

ADL plc

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008



LITTLEJOHN

Operational and financial highlights

Turnover increased 7% to £6,043,335 from £5,648,448

Gross profit improved by 9.9% to £2,278,913 from £2,073,287

Core operational profit before exceptional and property items up 0.4% to £918,533 from £914,501

Operating profit £117,444 compared to £891,551 in 2007

Loss after tax £462,898 compared to a profit of £357,295 in 2007

Group properties valued at £17.12m compared to £17.59m in 2007

Company and two executive directors have been charged with wilful neglect under the Mental Health Act

For further information please contact:

ADL plc

Jeremy Davies, Managing Director

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Blue Oar Securities

John Wakefield, Corporate Finance Director

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DIRECTORS AND ADVISORS

| | | |
|-------------------------------------|---|--|
| Directors | Sir William Wells Jeremy Davies Pearl Jackson | Chairman Managing Director Operations Director |
| Secretary | Jeremy Davies | |
| Registered office | Corbie Steps 89 Harehills Lane Leeds LS7 4HA | |
| | Tel 0113 239 2957 Fax 0113 307 0121 | |
| Company number | 2463465 | |
| Auditors | Littlejohn 1 Westferry Circus Canary Wharf London E14 4HD | |
| Nominated advisor and broker | Blue Oar Securities Plc 30 Old Broad Street London EC2N 1HP | |
| Bankers | NATIXIS Cannon Bridge House 25 Dowgate Hill London EC4R 2YA | |
| | HSBC Bank plc 41 Southgate Bath BA1 1TN | |
| Solicitors | Birketts LLP 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 | |

BOARD OF DIRECTORS

Sir William Wells, aged 68 **Chairman**

Sir William has a wealth of experience in healthcare having held a number of senior board positions in the NHS since 1968. Latterly he was chairman of the NHS Executive South East Region until 2001 when he was appointed chairman of NHS Appointments Commission. He is also currently chairman of the Council of the University of Surrey; a member of the General Council and Management Committee of the Kings Fund, and an Honorary Fellow of the Royal College of Physicians.

Sir William is a chartered surveyor by profession and retired in 1997 as chairman of Chesterton International plc, former director of Pearl Group Limited and Pearl Assurance plc, Norwich & Peterborough Building Society, AMP (UK) Public Limited Company, AMP (UK) Holdings Limited, AMP Invest Public Limited Company and AMP (NPI) Holdings Limited, Exel plc and HHG plc and chairman of the Advisory Board for St Wenceslas Property Trust and Covenant Healthcare Limited.

Jeremy Davies, MRICS, aged 61 **Director and Company Secretary**

Jeremy is a chartered surveyor who founded his own practice, Davies Knight and Partners, in 1973 which specialised in healthcare properties. In 1993 he co-founded NHP plc, as estates director. Until NHP's acquisition for £563.5 million by The Blackstone Group in January 2005, it was the UK's only listed property investment group specialising in the purchase and leaseback of care homes. Jeremy resigned from NHP in November 2001. In 1994 Jeremy was a founding director of Woodland Healthcare Limited, acquired by ADL in February 2004, and in March 2003 he founded Newsham House Limited, which was also acquired by ADL in February 2004.

Pearl Jackson, aged 50 **Director**

Pearl is a registered general and psychiatric nurse who from 1988 to 1989 was a nursing homes registration and inspection officer before becoming area manager for Westminster Healthcare plc. In 1990 she founded her own care home consultancy which, between July 2000 and February 2004, provided advice to ADL and Woodland Healthcare Limited. Pearl was also the owner and director of Solutions (Yorkshire) Limited, which was acquired by ADL in July 2006, that owns and operates a care home in Leeds with 40 operational beds.

CHAIRMAN'S STATEMENT

The year to 31 March 2008 was largely dominated with issues and allegations arising out of the actions of the current regulatory body for the care industry, The Commission for Social Care Inspection (CSCI)

The amount of senior management time expended and the considerable costs of external advisors have naturally been a severe constraint on our business of caring for the elderly. The Group has a total of 329 operational beds (out of 346 registered for care) in 11 separate facilities. The Company's properties have been valued by Christie & Co as at 31 March 2008 at £17.12m at which time indebtedness was £8.45m and no repayments are due until 30 October 2009.

All of these 11 facilities contributed positively to the profit of the Group, operating cash flow covered all financing costs and contributed to the payment of exceptional costs.

The turnover for the year showed an increase of 7.0% over the previous year to £6,043,335. The gross profit earned amounted to £2,278,913 (2007: £2,073,287), an increase of 9.9%.

Core profitability, before exceptional items, profits or losses related to property transactions, interest and tax, rose from £914,501 in 2007 to £918,533 in 2008, an increase of 0.4%.

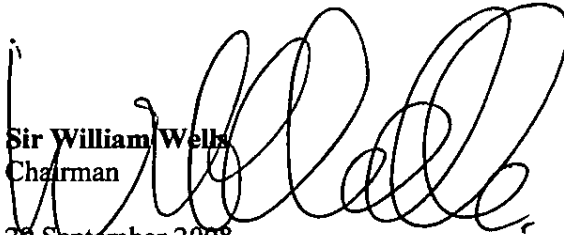
The operating profit, after the exceptional costs of £651,090 attributable to professional fees incurred on an acquisition which had to be aborted following CSCI's actions, legal fees incurred in connection with defending the Company against the resultant legal proceedings and settlement of a claim by a former director, amounted to £117,444 (2007: £891,552).

The resultant loss for the period was £462,898 (2007: Profit of £357,295) equivalent to a loss of 4.68 pence per share (2007: profit 3.61 pence per share).

Since the year end on 31 March 2008, the two executive directors have been engaged with the Company's legal advisors to deny and refute the allegations of CSCI which form the basis of both the action taken to close Newsham House and the charges under the Mental Health Act. The Company has been advised that the case against it in respect of the allegation of wilful neglect has little or no merit and should it come to trial, will be strenuously defended. The two executive directors are similarly advised and will separately contest the charges against them.

The impact of the legal proceedings is a major cause of concern and affects the long term future of your Company as a provider of care for the elderly. Accordingly, the directors are considering how best to maintain shareholder value and recognise that this might involve operating differently, possibly in conjunction or in partnership with others.

These times remain difficult for our staff to whom I am grateful for their continued loyalty and dedication to our residents and to you as a shareholder.


Sir William Wells
Chairman
29 September 2008

MANAGING DIRECTOR'S REPORT

Group Development

Despite our intention to acquire a group of five homes, once the Company was charged funding was no longer available and therefore the Company has been forced to write off the abortive costs of £310,112

Property

The Company has secured the outstanding money (£249,000) after the year end from the developer at Morton by taking the leasehold interest in a flat in exchange for discharging the outstanding charge to cover the loan. It is the Company's intention to utilise this flat for staff on an Assured Short hold Tenancy until such time as the market returns for the sale of apartments of this type

The surplus land at Allambie, which was contracted to be sold subject to the obtaining of a valid planning consent for residential development, has not progressed. The Developer, Garalexin, notified us in April that they would not be proceeding. Your Board has assessed the provision of care beds in the area and will, when funds allow, be seeking Planning Consent for the provision of 24 beds to increase the registration to 60 beds

Jeremy Davies
Director

29 September 2008

REPORT OF THE DIRECTORS

for the year ended 31 March 2008

The directors present their report, together with the audited financial statements for the year ended 31 March 2008

Results and dividends

The Group loss for the year, after tax, amounted to £462,898. The directors do not recommend the payment of a dividend (2007 1.00p). The total dividend paid in 2007 was £98,857.

Principal activity

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

Review of the Business and Future Developments

Financial performance

| | <i>Year to</i> <i>31 March 2008</i> | <i>Year to</i> <i>31 March 2007</i> | <i>Change</i> | <i>%</i> |
|----------------------------|--|--|---------------|----------|
| | £'000 | £'000 | £'000 | |
| Revenue | 6,043 | 5,648 | 395 | 7.0 |
| Gross Profit | 2,279 | 2,073 | 206 | 9.9 |
| (Loss) / profit before tax | (477) | 376 | (853) | (226.9) |
| (Loss) / profit after tax | (463) | 358 | (821) | (229.3) |

Group Profit and Loss Account

Turnover from continuing operations for the year was £6,043,355 (2007 £5,648,447). However this includes a full year's contribution for Solutions (Yorkshire) Limited compared to 9 months in 2007.

Gross profit increased in the year by 9.9% from £2,073,287 to £2,278,913 as occupancy of the homes under management, including Southgarth and Newford, remained broadly stable at 80%, but the average weekly fees increased by 5.7% to £460. Direct staffing costs increased by 5% to £3,250,298 from £3,094,558. As a percentage of turnover this represents a reduction to 53.8% from 54.7% in 2007 owing mainly to reduced reliance on agency staff during the year. £106,187, or 5.1%, of the increase in Gross Profit results from the inclusion of a full year of the results of Solutions (Yorkshire) Limited.

These and other operational changes led to an improved performance at a "Home" level, with "EBITDA" (Earnings before Interest Taxation Depreciation and Amortisation) for the homes owned by the Group increasing by 9.7% in the year from £1,440,190 in 2007 to £1,580,633 in 2008 on a like for like basis. Inclusion of a full year of Solutions (Yorkshire) Limited then raised the Home EBITDA to £1,662,205 for the year.

Included in other income is the Group's share of income from the two homes not owned, but managed by the Group, which saw a decrease of £33,210 over the 2007 share of £169,705 to £136,495 in 2008, and which comprises £98,000 of accrued dividends from Newford Limited (2007 £108,000) and profit share of £38,495 from the Southgarth Partnership (2007 £61,705).

Accordingly, before exceptional costs and profits or losses from property and changes to asset accounting introduced by IFRS, core profitability improved by £4,032 to £918,533 from £914,501 in 2007.

REPORT OF THE DIRECTORS *continued*

However, at Group level, high legal and professional charges during the year together with the write off of corporate finance costs previously capitalised resulted in considerably higher central costs and the consequent overall loss, before tax and unrealised property losses, was £377,174 compared with a profit of £175,295 in 2007.

The exceptional items of £651,090 (2007: £255,606) split out from administrative expenses in the income statement comprise £310,112 of corporate finance costs incurred in the abortive acquisition of a group of five care homes during the year, £55,000 paid to a former director found at tribunal to have been wrongfully dismissed and £285,978 of legal fees incurred during the year in defending the Company and three of its employees against charges of alleged wilful neglect at Newsham House in 2005. In the previous year, the exceptional items were the write off of unamortised finance costs of £99,924 on the refinancing of the bank loan facility with Natixis, legal costs of £100,682 incurred in the defence of the position following the CSCI inquiry at Newsham House and the severance costs of £55,000 incurred on the departure of a director.

The transition to International Financial Reporting Standards ("IFRS") has meant that some £200,000 of surpluses arising on land identified as being for resale was recognised in the income statement for 2007, with a loss of £100,000 being recognised this year. Inclusion of these results brings the loss before tax for the year to £477,174 against a profit of £375,295 in 2007, and the loss after tax to £462,898 compared with a profit of £357,295 in 2007.

Group Balance Sheet

On 31 March 2008 the Group's nine freehold properties including land for resale, 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 £17.12 million (2007: £17.59 million). Net assets per share at 31 March 2008 were 82.6p (2007: 87.1p).

The Group's freehold care homes were valued, on an existing use basis. In arriving at the portfolio valuation, Christie & Co have separately assessed the market values of the individual care homes and made an adjustment by way of a portfolio premium equating to around 7.7% (2007: 9.5%).

Key performance indicators

The board receives weekly reports on the key operational performance indicators on a home by home basis detailing both occupancy levels and staffing costs as a percentage of turnover and, where necessary, recommends remedial action to the executive management.

Quarterly consolidated management accounts and rolling cash flow forecasts are prepared for the board which include key metrics such as financial covenant performance and detailed occupancy statistics for each home, average weekly fees achieved, daily food cost per resident and staffing costs as a percentage of turnover as well as turnover, gross profit, EBITDA and debtors figures on a home by home basis.

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.

Following discussions with the bank, the Company requested that the facility be reduced to £9m as of 4 April 2008, since the bank was unwilling to advance any further sums whilst the Company is charged.

REPORT OF THE DIRECTORS *continued*

Further drawings on this facility are also subject to Natixis being satisfied in all respects that the loan does not exceed 70% of the value of the Group's charged properties

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

Strategy

The current strategy of the Group is to make progressive asset disposals and reduce indebtedness until the action against it is resolved

Future developments and outlook

All future developments of the Group are currently on hold pending resolution of the on-going court case against it. However, the care home industry remains, in the view of the directors, an attractive market, notwithstanding the current difficult conditions

Principal risks and uncertainties

ADL, like all businesses, faces many operating risks and uncertainties.

The most fundamental risks are as follows.

- Regulators may decide that the Group has not complied with regulations and may take actions such as revoking a care home's certificate to operate
- The Group may suffer negative publicity if a serious incident occurs at one of the Group's care homes
- Weekly fees may not increase at a rate sufficient to cover cost increases
- The Group's ability to grow may be constrained if its bankers refuse to release funding
- If the Group does not meet its banking covenants, its bankers may withdraw its loan facility
- The Group may fail to attract and retain sufficient qualified staff to meet current requirements, and may be forced to reduce the number of operational beds in its care homes.

Further, the Group depends heavily on Local Authorities, Health Trusts and other public sources being able to fund their legal obligation to support residents and must ensure there is sufficient cash flow available when these public bodies do not pay on time

Land and Buildings

The Group's strategy on Land and Buildings is to dispose of one or two assets to reduce bank debt

Charitable and political donations

The Company made no charitable or political donations during the year

REPORT OF THE DIRECTORS *continued*

Post Balance Sheet Events

On 4 July 2008 the Bradford Metropolitan District Council, in contravention of their contract with the Company, removed all of the residents from The Knoll nursing home in Bradford. The Company has sought explanations for this action and it continues to maintain the property with the intention of readmitting residents. The Company has sought legal advice and may make a claim for breach of contract.

ADL has been informed that it is the intention of CSCI to rescind the registration of Newsham House in Gloucester and this is being strenuously contested but as yet no date for the relevant Tribunal hearing has been set.

Directors

The names of the directors who held office on 31 March 2008 are as follows:

Sir William Wells
Jeremy Davies
Pearl Jackson

Peter Dewe-Mathews ceased to be a director following his sad death on 13 February 2008.

Danny Francis resigned on 21 August 2007.

In accordance with the Articles of Association Jeremy Davies retires by rotation and, being eligible, offers himself for re-election.

Substantial shareholders

The directors have been notified of the following interests requiring disclosure in the issued share capital of the Company as at 31 March 2008:

| | Ordinary Shares | | Deferred Shares | |
|----------------------------------|-----------------|---------|-----------------|---------|
| | Number | Percent | Number | Percent |
| Directors: | | | | |
| Sir William Wells | 100,000 | 1.0% | - | - |
| Jeremy Davies | 4,944,520 | 50.0% | - | - |
| Pearl Jackson | 1,000,000 | 10.1% | - | - |
| Others | | | | |
| R Ellert | 1,250,000 | 12.6% | - | - |
| H Harford | 400,000 | 4.0% | - | - |
| NHP Plc Executive Pension Scheme | 250,000 | 2.5% | - | - |
| Best Investment Ltd | 121,900 | 1.2% | 3,041,100 | 14.8% |
| S Jagsi | 172,000 | 1.7% | 643,500 | 3.1% |
| Exors of Peter Dewe-Mathews | 35,000 | 0.4% | 810,000 | 3.9% |
| R H Burchett | - | - | 720,000 | 3.5% |

REPORT OF THE DIRECTORS *continued*

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 2008 expressed in relation to the total amounts invoiced by suppliers for goods and services during the period were equivalent to 65 days (2007 35 days)

Disclosure of information to auditors

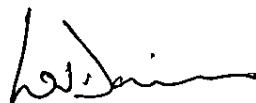
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps one ought to have taken as a director to make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

Auditors

The company's auditors, CLB Littlejohn Frazer shortened their name to Littlejohn on 6 May 2008

A resolution to re-appoint Littlejohn as auditors to the Company will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006

By Order of the Board



Jeremy Davies
Company Secretary

29 September 2008

Registered Office
Corbie Steps
89 Harehills Lane
Leeds LS7 4HA

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the group and parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the European Union ("EU") and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The group and parent company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the group and the parent company and the performance for that period. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether the group financial statements have been prepared in accordance with IFRSs as adopted by the EU and the parent company financial statements are prepared in accordance with UK GAAP, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

We have audited the Group Financial Statements (the "Financial Statements") of ADL plc for the year ended 31 March 2008 which comprise the Group Balance Sheet, the Group Income Statement, the Group Cash Flow Statement, the Group Statement of Changes in Shareholders' Equity, the accounting policies and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

We have reported separately on the Company Financial Statements of ADL plc for the year ended 31 March 2008. The opinion in that report is unqualified.

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 auditor's 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

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

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 whether the Financial Statements have been 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. The other information comprises only the Chairman's Report, Managing Director's Report and the Directors' Report. 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 Audit 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 judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

INDEPENDENT AUDITORS' REPORT *continued*

Opinion

In our opinion

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of the Group's loss for the year ended 31 March 2008,
- the Group Financial Statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the Group Financial Statements


Littlejohn

Chartered Accountants
and Registered Auditors

29 September 2008

1 Westferry Circus
Canary Wharf
London E14 4HD

GROUP INCOME STATEMENT

for the year ended 31 March 2008

| | Notes | Year to 31 Mar 08 £'000 | Year to 31 Mar 07 £'000 |
|--|-------|-------------------------------|-------------------------------|
| Revenue | 1 | | |
| Continuing operations | | 6,043 | 4,973 |
| Acquisitions | | - | 675 |
| | | <u>6,043</u> | <u>5,648</u> |
| Cost of Sales | | | |
| Continuing operations | | 3,764 | 3,166 |
| Acquisitions | | - | 409 |
| | | <u>3,764</u> | <u>3,575</u> |
| Gross Profit | | <u>2,279</u> | <u>2,073</u> |
| Administrative expenses | | | |
| - continuing operations | | (1,497) | (1,239) |
| - acquisitions | | - | (89) |
| Other operating income | 2 | 136 | 169 |
| | | <u>(1,361)</u> | <u>(1,159)</u> |
| Operational profit before exceptional and other gains and losses | | <u>918</u> | <u>914</u> |
| Exceptional costs | 2 | (651) | (255) |
| Other gains or (losses) | 2 | (150) | 233 |
| | | <u>(801)</u> | <u>(22)</u> |
| Profit from operations | 2 | <u>117</u> | <u>892</u> |
| Continuing operations | | 117 | 715 |
| Acquisitions | | - | 177 |
| | | <u>117</u> | <u>892</u> |
| Finance income | 6 | 20 | 11 |
| Finance costs | 7 | (614) | (527) |
| (Loss)/profit on ordinary activities before tax | | <u>(477)</u> | <u>376</u> |
| Corporation tax credit /(expense) | 8 | 14 | (18) |
| (Loss)/profit for the financial year | | <u>(463)</u> | <u>358</u> |
| (Loss)/earnings per ordinary share attributable to the equity holders of the Company- basic and diluted | 9 | (4.68)p | 3 61p |

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

The accompanying notes form an integral part of these financial statements

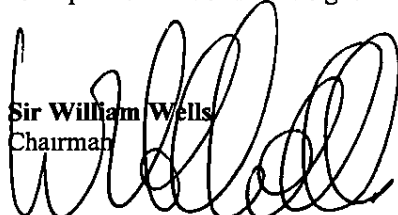
GROUP BALANCE SHEET

at 31 March 2008

| | Notes | 31 Mar 08 £'000 | 31 Mar 07 £'000 |
|---|-------|--------------------|--------------------|
| Non-current assets | | | |
| Intangible assets | 10 | 891 | 1,006 |
| Property, plant and equipment | 11 | 16,180 | 16,432 |
| Investments | 12 | 2 | 2 |
| Deferred tax assets | 21 | 37 | 44 |
| | | <u>17,110</u> | <u>17,484</u> |
| Non-current assets held for sale | 16 | 500 | 600 |
| Current assets | | | |
| Inventories | 13 | 9 | 11 |
| Trade and other receivables | 14 | 852 | 891 |
| Cash and cash equivalents | 15 | 567 | 341 |
| | | <u>1,428</u> | <u>1,243</u> |
| Total assets | | <u>19,038</u> | <u>19,327</u> |
| Current liabilities | | | |
| Trade and other payables | 17 | (1,235) | (900) |
| Corporation tax liabilities | | (5) | (34) |
| | | <u>(1,240)</u> | <u>(934)</u> |
| Non-current liabilities | | | |
| Borrowings | 18 | (8,456) | (8,337) |
| Deferred tax | 21 | (1,172) | (1,446) |
| | | <u>(9,628)</u> | <u>(9,783)</u> |
| Total liabilities | | <u>(10,868)</u> | <u>(10,717)</u> |
| Net assets | | <u>8,170</u> | <u>8,610</u> |
| Capital and Reserves attributable to Equity holders of the Company | | | |
| Called-up share capital | 23 | 1,522 | 1,522 |
| Share premium account | 24 | 3,712 | 3,712 |
| Revaluation reserve | 24 | 2,876 | 2,968 |
| Retained earnings | 24 | 60 | 408 |
| Total equity | | <u>8,170</u> | <u>8,610</u> |
| Net assets per ordinary share | 26 | 82.6p | 87 1p |

The Group financial statements on pages 15 to 36 were approved and authorised for issue by the Board of Directors on 29 September 2008 and are signed on their behalf by

Sir William Wells
Chairman



W J Davies
Director



The accompanying notes form an integral part of these financial statements

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2008

| | <i>Share Capital</i> | <i>Share Premium</i> | <i>Revaluation Reserve</i> | <i>Profit & Loss Account</i> | <i>Total</i> |
|---------------------------------------|--------------------------|--------------------------|--------------------------------|--|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 April 2006 | 1,522 | 3,712 | 1,926 | 69 | 7,229 |
| Profit for the year | | | | 158 | 158 |
| Transfer to profit and loss | | | (80) | 80 | - |
| Revaluation net of tax | | | 1,322 | | 1,322 |
| Transfer of land for resale to income | | | (200) | 200 | - |
| Dividends | | | | (99) | (99) |
| Balance at 31 March 2007 | 1,522 | 3,712 | 2,968 | 408 | 8,610 |
| (Loss) for the year | | | | (463) | (463) |
| Transfer to profit and loss | | | (115) | 115 | - |
| Revaluation net of tax | | | 23 | | 23 |
| Balance at 31 March 2008 | 1,522 | 3,712 | 2,876 | 60 | 8,170 |

The accompanying notes form an integral part of these financial statements

GROUP CASH FLOW STATEMENT

for the year ended 31 March 2008

| | Notes | Year to 31 Mar 08 £'000 | Year to 31 Mar 07 £'000 |
|---|-------|-------------------------------|-------------------------------|
| Cash flows from operating activities | | | |
| Operating profit | | 117 | 892 |
| Amortisation | | 115 | 80 |
| Amortisation of finance costs | | 19 | 119 |
| Depreciation | | 2 | 18 |
| Loss / (profit) on disposal of fixed assets | | 50 | (1) |
| Fair value of non current assets held for sale | | 100 | (200) |
| Decrease / (increase) in inventories | | 2 | - |
| Decrease / (increase) in trade and other receivables | | (11) | 100 |
| Increase in trade and other payables | | 335 | 120 |
| UK Corporation tax paid | | (9) | (46) |
| Net Cash Inflow from Operating Activities | | 720 | 1,082 |
| Cash flows from investing activities | | | |
| Purchase of Solutions (Yorkshire) Ltd | | - | (2,469) |
| Sale of Nightingale Nursing Home | | - | 800 |
| Interest received | | 20 | 11 |
| Interest paid | | (614) | (527) |
| Finance charges paid | | - | (127) |
| Net Cash (used in) investing activities | | (594) | (2,312) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 100 | 9,250 |
| Repayment of amounts borrowed | | - | (6,900) |
| Dividends paid | | - | (99) |
| Net Cash from financing activities | | 100 | 2,251 |
| Net increase in cash and cash equivalents | | 226 | 1,021 |
| Cash and cash equivalents at beginning of year | | 341 | (680) |
| Cash and cash equivalents at end of year | 15 | 567 | 341 |

The accompanying notes form an integral part of these financial statements

GROUP ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The principal Accounting Policies applied in the preparation of these Financial Statements are set out below. These Policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation of financial statements

The Group Financial Statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS), IFRIC interpretations and the parts of the Companies Act applicable to companies' reporting under IFRS.

The Company's Financial Statements continue to be prepared under UK GAAP. Therefore the Company's Financial Statements and associated notes, together with the Auditors' Report on those Financial Statements are presented separately from the Group, starting on page 37.

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain non current and current assets and in accordance with applicable accounting standards. The measurement bases and principal accounting policies of the group are set out below.

First-time adoption of International Financial Reporting Standards

In the current year, the group has adopted International Financial Reporting Standards for the first time in its consolidated financial statements.

The group has applied IFRS 1 "First time adoption of International Financial Reporting Standards" to provide a starting point for reporting under International Financial Reporting Standards. The date of transition to International Financial Reporting Standards was 1 April 2006 and all comparative information in these financial statements has been restated to reflect the Group's adoption of International Financial Reporting Standards.

The transition to IFRS reporting has resulted in a number of changes in the reported financial statements, the notes thereto and accounting policies compared to previous annual reports which are set out in Note 28. The accounting policies that have been applied in the opening balance sheet have also been applied throughout all periods presented in these financial statements.

Standards in issue but not yet effective or not yet relevant

IFRS 8 "Operating Segments" requires companies to adopt a management approach to reporting on their operating segments. This standard is effective for the period ended 31 March 2010 and is not expected to have an impact on the Group Financial Statements.

A revised version of IAS 1 "Presentation of Financial Statements" will require information in financial statements to be aggregated on the basis of shared characteristics, and introduce a statement of comprehensive income. This standard is effective for the period ended 31 March 2010 and is not expected to have a major impact on the Group Financial Statements.

A revised version of IAS 23 "Borrowing Costs" removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. This standard is effective for the period ended 31 March 2010 and is not expected to have an impact on the Group Financial Statements.

An amendment to IFRS 2 "Share-based Payment" clarifies that vesting conditions are service conditions and performance conditions only, and specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This standard is effective for the period ended 31 March 2010 and is not expected to have a major impact on the Group Financial Statements.

IFRIC 12 "Service Concession Arrangements" addresses how service concession operators should apply existing IFRSs to account for the obligations they undertake and rights they receive in service concession arrangements. This standard is effective for the period ended 31 March 2009 and is not expected to have an impact on the Group Financial Statements.

GROUP ACCOUNTING POLICIES *continued*

Standards in issue but not yet effective or not yet relevant (*continued*)

IFRIC 13 "Customer Loyalty Programmes" addresses accounting by entities that grant loyalty award credits to customers who buy goods or services. This standard is effective for the period ended 31 March 2010 and is not expected to have an impact on the Group Financial Statements.

IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" provides guidance on how to assess the limit in IAS 19 "Employee Benefits" on the amount of the surplus that can be recognised as an asset. This standard is effective for the period ended 31 March 2009 and is not expected to have an impact on the Group Financial Statements.

Basis of consolidation

The group financial statements consolidate the financial statements of ADL plc and all its subsidiary undertakings made up to 31 March 2008.

Subsidiaries are entities over which the group has the power to control the financial and operating policies so as to obtain benefits from its activities. The group obtains and exercises control through voting rights.

Unrealised gains on transactions between the group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Subsidiaries have been accounted for under the purchase method of accounting. Goodwill arising on purchases prior to the date of transition to IFRS was capitalised and amortised over its estimated useful life up to a maximum of 20 years.

No profit and loss account is presented for ADL plc as allowed by s230 of the Companies Act 1985.

Property, Plant and Equipment

Property, plant and equipment is stated at cost or fair value, net of depreciation and any provision for impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Included within freehold land and buildings are all fixtures and fittings in respect of care homes. An impairment review is carried out each year by an independent external valuer. The care homes must be maintained to a standard approved by the Commission for Social Care Inspection (CSCI).

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement in the period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases on the same asset are charged against other reserves directly in equity. All other decreases are charged to the Income Statement. Each year, the difference between depreciation based on the revalued carrying amount and depreciation based on original cost is transferred from other reserves to retained earnings.

Depreciation is provided on all plant and equipment, other than nursing homes, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

| | | |
|------------------|---|-----|
| Office equipment | - | 25% |
|------------------|---|-----|

GROUP ACCOUNTING POLICIES *continued*

Intangible Assets

Intangible assets were valued by an Independent external valuer and are amortised over their economic life

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. The estimated useful lives are as follows

| | | |
|-------------------|---|---------------------------|
| Intangible assets | - | 7.75 years and 3.75 years |
|-------------------|---|---------------------------|

The remaining life of the intangible assets was 6.75 and 2.75 years at 31 March 2008

Impairment of Intangible Assets and Property, Plant and Equipment

For the purposes of assessing impairment, assets are grouped as individual nursing homes for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to those cash-generating units that are expected to benefit from the business combination on which the goodwill arose.

Goodwill or cash-generating units that include goodwill are tested for impairment at least annually. All intangible assets and property, plant and equipment with a finite life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal discounted cash flow evaluation. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Impairment losses are charged to administrative expenses.

Financial Assets

Financial assets are divided into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised when the group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised initially at fair value plus transaction costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the Income Statement.

Financial assets at fair value through profit or loss are held for trading, i.e. acquired principally to be sold in the short term. Financial assets at fair value through profit or loss are measured after initial recognition at fair value, with changes in fair value being taken to the Income Statement in the period in which they occur.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Any change in their value through impairment or reversal of impairment is recognised in the Income Statement.

Provision for impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is the difference between the receivable's carrying amount and the present value of the estimated future cash flows.

An assessment for impairment is undertaken at least annually.

GROUP ACCOUNTING POLICIES *continued*

Inventories

Inventories are stated at the lower of cost and net realisable value, calculated on purchase cost on a first-in, first-out basis

Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, demand deposits, bank overdrafts, and short-term, highly liquid investments that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value.

Non-Current Assets Held-for-Sale

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Assets classified as held-for-sale are measured at the lower of their carrying amount immediately prior to their classification as held-for-sale and their fair value less costs to sell. Assets classified as held-for-sale are not subject to depreciation or amortisation.

Financial Liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are measured initially at fair value, with all transaction costs being recognised immediately in the Income Statement. All other financial liabilities are measured initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are measured after initial recognition at fair value, with changes in fair value being taken to the Income Statement in the period in which they occur.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged, is cancelled, or expires.

Taxation

Current tax is the tax currently payable based on the taxable profit for the year.

Deferred tax is provided in full, using the liability method, on temporary differences between the carrying amounts of assets and liabilities and their tax bases, except when, at the initial recognition of the asset or liability, there is no effect on accounting or taxable profit or loss. Deferred tax is determined using tax rates and laws that have been substantially enacted by the Balance Sheet date, and that are expected to apply when the temporary difference reverses.

Tax losses available to be carried forward, and other tax credits to the group, are recognised as deferred tax assets, to the extent that it is probable that there will be future taxable profits against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of the tax expense in the Income Statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land), in which case the related deferred tax is also charged or credited directly to equity.

Provisions

These are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

GROUP ACCOUNTING POLICIES *continued*

Share Capital

Ordinary shares are classified as equity

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable by the Group for services provided in the ordinary course of the Group's activities. Revenue is recognised upon the performance of services.

Financial Risk Management

Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group has in place a risk management program to limit the adverse effects of such financial risks by monitoring levels of debt and related financial costs.

Market Risk

The Group has no exposure to equity securities price risk, as it has no listed equity investments.

The Group has both interest-bearing assets and liabilities. Interest-bearing assets include only cash balances, all of which earn interest at a variable rate. The Group has a policy of maintaining debt at a fixed rate to ensure certainty of future interest cash flows. Thus the Group is only exposed to fair value interest rate risk, which is not expected to have a significant impact on profit or loss or equity.

Credit Risk

Credit risk arises from cash and cash equivalents as well as exposure to customers including outstanding receivables.

Liquidity Risk

The Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure that the Group has sufficient available funds for operations and planned expansions.

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include provision for doubtful accounts and the valuation of nursing homes.

NOTES TO THE FINANCIAL STATEMENTS

1. Revenue

Revenue represents amounts derived from the provision of services which fall within the group's continuing ordinary activities

The activity of the business is the provision of residential care to elderly people and elderly people with mental disorders or dementia, and as such comprises one business, or primary format, as required by IAS 14. The group operates within one principal geographic market, the United Kingdom, and all sales are made within the United Kingdom

2. Profit from operations

| | | |
|---|-----------------------------|-----------------------------|
| Operating profit includes other operating income | <u>2008</u> <u>£'000</u> | <u>2007</u> <u>£'000</u> |
| South Garth profit share | 38 | 61 |
| Newford Limited dividends | <u>98</u> | <u>108</u> |
| | <u>136</u> | <u>169</u> |
| Operating profit includes other gains or (losses) | <u>2008</u> <u>£'000</u> | <u>2007</u> <u>£'000</u> |
| (Loss) / gain on disposal of property | (50) | 33 |
| Unrealised (loss) / gain on recognition of non-current assets held for sale | <u>(100)</u> | <u>200</u> |
| | <u>(150)</u> | <u>233</u> |
| Operating profit is stated after charging | <u>2008</u> <u>£'000</u> | <u>2007</u> <u>£'000</u> |
| Depreciation | 2 | 18 |
| Amortisation (including finance costs) | 134 | 80 |
| Exceptional costs | <u>651</u> | <u>256</u> |

The exceptional costs comprises three elements, £310,112 in corporate finance costs which had previously been capitalised and were incurred on the abortive acquisition of a group of five care homes in Bradford, £285,978 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. Auditors' remuneration

Auditors' remuneration for audit and non audit services is analysed below

| | | |
|--|-----------------------------|-----------------------------|
| | <u>2008</u> <u>£'000</u> | <u>2007</u> <u>£'000</u> |
| Fees payable for the audit of the company's financial statements | 34 | 48 |
| Fees payable for the audit of the company's subsidiaries | 12 | 12 |
| Fees payable for other services pursuant to legislation | - | 18 |
| Fees payable for tax services | 4 | 4 |
| Fees payable for services relating to corporate finance transactions | 55 | 126 |
| Fees payable for assistance with IFRS | <u>10</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS *continued*

4. Staff costs

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

| | <u>2008</u> | <u>2007</u> |
|------------------------------------|-------------|-------------|
| | No. | No |
| Engaged in provision of care | 119 | 142 |
| Catering, domestic and maintenance | 61 | 44 |
| Management and administration | <u>14</u> | <u>18</u> |
| | <u>194</u> | <u>204</u> |

The aggregate payroll costs of the above were:

| | <u>2008</u> | <u>2007</u> |
|-----------------------|--------------|--------------|
| | £'000 | £'000 |
| Wages and salaries | 3,228 | 3,017 |
| Social security costs | <u>231</u> | <u>232</u> |
| | <u>3,459</u> | <u>3,249</u> |

5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

| | <u>2008</u> | <u>2007</u> |
|---------------------------------|-------------|-------------|
| | £'000 | £'000 |
| Emoluments including benefits | 168 | 244 |
| Compensation for loss of office | <u>55</u> | <u>55</u> |
| | <u>223</u> | <u>299</u> |

The highest paid director's emoluments amounted to £55,000 (2007 £55,000)

6. Finance income

| | <u>2008</u> | <u>2007</u> |
|------------------------|-------------|-------------|
| | £'000 | £'000 |
| Bank interest received | <u>20</u> | <u>11</u> |

7. Finance costs

| | <u>2008</u> | <u>2007</u> |
|----------------------------|-------------|-------------|
| | £'000 | £'000 |
| Bank loan interest payable | <u>614</u> | <u>527</u> |

NOTES TO THE FINANCIAL STATEMENTS *continued*

8. Income tax (credit)/expense

The tax is calculated as follows

| | <u>2008</u> | <u>2007</u> |
|---|--------------|--------------|
| | <u>£'000</u> | <u>£'000</u> |
| UK corporation tax | - | 23 |
| Adjustment in respect of prior year | <u>(21)</u> | <u>(12)</u> |
| Total current tax | <u>(21)</u> | <u>11</u> |
| Deferred tax | <u>7</u> | <u>7</u> |
| Tax on (loss) / profit on ordinary activities | <u>(14)</u> | <u>18</u> |

Factors affecting the current tax for the period

The tax (credit) / charge for the year does not equate to the (loss) / profit for the year at the standard rate of UK corporation tax

The differences are explained below

| | <u>2008</u> | <u>2007</u> |
|---|--------------|--------------|
| | <u>£'000</u> | <u>£'000</u> |
| (Loss)/profit on ordinary activities before tax | <u>(477)</u> | <u>376</u> |
| (Loss)/profit on ordinary activities by rate of tax - 2008 20% (2007 19%) | <u>(95)</u> | <u>71</u> |
| Difference between depreciation and capital allowances | <u>(2)</u> | <u>(5)</u> |
| Amortisation | <u>27</u> | <u>16</u> |
| Dividends not taxed | <u>(20)</u> | <u>(21)</u> |
| Unrealised losses/(gains) | <u>30</u> | <u>(38)</u> |
| Disallowable expenses | <u>66</u> | <u>-</u> |
| Other differences | <u>(26)</u> | <u>(12)</u> |
| | <u>(21)</u> | <u>11</u> |

9. (Loss)/earnings per share

The (loss)/earnings per share are based on the loss for the year of £462,898 (2007 profit £357,295) divided by 9,885,694 (2007 9,885,694) ordinary shares, being the weighted average number of shares in issue during the year

| | <u>2008</u> | <u>2007</u> |
|------------------------------------|---------------|--------------|
| | <u>Pence</u> | <u>Pence</u> |
| (Loss)/earnings per ordinary share | <u>(4.68)</u> | <u>3 61</u> |

NOTES TO THE FINANCIAL STATEMENTS *continued*

10. Intangible fixed assets

| | <i>Goodwill</i> | <i>Intangible assets</i> | <i>Total</i> |
|--------------------------|-----------------|------------------------------|--------------|
| Cost or valuation | £'000 | £'000 | £'000 |
| At 1 April 2006 | 382 | 640 | 1,022 |
| Additions | 104 | - | 104 |
| At 1 April 2007 | 486 | 640 | 1,126 |
| Impairment | - | - | - |
| At 31 March 2008 | 486 | 640 | 1,126 |
| Amortisation | | | |
| At 1 April 2006 | 40 | - | 40 |
| Charge for the year | - | 80 | 80 |
| At 1 April 2007 | 40 | 80 | 120 |
| Charge for the year | - | 115 | 115 |
| At 31 March 2008 | 40 | 195 | 235 |
| Net book value | | | |
| At 31 March 2008 | 446 | 445 | 891 |
| At 31 March 2007 | 446 | 560 | 1,006 |
| At 31 March 2006 | 342 | 640 | 982 |

NOTES TO THE FINANCIAL STATEMENTS *continued*

11. Property, plant and equipment

| | <i>Freehold Property</i> | <i>Motor Vehicles</i> | <i>Fixtures and Fittings</i> | <i>Office Equipment</i> | <i>Total</i> |
|--|------------------------------|---------------------------|----------------------------------|-----------------------------|---------------|
| Cost or valuation | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 April 2006 | 13,487 | 24 | 7 | 99 | 13,617 |
| Additions | 2,400 | - | - | - | 2,400 |
| Disposals | (800) | (24) | - | - | (824) |
| Revaluation | 1,943 | - | - | - | 1,943 |
| Transfers to non current assets held for sale | (600) | - | - | - | (600) |
| At 1 April 2007 | 16,430 | - | 7 | 99 | 16,536 |
| Impairment | (250) | - | - | - | (250) |
| At 31 March 2008 | 16,180 | - | 7 | 99 | 16,286 |
| Depreciation | | | | | |
| At 1 April 2006 | - | 24 | 4 | 82 | 110 |
| Charge for the year | - | - | 2 | 16 | 18 |
| Disposals | - | (24) | - | - | (24) |
| At 1 April 2007 | - | - | 6 | 98 | 104 |
| Charge for the year | - | - | 1 | 1 | 2 |
| At 31 March 2008 | - | - | 7 | 99 | 106 |
| Net book value | | | | | |
| At 31 March 2008 | 16,180 | - | - | - | 16,180 |
| At 31 March 2007 | 16,430 | - | 1 | 1 | 16,432 |
| At 31 March 2006 | 13,487 | - | 3 | 17 | 13,507 |

The freehold properties are held for long term retention and were valued by Christie & Co (valuers, surveyors and agents) at 31 March 2008 at open market valuation 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 portfolio basis has been used in the Group valuation.

The historical cost of the freehold property at 31 March 2008 was £12,202,518.

12. Investments

The investment of £1,600 represents the cost of one Newford Limited redeemable 'B' share of £1.

| 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*

13. Inventories

| | <u>2008</u> | <u>2007</u> |
|-------------|-------------|-------------|
| | £'000 | £'000 |
| Inventories | <u>9</u> | <u>11</u> |

14. Trade and other receivables

| | <u>2008</u> | <u>2007</u> |
|-------------------------------------|-------------|-------------|
| | £'000 | £'000 |
| Trade and other receivables | 516 | 260 |
| Other debtors | 27 | 28 |
| Deferred consideration Morton Manor | 249 | 249 |
| Prepayments and accrued income | <u>60</u> | <u>354</u> |
| | <u>852</u> | <u>891</u> |

None of the trade receivables are secured by collateral or other credit enhancements. The major proportion of the fees receivable is due from local councils and social services.

At 31 March 2008, trade receivables of £309,596 (31 March 2007: £59,509) were overdue but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables is:

| | <u>2008</u> | <u>2007</u> |
|----------------|-------------|-------------|
| | £'000 | £'000 |
| Up to 3 months | 181 | 60 |
| 3 to 6 months | 129 | - |
| Over 6 months | - | - |
| Total | <u>310</u> | <u>60</u> |

Trade debtors are stated net of bad debt provisions, the movement on which was as follows:

| | <u>2008</u> | <u>2007</u> |
|---------------------|-------------|-------------|
| | £'000 | £'000 |
| 1 April 2007 | 243 | 179 |
| Charge for the year | <u>88</u> | <u>64</u> |
| 31 March 2008 | <u>331</u> | <u>243</u> |

15. Cash and cash equivalents

| | <u>2008</u> | <u>2007</u> |
|--------------------------|-------------|-------------|
| | £'000 | £'000 |
| Cash at bank and in hand | <u>567</u> | <u>341</u> |

NOTES TO THE FINANCIAL STATEMENTS *continued*

16 Non current assets held for sale

| | <u>2008</u> £'000 | <u>2007</u> £'000 |
|----------------------------------|----------------------|----------------------|
| At 1 April 2007 | 600 | - |
| Transfers from Freehold Property | - | 600 |
| Impairment | <u>(100)</u> | <u>-</u> |
| | <u>500</u> | <u>600</u> |

Surplus development land at Newsham House, Morton Close and The Knoll was valued by Christie & Co (valuers, surveyors and agents) at £600,000 as at 31 March 2007. Of this amount £400,000 relates to land at Newsham House for which sale contracts have been exchanged after the year end at a value of approximately £300,000 net of costs.

17. Current liabilities

| | <u>2008</u> £'000 | <u>2007</u> £'000 |
|------------------------------|----------------------|----------------------|
| Trade and other payables | 281 | 189 |
| PAYE and social security | 157 | 184 |
| Other creditors | 515 | 342 |
| Accruals and deferred income | <u>282</u> | <u>185</u> |
| | <u>1,235</u> | <u>900</u> |

18. Non current liabilities

| | <u>2008</u> £'000 | <u>2007</u> £'000 |
|--------------------|----------------------|----------------------|
| Borrowings | | |
| Bank loans | 8,450 | 8,450 |
| Less finance costs | <u>(94)</u> | <u>(113)</u> |
| | 8,356 | 8,337 |
| Other loans | <u>100</u> | <u>-</u> |
| | <u>8,456</u> | <u>8,337</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 loan facility of £24,200,000 was reduced to £9,000,000 at the Company's request with effect from 4 April 2008.

Other loans comprise £100,000 lent to the Group by Atrius Investments Limited, a company controlled by Jeremy Davies, one of the directors, pursuant to an undertaking given to provide some of the funding for the Group's ongoing legal actions. This amount was unsecured as at 31 March 2008. Mr Davies has confirmed that it is not due for repayment in less than one year, and no interest has yet been charged.

NOTES TO THE FINANCIAL STATEMENTS *continued*

19. Non current liabilities – capital instruments

Non current liabilities include finance capital which is due for repayment as follows

| | <u>2008</u> | <u>2007</u> |
|---|--------------|--------------|
| | £'000 | £'000 |
| Amounts repayable | | |
| In one year or less or on demand | - | - |
| In more than one year but not more than two years | 311 | - |
| In more than two years but not more than five years | 1,268 | 1,056 |
| In more than five years | <u>6,971</u> | <u>7,394</u> |
| | <u>8,550</u> | <u>8,450</u> |

20. Bank loans and overdrafts

The Group's financial instruments comprise borrowings, some cash and liquid resources, and various items, such as trade receivables, trade payables 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

| | <u>2008</u> | <u>2007</u> |
|---------------|--------------|--------------|
| | £'000 | £'000 |
| Floating rate | | |
| Other loan | 100 | - |
| Bank loan | <u>8,450</u> | <u>8,450</u> |
| | <u>8,550</u> | <u>8,450</u> |

The interest rate on floating rate financial liabilities is 1.25% above LIBOR for the bank loan (2007 1.25% above LIBOR). No interest has yet been charged on the other loan.

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

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 (2007 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.

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 4 April 2008 the Natixis facility was reduced to £9 million at the Company's request.

NOTES TO THE FINANCIAL STATEMENTS *continued*

20. Bank loans and overdrafts *continued*

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 | <u>£8,450,000</u> |

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 Natixis facility are subject to Natixis 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. Following discussions with the bank, the company requested that the facility be reduced to £9m as of 4 April 2008.

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

There are no repayments due on the Natixis loan facility until 30 October 2009.

No repayment term has been agreed on the other loan.

21. Deferred taxation

| | <u>2008</u> | <u>2007</u> |
|-----------------------------------|-------------|-------------|
| | £'000 | £'000 |
| At 1 April 2007 | 44 | 51 |
| Charge to profit and loss account | <u>(7)</u> | <u>(7)</u> |
| At 31 March 2008 | <u>37</u> | <u>44</u> |

The deferred taxation asset included in non current assets represents the excess of capital allowances over depreciation.

The Directors have made 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 provided at the end of each year were as follows:

| | <u>2008</u> | <u>2007</u> |
|---|--------------|--------------|
| | £'000 | £'000 |
| At 1 April 2007 | 1,446 | 824 |
| Revaluation of intangible and freehold properties | <u>(274)</u> | <u>622</u> |
| At 31 March 2008 | <u>1,172</u> | <u>1,446</u> |

NOTES TO THE FINANCIAL STATEMENTS *continued*

22. Related party transactions

During the year ended 31 March 2008 the Company paid £12,000 to Mrs P L Jackson, a director, for the rent of the Company's head office (2007 £12,000)

During the year ended 31 March 2008, Energy Telecom Limited, a company of which W J Davies is a director and shareholder, provided telecommunications services to the Group for a consideration of £8,476 (2007 £10,360)

All of the above transactions were on an arm's length basis

P L Jackson is owed £64,821 deferred consideration following the purchase of Solutions (Yorkshire) Limited in 2007. This amount is unsecured and included in current creditors

During the year ended 31 March 2008 Atreus Investments Limited, a company controlled by W J Davies, lent £100,000 to the company, which as at 31 March 2008 remains outstanding and is unsecured

23. Share capital

| Authorised share capital: | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| 15,000,000 Ordinary shares of £0.05 each | 750 | 750 |
| 45,000,000 Deferred non equity shares of £0.05 each | 2,250 | 2,250 |
| | <u>3,000</u> | <u>3,000</u> |

| Allotted, called up and fully paid: | 31 March 2008 | | 31 March 2007 | |
|--|-------------------|--------------|-------------------|--------------|
| | No. | £'000 | No. | £'000 |
| Ordinary shares of £0.05 each | 9,885,694 | 494 | 9,885,694 | 494 |
| Deferred non equity shares of £0.05 each | 20,550,798 | 1,028 | 20,550,798 | 1,028 |
| | <u>30,436,492</u> | <u>1,522</u> | <u>30,436,492</u> | <u>1,522</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*

24. Reserves

| | <i>Share Capital</i> | <i>Share Premium</i> | <i>Revaluation Reserve</i> | <i>Profit and Loss Account</i> | <i>Total</i> |
|-----------------------------|--------------------------|--------------------------|--------------------------------|--|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 April 2006 | 1,522 | 3,712 | 1,926 | 69 | 7,229 |
| Profit for the year | | | | 158 | 158 |
| Revaluation | | | 1,322 | | |
| Transfer of land for resale | | | (200) | 200 | - |
| Dividends | | | | (99) | (99) |
| Transfer to profit and loss | | | (80) | 80 | |
| At 31 March 2007 | 1,522 | 3,712 | 2,968 | 508 | 8,610 |
| (Loss) for the year | | | | (463) | (463) |
| Transfer to profit and loss | | | (115) | 115 | - |
| Revaluation | | | 23 | | 23 |
| At 31 March 2008 | 1,522 | 3,712 | 2,876 | 60 | 8,170 |

25. Reconciliation of movement in shareholders' funds

| | 2008 | 2007 |
|--|-------------|-------------|
| | £'000 | £'000 |
| Profit/(loss) for the year | (463) | 158 |
| Revaluation | 23 | 1,322 |
| Dividends paid | - | (99) |
| Net (decrease)/increase in shareholders' funders | (440) | 1,381 |
| Opening shareholders' funds | 8,610 | 7,229 |
| Closing shareholders' funds | 8,170 | 8,610 |

26. Net assets per share

The net assets per share are based on the net assets as at 31 March 2008 of £8,170,000 (2007 £8,610,000) and on 9,885,694 (2007 9,885,694) ordinary shares, being the weighted average number of shares in issue during the year

| | 2008 | 2007 |
|-------------------------------|-------------|-------------|
| | Pence | Pence |
| Net assets per ordinary share | 82.6 | 87.1 |

NOTES TO THE FINANCIAL STATEMENTS *continued*

27. Dividends

Dividends charged to reserves in accordance with IAS 10 are as follows

| | 2008 | | 2007 | |
|---------|----------|----------|----------|-----------|
| | Pence | £'000 | Pence | £'000 |
| Interim | - | - | 1 | 99 |
| Final | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>1</u> | <u>99</u> |

28. Comparative period

The corresponding amounts in the prior period for 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

- Goodwill arising on the acquisition of Newsham House Limited, Woodland Healthcare Limited and Solutions (Yorkshire) Limited of £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
- Deferred tax arising on the revaluation of properties as at 31 March 2007 of £1,446,000 has been provided in full and deducted from the Revaluation Reserve. Deferred tax arising on the revaluation of properties as at 1 April 2006 of £824,000 has been provided in full and deducted from the Revaluation Reserve
- Non-current assets held for sale comprise surplus land at Newsham House, Morton Manor 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*". £200,000 has been transferred from the revaluation reserve and included in income for the year ended 31 March 2007 accordingly
- The interim accounts for the six months ended 30 September 2007 included an adjustment in respect of the conversion to IFRS (as described in (c) above) for the year ended 31 March 2007 of £700,000 in respect of the transfer of surplus land from fixed assets to non current assets held for sale

This adjustment was subsequently found to be overstated by £500,000 and has been amended in the Group Financial Statements to 31 March 2008

29. Litigation

As announced on 5 September 2007, the Company and two of its directors were charged on 4 September 2007 with wilful neglect under the Mental Health Act 1983 section 127(1). The Company and its two directors will vigorously defend the charges.

30. Post Balance Sheet Events

On 4 July 2008 the Bradford Metropolitan District Council, in contravention of their contract with the Company, removed all the residents from The Knoll nursing home in Bradford. The Company has sought explanations for this action and it continues to maintain the property with the intention of readmitting residents. The Company has sought legal advice and may consider a claim for breach of contract.

The Knoll nursing home has been valued by professional valuers on an existing use basis as a nursing home at £2,080,000 on a portfolio basis as at 31 March 2008. The market value of the property if it remains a closed nursing home is £1,200,000. In the Group Financial Statements this would result in a reduction in freehold property values of £880,000 of which £586,000 net of tax at 28% would be deducted from the revaluation reserve and the group loss for the year would increase by £66,000 resulting in a reduction in net assets of £652,000.

NOTES TO THE FINANCIAL STATEMENTS *continued*

30. Post Balance Sheet Events *continued*

ADL has been informed that it is the intention of CSCI to rescind the registration of Newsham House in Gloucester and this is being strenuously contested but as yet no date for the relevant tribunal hearing has been set

Newsham House nursing home has been valued by professional valuers on an existing use basis as a nursing home at £3,120,000. The market value of the property if the home was closed is estimated to be £1,600,000. If this were to happen this would result in a reduction in freehold property values of £1,520,000 of which £1,095,000 net of tax at 28% would be deducted from revaluation reserves resulting in a reduction in net assets of £1,095,000.

Contracts were exchanged to sell surplus land at Newsham House for £350,000 on 29 May 2008, with the Group to pay for ground works to change the access way and provide landscaping and car parking for the Home, which it is estimated may cost up to £50,000.

31. Ultimate controlling party

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

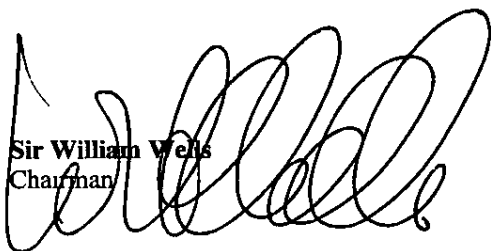
COMPANY BALANCE SHEET


at 31 March 2008

| | Notes | 31 Mar 08 £'000 | As Restated 31 Mar 07 £'000 |
|--|-------|--------------------|-----------------------------------|
| Fixed assets | | | |
| Intangible assets | 4 | 227 | 310 |
| Tangible assets | 5 | 8,750 | 9,372 |
| Investments | 6 | 3,477 | 3,477 |
| | | <u>12,454</u> | <u>13,159</u> |
| Current assets | | | |
| Stocks | 7 | 6 | 7 |
| Debtors | 8 | 2,880 | 3,532 |
| Cash at bank and in hand | | 281 | 246 |
| | | <u>3,167</u> | <u>3,785</u> |
| Current liabilities | 9 | (739) | (626) |
| Net current assets | | <u>2,428</u> | <u>3,159</u> |
| Total assets less current liabilities | | <u>14,882</u> | <u>16,318</u> |
| Creditors: amounts falling due after more than one year | 10 | (8,456) | (8,337) |
| Net assets | | <u>6,426</u> | <u>7,981</u> |
| Equity | | | |
| Called-up equity share capital | 15 | 1,522 | 1,522 |
| Share premium account | 16 | 3,712 | 3,712 |
| Revaluation reserve | 16 | 1,876 | 2,579 |
| Profit and loss account | 16 | (684) | 168 |
| | | <u>6,426</u> | <u>7,981</u> |

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

These financial statements on pages 37 to 47 were approved by the Directors on 29 September 2008 and are signed on their behalf by


Sir William Wells
Chairman

W J Davies
Director 

The accompanying notes form an integral part of these financial statements

COMPANY 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 Company has included a policy of impairment review, under FRS 15, of its freehold land and buildings, including fixtures and fittings, representing the Company's care homes

Turnover

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

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value

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 on a straight line basis as follows

| | |
|-------------------|------------|
| Intangible assets | 3 75 years |
|-------------------|------------|

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

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

| | |
|------------------|-----|
| Office equipment | 25% |
|------------------|-----|

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

COMPANY ACCOUNTING POLICIES *continued*

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

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.

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Loss attributable to the members of the parent company

The loss dealt with in the financial statements of the parent company was £935,554 (2007 loss £55,051)

2. Staff costs

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

| | <u>2008</u> | <u>2007</u> |
|------------------------------------|-------------|-------------|
| | No. | No |
| Engaged in provision of care | 71 | 86 |
| Catering, domestic and maintenance | 35 | 26 |
| Management and administration | <u>10</u> | <u>15</u> |
| | <u>116</u> | <u>127</u> |

The aggregate payroll costs of the above were:

| | <u>2008</u> | <u>2007</u> |
|-----------------------|--------------|--------------|
| | £'000 | £'000 |
| Wages and salaries | 1,932 | 1,931 |
| Social security costs | <u>137</u> | <u>148</u> |
| | <u>2,069</u> | <u>2,079</u> |

3. Directors' emoluments

See note 5 of the group financial statements

4. Intangible fixed assets

| | <u>2008</u> | <u>2007</u> |
|------------------|-------------|-------------|
| | £'000 | £'000 |
| At 1 April 2007 | 310 | 390 |
| Amortisation | <u>(83)</u> | <u>(80)</u> |
| At 31 March 2008 | <u>227</u> | <u>310</u> |

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *continued*

5. Tangible fixed assets

| | Freehold Property | Fixtures and Fittings | Office Equipment | Total |
|--------------------------------------|----------------------|--------------------------|---------------------|--------------|
| Cost or valuation | £'000 | £'000 | £'000 | £'000 |
| At 1 April 2007 | 10,120 | 7 | 78 | 10,205 |
| Prior Year Adjustment (see below) | (750) | - | - | (750) |
| As restated | 9,370 | 7 | 78 | 9,455 |
| Impairment | (620) | - | - | (620) |
| At 31 March 2008 | 8,750 | 7 | 78 | 8,835 |
| Depreciation | | | | |
| At 1 April 2007 | - | 6 | 77 | 83 |
| Charge for the year | - | 1 | 1 | 2 |
| At 31 March 2008 | - | 7 | 78 | 85 |
| Net book value | | | | |
| At 31 March 2008 | 8,750 | - | - | 8,750 |
| At 31 March 2007 | 9,370 | 1 | 1 | 9,372 |

The freehold properties are held for long term retention and were valued by Christie & co (valuers, surveyors and agents) at 31 March 2008 at open market valuation 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 valuation includes £500,000 (2007 £650,000) in respect of the valuation of surplus land for short term development. The impairment of £150,000 represents the difference between Christie & Co's valuation as at the 31 March 2007 of £450,000 for land at Newsham House and the best offer received for that land at 31 March 2008 net of selling costs. The historical cost of the freehold property at 31 March 2008 was £6,305,806

There was an accounting error in the prior year in the Company's Financial Statements which resulted in the freehold property being over stated by £750,000 with a consequent over statement of the revaluation reserve of £750,000. This error had no effect on the Company's results for the prior year.

6. Investments

| | 2008 £'000 | 2007 £'000 |
|-------------------------|---------------|---------------|
| At 1 April 2007 | 3,477 | 1,377 |
| Additions | - | 2,100 |
| At 31 March 2008 | 3,477 | 3,477 |

| 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 COMPANY'S FINANCIAL STATEMENTS *continued*

7. Stocks

| | <u>2008</u> | <u>2007</u> |
|--------|-------------|-------------|
| | £'000 | £'000 |
| Stocks | <u>6</u> | <u>7</u> |

8. Debtors

| | <u>2008</u> | <u>2007</u> |
|-------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Trade debtors | 215 | 111 |
| Amounts owed by group undertakings | 2,332 | 2,782 |
| Other debtors | 1 | 7 |
| Deferred taxation (note 13) | 37 | 44 |
| Deferred consideration Morton Manor | 249 | 249 |
| Prepayments and accrued income | <u>46</u> | <u>339</u> |
| | <u>2,880</u> | <u>3,532</u> |

Debtors include the following amounts falling due after more than one year

| | <u>2008</u> | <u>2007</u> |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Amounts owed by group undertakings | <u>2,332</u> | <u>2,782</u> |

9. Creditors: Amounts falling due within one year

| | <u>2008</u> | <u>2007</u> |
|------------------------------|-------------|-------------|
| | £'000 | £'000 |
| Trade creditors | 169 | 141 |
| PAYE and social security | 82 | 121 |
| Other creditors | 242 | 191 |
| Accruals and deferred income | <u>246</u> | <u>173</u> |
| | <u>739</u> | <u>626</u> |

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

| | <u>2008</u> | <u>2007</u> |
|--------------------|--------------|--------------|
| | £'000 | £'000 |
| Bank loans | 8,450 | 8,450 |
| Less finance costs | <u>(94)</u> | <u>(113)</u> |
| | 8,356 | 8,337 |
| Other loans | <u>100</u> | <u>-</u> |
| | <u>8,456</u> | <u>8,337</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.

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *continued*

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

Finance costs incurred in obtaining bank loans are written off over the period of the loan. The loan facility of £24,200,000 was reduced to £9,000,000 at the Company's request with effect from 4 April 2008.

Other loans comprise £100,000 lent to the Company by Atreus Investments Limited, a company controlled by Jeremy Davies, one of the directors, pursuant to an undertaking given to provide some of the funding for the Company's on-going legal actions. This amount was unsecured as at 31 March 2008. Mr Davies has confirmed that it is not due for repayment in less than one year, and no interest has yet been charged.

11. Creditors – capital instruments

Creditors include finance capital which is due for repayment as follows

| | <u>2008</u> | <u>2007</u> |
|---|--------------|--------------|
| | £'000 | £'000 |
| Amounts repayable | | |
| In one year or less or on demand | - | - |
| In more than one year but not more than two years | 311 | - |
| In more than two years but not more than five years | 1,268 | 1,056 |
| In more than five years | <u>6,971</u> | <u>7,394</u> |
| | <u>8,550</u> | <u>8,450</u> |

12. Bank loans and overdrafts

The Company'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 Company's operations.

The interest rate profile of the financial liabilities was as follows

| | <u>2008</u> | <u>2007</u> |
|---------------|--------------|--------------|
| | £'000 | £'000 |
| Floating rate | | |
| Other loan | 100 | - |
| Bank loan | <u>8,450</u> | <u>8,450</u> |
| | <u>8,550</u> | <u>8,450</u> |

The interest rate on floating rate financial liabilities is 1.25% above LIBOR for the bank loan (2007: 1.25% above LIBOR).

The Company 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 Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company'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 Company's borrowings were at fixed rates (2007: nil).

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *continued*

12. Bank loans and overdrafts (*continued*)

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.

Liquidity Risk

As regards liquidity, the Company's policy has throughout the year been to ensure continuity of funding. In order that this is achieved, the Company 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 Natixis Corporate & Investment Bank S A ("Natixis"). On 4 April 2008 the Natixis facility was reduced to £9 million at the Company's request.

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 | <u>£8,450,000</u> |

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 Natixis facility are subject to Natixis 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 Company'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 due on the Natixis loan facility until 30 October 2009.

Other loans comprise £100,000 lent to the Company by Atreus Investments Limited, a company controlled by Jeremy Davies, one of the directors, pursuant to an undertaking given to provide some of the funding for the Company's on-going legal actions. This amount was unsecured as at 31 March 2008. Mr Davies has confirmed that it is not due for repayment in less than one year, and no interest has yet been charged.

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *continued*

13. Deferred taxation

| | 2008 £'000 | 2007 £'000 |
|-----------------------------------|---------------|---------------|
| At 1 April 2007 | 44 | 51 |
| Charge to profit and loss account | (7) | (7) |
| At 31 March 2008 | 37 | 44 |

The deferred taxation asset included in debtors (note 8) 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 Company'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

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| Revaluation of intangible and freehold properties | 155 | 475 |

14. Related party transactions

During the year ended 31 March 2008 the Company paid £12,000 to Mrs P L Jackson, a director, for the rent of the Company's head office (2007 £12,000)

During the year ended 31 March 2008, Energy Telecom Limited, a company of which W J Davies is a director and shareholder provided telecommunications services to the Company for a consideration of £5,850 (2007 £8,024)

All of the above transactions were on an arm's length basis

P L Jackson is owed £64,821 deferred consideration following the purchase of Solutions (Yorkshire) Limited in 2007. This amount is unsecured and included in current creditors

During the year ended 31 March 2008 Atrius Investments Limited, a company controlled by W J Davies, lent £100,000 to the company, which as at 31 March 2008 remains outstanding and is unsecured

15. Share capital

| Authorised share capital: | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| 15,000,000 Ordinary shares of £0.05 each | 750 | 750 |
| 45,000,000 Deferred non equity shares of £0.05 each | 2,250 | 2,250 |
| | 3,000 | 3,000 |

| | 31 March 2008 | | 31 March 2007 | |
|--|---------------|-------|---------------|-------|
| Allotted, called up and fully paid: | No. | £'000 | No. | £'000 |
| Ordinary shares of £0.05 each | 9,885,694 | 494 | 9,885,694 | 494 |
| Deferred non equity shares of £0.05 each | 20,550,798 | 1,028 | 20,550,798 | 1,028 |
| | 30,436,492 | 1,522 | 30,436,492 | 1,522 |

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 COMPANY'S FINANCIAL STATEMENTS *continued*

16. Reserves

| | <i>Share Capital</i> | <i>Share Premium</i> | <i>Revaluation Reserve</i> | <i>Profit & Loss Account</i> | <i>Total</i> |
|------------------------------------|--------------------------|--------------------------|--------------------------------|--|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 April 2007 | | | | | |
| <i>(as originally reported)</i> | 1,522 | 3,712 | 3,329 | 168 | 8,731 |
| Prior Year Adjustment (see note 5) | | | (750) | | (750) |
| As Restated | 1,522 | 3,712 | 2,579 | 168 | 7,981 |
| (Loss) for the year | | | | (935) | (935) |
| Transfer to profit and loss | | | (83) | 83 | - |
| Impairment | | | (620) | | (620) |
| At 31 March 2008 | 1,522 | 3,712 | 1,876 | (684) | 6,426 |

17. Reconciliation of movement in shareholders' funds

| | 2008 | 2007 |
|--|-------------|-------------|
| | £'000 | £'000 |
| Loss for the year | (935) | (55) |
| Revaluation | (620) | 1,360 |
| Dividends paid | - | (99) |
| Dividends received | - | 310 |
| Net (decrease)/increase in shareholders' funders | (1,555) | 1,516 |
| Opening shareholders' funds | 7,981 | 6,465 |
| Closing shareholders' funds | 6,426 | 7,981 |

18. Litigation

As announced on 5 September 2007, the Company and two of its directors were charged on 4 September 2007 with wilful neglect under the Mental Health Act 1983 section 127(1). The Company and its two directors will vigorously defend the charges.

19. Post Balance Sheet Events

On 4 July 2008 the Bradford Metropolitan District Council, in contravention of their contract with the Company, removed all the residents from The Knoll nursing home in Bradford. The Company has sought explanations for this action and it continues to maintain the property with the intention of readmitting residents. The Company has sought legal advice and may consider a claim for breach of contract.

The Knoll nursing home has been valued by professional valuers on an existing use basis as a nursing home at £1,820,000 on a standalone basis as at 31 March 2008. The market value of the property if it remains a closed nursing home is £1,200,000. In the Company Financial Statements this would result in a reduction in freehold property values of £620,000 of which £398,000 net of tax at 28% would be deducted from the revaluation reserve and the Company loss for the year would increase by £66,000 resulting in a reduction in net assets of £464,000.

ADL has been informed that it is the intention of CSCI to rescind the registration of Newsham House in Gloucester and this is being strenuously contested but as yet no date for the relevant tribunal hearing has been set.

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *continued*

Newsham House nursing home has been valued by professional valuers on an existing use basis as a nursing home at £2,850,000. The market value of the property if the home was closed is estimated to be £1,600,000. If this were to happen this would result in a reduction in freehold property values of £1,250,000 of which £900,000 net of tax at 28% would be deducted from revaluation reserves resulting in a reduction in net assets of £900,000.

Contracts were exchanged to sell surplus land at Newsham House for £350,000 on 29 May 2008, with the Company to pay for ground works to change the access way and provide landscaping and car parking for the Home, which it is estimated may cost up to £50,000.

20. Ultimate Controlling Party

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

INDEPENDENT AUDITORS REPORT

We have audited the Company Financial Statements (the "Financial Statements") of ADL Plc for the year ended 31 March 2008 which comprise the Company Balance Sheet and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group Financial Statements of ADL plc. The opinion in that report is unqualified.

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 auditor's 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

The Directors' responsibilities for preparing the Company Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Company 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 Company 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 Company 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 other transactions is not disclosed.

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

Basis of Audit 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 Company Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Company Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

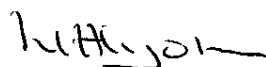
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company Financial Statements are free from material misstatement, whether caused by fraud or other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

INDEPENDENT AUDITORS REPORT *continued*

Opinion

In our opinion

- the Company Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs,
- the Company Financial Statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the Company Financial Statements


Littlejohn

Chartered Accountants
and Registered Auditors

29 September 2008

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Canary Wharf
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