMOUNTS FALLING  
DUE WITHIN ONE YEAR**

	30.6.05 £	30.6.04 £
Trade debtors - Ellesmere Port	49,516	86,502
Trade debtors - Marmaduke St	(79,807)	(67,121)
Trade debtors - Skelmersdale	3,941	(38,497)
Trade debtors - Edinburgh	77,600	(1,498)
Prepayments	39,618	41,299
Amounts owing from other related party undertakings	108	108
Other debtors	20,854	19,113
Deferred tax	-	1,230
	<u>111,830</u>	<u>41,136</u>

**9. CREDITORS: AMOUNTS FALLING  
DUE WITHIN ONE YEAR**

	30.6.05 £	30.6.04 £
Bank loans and overdrafts (see note 11)	504,819	1,014,361
Trade creditors	7,623	3,923
Other creditors	40,866	30,949
Amounts owing to partnership undertakings	16,717	61,617
Directors' current accounts	706,042	559,070
Social security & other taxes	19,694	260,538
Wages clearing	68,737	62,314
Taxation	190,912	56,670
Accrued expenses	130,496	211,969
	<u>1,685,906</u>	<u>2,261,411</u>

**10. CREDITORS: AMOUNTS FALLING  
DUE AFTER MORE THAN ONE YEAR**

	30.6.05 £	30.6.04 £
Bank loans (see note 11)	-	234,039
	<u>-</u>	<u>234,039</u>



Notes to the Financial Statements  
for the Year Ended 30 June 2005

**11. LOANS AND OVERDRAFTS**

An analysis of the maturity of loans and overdrafts is given below:

	30.6.05 £	30.6.04 £
Amounts falling due within one year or on demand:		
Bank overdrafts	352,719	656,830
Bank loans	152,100	357,531
	<u>504,819</u>	<u>1,014,361</u>

Amounts falling due between one and two years:

Bank loans	-	221,010
	<u>-</u>	<u>221,010</u>

Amounts falling due between two and five years:

Bank loans	-	13,029
	<u>-</u>	<u>13,029</u>

Interest on all loans is charged at 1.75% above bank base rate. The Company has, within the terms of the loan agreements, maintained the original level of monthly repayments notwithstanding the reduction in interest rates. Each payment therefore includes a greater contribution towards capital repayment thus reducing the outstanding period of the loans.

**12. SECURED DEBTS**

The following secured debts are included within creditors:

	30.6.05 £	30.6.04 £
Bank overdrafts	352,719	656,830
Bank loans	152,100	591,570
	<u>504,819</u>	<u>1,248,400</u>

The Royal Bank of Scotland Plc holds a debenture over:-

Aaroncourt, Princes Road, Ellesmere Port.  
Aaroncrest, Tanhouse Road, Skelmersdale.  
Aaron Lodge, Marmaduke Street, Liverpool.  
Aaron Grange, The Grange Huyton, Liverpool.  
Aaronhouse, Penicuik, Midlothian.

Notes to the Financial Statements  
for the Year Ended 30 June 2005

**13. CALLED UP SHARE CAPITAL**

Authorised:				
Number:	Class:	Nominal value:	30.6.05	30.6.04
			£	£
590,000	Ordinary	£1	590,000	590,000
126,500	Preference	£1	126,500	126,500
10,000	Ordinary 'A'	£1	10,000	10,000
			<u>726,500</u>	<u>726,500</u>

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	30.6.05	30.6.04
			£	£
178,501	Ordinary	£1	178,501	204,000
(30.6.04 - 204,000)				
126,500	Preference	£1	126,500	126,500
9,999	Ordinary 'A'	£1	9,999	9,999
			<u>315,000</u>	<u>340,499</u>

The preference shares are non voting and carry no automatic right to dividends.

The company acquired 25,500 of its own £1 ordinary shares during the year and immediately cancelled them.

The Ordinary 'A' shares of £1 each do not hold any voting rights.

**14. REVALUATION RESERVE**

	30.6.05	30.6.04
	£	£
Brought forward	<u>2,196,203</u>	<u>2,196,203</u>

**15. OTHER RESERVES**

	30.6.05	30.6.04
	£	£
Purchase of own shares	<u>(342,000)</u>	<u>-</u>

**16. PENSION COMMITMENTS**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension costs charge represents contributions payable by the company to the fund.

Notes to the Financial Statements  
for the Year Ended 30 June 2005

**17. RELATED PARTY DISCLOSURES**

During the year, the company received £84,000 (£84,000 - 2004) from Aaroncare Partnership, a company which the directors of Aaroncare Plc are also partners, in respect of rent due for the property at The Grange, Huyton. The company also paid £58,500 (£53,400 - 2004) to Aaroncare Partnership in management charges.

The balance due to Aaroncare Partnership at 30th June 2005 amounted to £16,717 (£61,617 - 2004).

During the year consultancy fees were paid to the following directors:

J Francis £57,586

MA Paddock £35,500

**18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	30.6.05	30.6.04
	£	£
Profit for the financial year	499,998	251,049
Issue of share capital	1	9,999
Purchase of own shares	(367,500)	-
<b>Net addition to shareholders' funds</b>	<b>132,499</b>	<b>261,048</b>
Opening shareholders' funds	6,776,872	6,515,824
<b>Closing shareholders' funds</b>	<b>6,909,371</b>	<b>6,776,872</b>
Equity interests	6,909,371	6,776,872