ADL plc

2463465

Annual Report and Accounts

2004

Contents

Directors and advisors

DIRECTORS	Peter Dewe-Mathews	Chairman
	Jeremy Davies	Managing Director
	Richard Ellert	Finance Director
	Pearl Jackson	Operations Director
SECRETARY	Richard Ellert	
REGISTERED OFFICE	Corbie Steps 89 Harehills Lane Leeds LS7 4HA Tel: 0113 239 2957 Fax: 0113 307 0121	
COMPANY NUMBER	2463465	
AUDITORS	CLB Aldwych House 81 Aldwych London WC2B 4HP	
NOMINATED ADVISOR AND BROKER	Durlacher Limited Moorgate Hall 155 Moorgate London EC2M 6XB	
BANKERS	Fortis Bank S.A./N.V. Camomile Court 23 Camomile Street London EC3A 7PP	
SOLICITORS	DLA Princes Exchange Princes Square Leeds LS1 4BY	
VALUERS	Christie & Co 50 Victoria Street London SW1H 0NW	
REGISTRARS	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

Chairman's statement

I am pleased to report that the Group has made good progress in integrating the acquisitions of Newsham House Limited ("Newsham") and Woodland Healthcare Limited ("Woodland") that Shareholders' approved at the Extraordinary General Meeting held on 11 February 2004.

Since my statement in the 2003 Annual Report and Accounts a number of significant events have occurred to your Company:

- On 19 January 2004, £900,000 10% convertible loan stock was converted into 2,727,272 ordinary shares at 33 pence per share. These new shares were purchased that day by Jeremy Davies and Richard Ellert, giving them 54.4% of the Company's enlarged share capital;
- On 19 January 2004, Jeremy Davies and Richard Ellert made a mandatory cash offer to shareholders for 2,283,422 ordinary shares, not owned by them, at 40 pence per share as required under Rule 9 of the City Code. This offer closed on 26 February 2004 with them acquiring a further 704,748 ordinary shares;
- On 11 February 2004, Rupert Lywood and John Spiers retired from the Board as Directors, Jeremy Davies, Richard Ellert and Pearl Jackson were appointed Directors, the Company's name changed to ADL plc (the letters representing a basis of patient assessment – Activities of Daily Living) and the Company's accounting date from 30 September to 31 March;
- On 13 February 2004, the Company completed a new £9.75 million bank facility with Fortis Bank S.A./N.V., of which £5.4 million was immediately drawn down to repay the Company's existing bank facilities with Barclays Bank Plc and to finance the acquisitions of Newsham and Woodland;
- On 31 March 2004, the business and assets of Newsham were hived up to the Company and Newsham became a dormant subsidiary; and
- On 20 May 2004, the Company drew down a further £1 million of its Fortis Bank facility to purchase Jubilee House, a 28 bed care home that Woodland had managed under a profit sharing agreement on behalf of the Jubilee House Residential Care Partnership.

The conversion of £900,000 10% convertible loan stock and the refinancing of the Company and its subsidiaries through the new Fortis Bank facility will considerably reduce the Group's finance costs and improve its profitability. The acquisitions will expand turnover and spread central overheads over a greater number of care homes/beds.

The Group now owns nine care homes with 311 operational beds (six in the Company and three in Woodland) plus Woodland manages one care home with 23 operational beds under a profit sharing agreement on behalf of the South Garth Residential Care Home Partnership.

Financial Results

The Board has reviewed ADL's depreciation policy and, in contrast to the policy adopted by ADL and other care home operators, who often capitalise repairs and renewals and then depreciate their fixed assets, has decided, in preparing these financial statements, to adopt a new accounting policy being an annual impairment review of the Group's freehold land and buildings, including fixtures and fittings, under FRS 15. This change has resulted in the elimination of depreciation of the Group's care homes as the full cost of repairs and renewals has been debited to the Group profit and loss account.

Turnover for the six month period ended 31 March 2004 amounted to £1.44 million including £341,000 relating to the acquisitions of Newsham and Woodland for a seven week period from 13 February 2004.

The Group's properties were valued by Christie & Co. at 19 January 2004 and this has resulted in a further reversal of previous years impairment charges in respect of the freehold properties amounting to £237,000 (2003: £564,000). This is shown in the Group profit and loss account as an exceptional gain.

Chairman's statement *(continued)*

The cost of restructuring the Group and re-admission to AIM on 13 February 2004 amounted to £215,000 and is shown as exceptional expenditure. Excluding the exceptional gain and expenditure, the loss before taxation amounted to £96,000 compared with a restated profit of £15,000 for the year ended 30 September 2003. In preparing these financial results the Directors have reviewed the prior year accounts and taken the opportunity to provide for all outstanding credit and debit balances carried forward at 30 September 2003.

Net assets per share amounted to 40.1 pence (2003: 50.4 pence). The reduction has been caused by the dilution from the conversion of the 10% convertible loan stock at 33 pence per share.

Dividend

The Directors are unable to recommend the payment of a dividend for the six month period ended 31 March 2004 until the deficit on the Company's profit and loss account has been eliminated. At 31 March 2004 the deficit amounted to £533,000 a reduction of £701,000 since 30 September 2003, mainly as a result of the receipt by the Company of dividends from Woodland.

It remains the Directors' intention to recommence the payment of a dividend during the current year dependent on the performance of the enlarged Group.

Outlook

The current year should see the benefits of the acquisitions and the action taken by the new Management Team to create a strong business. The Board believes that close attention to detail and tight control of costs will result in a substantial improvement in profitability in the current year. Occupancy is improving and fee income is running above budget. Management information for the first three months trading of the current financial year shows income and wage costs in line with budget. I remain cautiously optimistic of the outlook for the current year.

Peter Dewe-Mathews
Chairman

27 July 2004

Managing Director's review

As this review is in respect of the period ended 31 March 2004, being only seven weeks after the new Management Team took control; it is premature to expect any significant change.

We have continued the programme to upgrade and improve our facilities in line with our plans to rationalise the portfolio. Specific development opportunities have been identified to unlock latent values or improve the care homes, bed numbers and ratios.

The care sector continues to suffer from a skill shortage which, despite increased fee levels, will curtail margin growth. The Board believes that through their innovative work force and planning schemes these problems can be overcome.

We remain in a transitional period but are cautiously optimistic that the work undertaken to date will have a positive impact on the business.

I would like to take this opportunity of thanking all staff for their efforts on the Company's behalf during a period of considerable change.

Jeremy Davies
Managing Director

27 July 2004

Financial review

In April 2003, the Company commenced a management contract with Woodland to provide the accounting function for their care homes. During the audit of these care homes in November 2003 accounting errors were identified. As a result of these errors, the new Management Team, on appointment in February 2004, commenced a detailed review of ADL's accounting records and systems which identified antiquated computer hardware, software and accounting systems.

Since February 2004 the accounts office has been moved from Nightingale Nursing Home in Bradford to offices in Leeds, new computers and software have been purchased and installed at both the accounts office and four ADL care homes, a new database has been created to produce invoices and new reporting systems adopted and implemented between the care homes and the accounts office. The Auditors have been changed from Deloitte & Touche LLP to CLB and a new Group Financial Controller employed.

As a result of the review of both ADL's and Woodland's accounting records the Directors have taken the opportunity, in preparing these financial statements, to provide for all outstanding credit and debit balances brought forward at 30 September 2003 and 30 June 2003 respectively. In addition the Directors have reviewed ADL's depreciation policy and, in contrast to the policy adopted by ADL and other care home operators, who often capitalise repairs and renewals and then depreciate their fixed assets, have decided to adopt a new accounting policy being an annual impairment review of the Group's freehold land and buildings, including fixtures and fittings, under FRS 15. This change has resulted in the elimination of depreciation of the Group's care homes as the full cost of repairs and renewals has been debited to the Group profit and loss account.

The results for the year ended 30 September 2003 have been restated as a result of the review of ADL's accounting records. A prior year adjustment has been made in respect of overstated sales income which arose as a result of cash received being accounted for as sales revenue rather than as payment of trade debtors. The adjustment has resulted in sales revenue for the year ended 30 September 2003 being reduced by £82,000, with a consequent £16,000 reduction in the tax charge, thereby reducing Shareholders' funds by £66,000 at 30 September 2003.

Group Profit and Loss Account

Turnover for the six month period ended 31 March 2004 amounted to £1.44 million including £341,000 relating to the acquisitions of Newsham and Woodland for a seven week period from 13 February 2004.

Operating profit after a £237,000 (2003: £564,000) exceptional gain from the reversal of provisions of previous years impairment charges in respect of freehold properties and £27,000 (2003: nil) other operating income amounted to £233,000 (2003: £802,000). After £215,000 (2003: nil) cost of restructuring the Group and re-admission to AIM on 13 February 2004 and £92,000 (2003: £223,000) net interest costs, the loss before taxation amounted to £74,000 (2003 £579,000 profit before taxation). There was a £35,000 tax credit (2003: £36,000 tax charge) for the period leaving a loss for the period of £39,000 (2003: £543,000 retained profit). The loss per share amounted to 0.9p (2003 12.0p profit per share).

Group Balance Sheet

The Group's properties were valued by Christie & Co. at 19 January 2004 at £9.07 million. The increase in value has resulted in a further reversal of previous years impairment charges in respect of the freehold properties amounting to £237,000 (2003: £564,000).

Net assets per share amounted to 40.1 pence (2003: 50.4 pence). The reduction has been caused by the dilution from the conversion of the 10% convertible loan stock at 33 pence per share.

Financial review *(continued)*

Bank Facility and Hedging

On 19 January 2004 the Company entered into a £9.75 million facilities agreement with Fortis Bank S.A./N.V. This provided an initial £5.4 million seven year term loan and £600,000 working capital facility. A further £3.75 million seven year term loan was available for acquisitions. Interest is payable on the term loans at 1.5% over LIBOR and no repayments have to be made until 30 April 2005. On 20 May 2004 £1 million of the additional seven year term loan was used to purchase Jubilee House for £995,000.

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

Richard Ellert
Finance Director

27 July 2004

Directors' report

Financial Statements

The Directors present their report and the audited financial statements for the six month period ended 31 March 2004.

Principal activities

The principal activity of the Group is the ownership and management of care homes. The business of the Group was expanded on 13 February 2004 by the acquisitions of Newsham House Limited and Woodland Healthcare Limited.

The Company changed its name on 11 February 2004 to ADL plc.

Operational and financial review

A review of the development of the Group's business, including future prospects, is set out in the Chairman's statement on pages 2 and 3 and the Managing Director's review and Financial review on pages 4 to 6. Events occurring after the balance sheet date are reported in note 28 to the accounts on page 32.

Results

The Group loss for the period after taxation amounted to £39,369.

Dividends

The Directors are unable to recommend the payment of a dividend for the six month period ended 31 March 2004 (2003: nil). It remains the Directors' intention to recommence the payment of a dividend in the year commenced 1 April 2004 dependent upon the performance of the enlarged Group.

Directors and Directors' interests in shares

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

	31 March 2004		30 September 2003	
	Ordinary shares of 5p each	Deferred shares of 5p each	Ordinary shares of 5p each	Deferred shares of 5p each
Peter Dewe-Mathews	90,000	810,000	90,000	810,000
Jeremy Davies	4,244,520	-	-	-
Richard Ellert	1,500,000	-	-	-
Pearl Jackson	1,000,000	-	-	-
Rupert Lywood	-	-	5,001	9
John Spiers	-	-	-	-

John Spiers, has a controlling interest in BEST Investment Limited which held at 30 September 2003 337,900 ordinary shares of 5p each and 3,041,100 deferred shares of 5p each.

Included in Richard Ellert's shareholding is a non-beneficial shareholding of 25,000 Ordinary shares of 5p each relating to a family trust of which he is a trustee.

All the Directors served throughout the period ended 31 March 2003, except that Jeremy Davies, Richard Ellert and Pearl Jackson were elected Directors and Rupert Lywood and John Spiers resigned as Directors on 11 February 2004.

There have been no changes to any of these Director's interests between 31 March 2004 and the date of this report.

Directors' report *(continued)*

Except as stated in note 22 to the financial statements on page 28 none of the Directors had an interest in any material contract during the period relating to the business of the Group.

Substantial shareholdings

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

	Number of shares		% of issued share capital	
	Ordinary	Deferred	Ordinary	Deferred
Jeremy Davies	4,244,520	-	47.8%	-
Richard Ellert	1,500,000	-	16.9%	-
Pearl Jackson	1,000,000	-	11.3%	-
BEST Investment Limited	337,900	3,041,100	3.8%	14.8%
S Jagsi	71,500	643,500	0.8%	3.1%
Peter Dewe-Mathews	90,000	810,000	1.0%	3.9%
R H Burchett	-	720,000	-	3.5%

Statement of Directors' responsibilities

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of each financial year and of the profit or loss of the Group for that period. In preparing those 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; and
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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 2004 expressed in relation to the total amounts invoiced by suppliers for services during the period were equivalent to 64 (2003: 59) days.

Auditors

On 24 May 2003, Deloitte & Touche LLP resigned as the Company's auditors and the Directors appointed CLB in their place. A resolution to re-appoint CLB as the Company's auditors will be proposed at the Annual General Meeting in accordance with section 385 of the Companies Act 1985.

By Order of the Board

Richard Ellert
Company Secretary

27 July 2004

Registered Office
Corbie Steps
89 Harehills Lane
Leeds LS7 4HA

Independent auditors' report to the shareholders

We have audited the financial statements on pages 10 to 32 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 15 to 17.

This report is made solely to the Group's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and Company and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the Group's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's statement, Managing Director's review, Financial review and 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company and 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 March 2004 and of the loss of the Group for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

CLB
Chartered Accountants and Registered Auditors

Aldwych House
81 Aldwych
London WC2B 4HP

27 July 2004

Group profit and loss account
Six month period ended 31 March 2004

	Note	Continuing Operations	Acquisitions	Six months ended 31 Mar 04 Audited	Six months ended 31 Mar 03 Unaudited	Restated Year to 30 Sep 03 Audited
		£	£	£	£	£
Group turnover	2	1,099,527	340,841	1,440,368	1,134,000	2,323,360
Cost of sales		(919,610)	(279,690)	(1,199,300)	(872,000)	(1,797,000)
Gross profit		179,917	61,151	241,068	262,000	526,360
Administrative expenses – ordinary		(239,576)	(32,587)	(272,163)	(130,000)	(288,000)
Exceptional gain	3	236,881	-	236,881	-	564,000
Other operating income	3	12,500	14,451	26,951	-	-
Operating profit	3	189,722	43,015	232,737	132,000	802,360
Cost of restructuring the company				(215,044)	-	-
				17,693	132,000	802,360
Interest receivable				43	-	-
Interest payable	6			(92,022)	(117,000)	(223,000)
(Loss)/profit on ordinary activities before taxation				(74,286)	15,000	579,360
Tax on (loss)/profit on ordinary activities	7			34,917	4,000	36,489
(Loss)/retained profit for the financial period	8			(39,369)	11,000	542,871
(Loss)/earnings per share (pence)	9			(0.9)p	0.5p	23.8p
Diluted (loss)/earnings per share (pence)	9			(0.9)p	0.2p	12.0p

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 notes on pages 15 to 32 form part of these financial statements.

Group statement of total recognised gains and losses
Six month period ended 31 March 2004

	Period to 31 Mar 04 £	Restated Year to 30 Sep 03 £
(Loss)/Profit for the financial period attributable to the shareholders of the parent company	**(39,369)**	542,871
Total recognised gains and losses relating to the period	**(39,369)**	542,871
Prior year adjustment (see note 10)	***(66,129)***	
Total gains and losses recognised since the last annual report	**(105,498)**	

The notes on pages 15 to 32 form part of these financial statements.

Group balance sheet
31 March 2004

	Note	31 Mar 04 £	Restated 30 Sep 03 £
Fixed assets			
Intangible assets	11	**496,004**	–
Tangible assets	12	**9,105,010**	4,000,048
		9,601,014	4,000,048
Current assets			
Stocks	14	**9,520**	6,000
Debtors	15	**308,572**	55,360
Cash at bank and in hand		**64,125**	–
		382,217	61,360
Creditors: Amounts falling due within one year	16	**(1,145,033)**	(1,774,489)
Net current liabilities		**(762,816)**	(1,713,129)
Total assets less current liabilities		**8,838,198**	2,286,919
Creditors: Amounts falling due after more than one year	17	**(5,277,647)**	(1,112,000)
		3,560,551	1,174,919
Provisions for liabilities and charges			
Deferred taxation	20	–	(25,000)
		3,560,551	1,149,919
Capital and reserves			
Called-up equity share capital	23	**1,471,825**	1,141,711
Share premium account	24	**3,362,396**	1,242,509
Profit and loss account	24	**(1,273,670)**	(1,234,301)
Shareholders' funds	25	**3,560,551**	1,149,919
Net asset value per share	27	**40.1p**	50.4p

These financial statements on pages 10 to 32 were approved by the Directors on 27 July 2004 and are signed on their behalf by:

W J Davies
Managing Director

R J Ellert
Finance Director

The notes on pages 15 to 32 form part of these financial statements.

Company balance sheet
31 March 2004

	Note	31 Mar 04 £	Restated 30 Sep 03 £
Fixed assets			
Tangible assets	12	**5,744,734**	4,000,048
Investments	13	**2,287,888**	–
		8,032,622	4,000,048
Current assets			
Stocks	14	**6,520**	6,000
Debtors	15	**2,918,754**	55,360
Cash in hand		**50,714**	–
		2,975,988	61,360
Creditors: Amounts falling due within one year	16	**(1,429,832)**	(1,774,489)
Net current assets/(liabilities)		**(1,546,156)**	(1,713,129)
Total assets less current liabilities		**9,578,778**	2,286,919
Creditors: Amounts falling due after more than one year	17	**(5,277,647)**	(1,112,000)
		4,301,131	1,174,919
Provisions for liabilities and charges			
Deferred taxation	20	–	(25,000)
		4,301,131	1,149,919
Capital and reserves			
Called-up equity share capital	23	**1,471,825**	1,141,711
Share premium account	24	**3,362,396**	1,242,509
Profit and loss account	24	**(533,090)**	(1,234,301)
Shareholders' funds		**4,301,131**	1,149,919

These financial statements on pages 10 to 32 were approved by the Directors on 27 July 2004 and are signed on their behalf by:

W J Davies
Managing Director

R J Ellert
Finance Director

The notes on pages 15 to 32 form part of these financial statements.

Group cash flow statement

Six month period ended 31 March 2004

	Note	**Period to 31 Mar 04 £**	Restated Year to 30 Sep 03 £
Net cash (outflow)/inflow from operating activities	26	**(27,000)**	422,000
Returns on investments and servicing of finance	26	**(92,000)**	(207,000)
Taxation	26	**-**	-
Capital expenditure and financial investment	26	**(12,000)**	(22,000)
Acquisitions	26	**(3,570,000)**	-
Cash (outflow)/inflow before financing		**(3,701,000)**	193,000
Financing	26	**4,034,000**	(289,000)
Increase in cash	26	**333,000**	(96,000)

The notes on pages 15 to 32 form part of these financial statements.

Notes to the financial statements
Six month period ended 31 March 2004

1. **Accounting policies**

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

In preparing the financial statements for the current year, the Group has now adopted a policy of impairment review of the Groups freehold land and buildings including fixtures and fittings, representing the Group's care homes under FRS 15. The adoption of FRS 15 has resulted in a change in accounting policy for the depreciation of the Group's care homes.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all Group undertakings. These are adjusted, where appropriate, to conform to Group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over twenty years from the year of acquisition. The results of companies acquired or disposed of are included in the Group profit and loss account after or up to the date that control passes respectively. As a consolidated Group profit and loss account is published, a separate profit and loss account for the parent company is omitted from the Group financial statements by virtue of section 230 of the Companies Act 1985.

Woodland Healthcare Limited and Newsham House Limited have been included in the financial statements using the acquisition method of accounting. Accordingly, the Group profit and loss account and statement of cash flows include the results of Woodland Healthcare Limited and Newsham House Limited for a seven week period from their acquisition on 13 February 2004. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Turnover

The turnover shown in the Group profit and loss account represents amounts invoiced during the period.

Goodwill

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

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill	20 years
Intangible assets	2 years

1. Accounting policies *(continued)*

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 as follows:

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

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

Stocks

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

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

> Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold; and
>
> Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1. **Accounting policies** *(continued)*

Capital Instruments

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

2. **Turnover**

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

	Period to 31 Mar 04	Restated year to 30 Sep 03
	£	£
United Kingdom	**1,440,368**	2,323,360

3. **Operating profit**

Operating profit is stated after charging/(crediting):

	Period to 31 Mar 04	Year to 30 Sep 03
	£	£
Directors' emoluments	**34,008**	–
Amortisation	**10,729**	–
Depreciation of owned fixed assets	**5,852**	86,000
Loss on disposal of fixed assets	**3,495**	–
Auditors' remuneration		
- as auditors	**35,442**	20,000
- other services	**123,375**	3,000
Exceptional gain	**(236,881)**	(564,000)

The fees for other services were paid to Deloitte & Touche LLP for other financial services.

The exceptional gains relate to the reversal of previous years' impairment charges in respect of freehold properties.

4. **Particulars of employees**

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

	Period to 31 Mar 04	Year to 30 Sep 03
	No.	No.
Engaged in provision of care	**101**	97
Catering, domestic and maintenance	**27**	17
Management and administration	**22**	6
	150	120

4. Particulars of employees *(continued)*

The aggregate payroll costs of the above were:

	Period to 31 Mar 04 £	Year to 30 Sep 03 £
Wages and salaries	**816,879**	1,220,000
Social security costs	**62,771**	71,000
	879,650	1,291,000

5. Directors' emoluments

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

	Period to 31 Mar 04 £	Year to 30 Sep 03 £
Emoluments receivable	**34,008**	–

6. Interest payable

	Period to 31 Mar 04 £	Year to 30 Sep 03 £
Interest payable on bank and other loans	**65,624**	133,000
10% convertible loan stock	**26,398**	90,000
	92,022	223,000

7. Tax on (loss)/profit on ordinary activities

(a) Analysis of charge in the period

	Period to 31 Mar 04 £	Restated Year to 30 Sep 03 £
Current tax:		
In respect of the period:		
UK Corporation tax based on the results for the period at 19% (2003 - 19%)	**(4,189)**	11,489
(Over)/under provision in prior year	**(5,360)**	–
Total current tax	**(9,549)**	11,489
Deferred tax:		
Decrease in deferred tax provision	**(25,368)**	25,000
Tax on (loss)/profit on ordinary activities	**(34,917)**	36,489

(b) Factors affecting current tax charge

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

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

	Period to 31 Mar 04 £	Restated Year to 30 Sep 03 £
(Loss)/Profit on ordinary activities before taxation	**(74,286)**	579,360
(Loss)/profit on ordinary activities by rate of tax	**(14,114)**	110,078
Difference between depreciation and capital allowances	**1,150**	4,809
Over provision in prior period	**(5,360)**	-
Expenses not deductible for tax	**40,893**	3,762
Revaluation of property	**(45,007)**	(107,160)
Loan finance costs	**(16,267)**	-
Prior year adjustment	**(15,512)**	-
Losses carried forward	**44,668**	-
Total current tax (note 7(a))	**(9,549)**	11,489

8. Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £701,211 (2003 - £542,871).

9. (Loss)/earnings per share

	Period to 31 Mar 04 Pence	Restated Year to 30 Sep 03 Pence
(Loss)/earnings per ordinary share	**(0.9)**	23.8

Earnings per share have been calculated on the net basis on the (loss)/profit on ordinary activities after taxation of £(39,369) (2003 - £542,871) using the weighted average number of ordinary shares in issue during the period of 4,387,744 (2003 2,283,422).

Diluted earnings per share figures reflect the conversion of 10% convertible loan stock into 2,272,272 ordinary shares. There is no dilution of earnings in the period ended 31 March 2004, as the 10% convertible loan stock has been converted.

10. Prior year adjustment

A prior year adjustment has been made in respect of overstated sales revenue which has arisen as a result of cash been accounted for as sales revenue rather than as payment of trade debtors in prior years. The prior year adjustment has resulted in sales revenue being reduced by £81,640 with a consequent reduction in the tax charge of £15,511 for the year ended 30 September 2003. Shareholders' funds are as a consequence reduced by £66,129 for this period.

11. Intangible fixed assets

Group	Goodwill £	Intangible Asset £	Total £
Cost			
Additions	381,733	125,000	506,733
At 31 March 2004	381,733	125,000	506,733
Amortisation			
Charge for the period	2,510	8,219	10,729
At 31 March 2004	2,510	8,219	10,729
Net book value			
At 31 March 2004	379,223	116,781	496,004
At 30 September 2003	–	–	–

The intangible asset of £125,000 represents a valuation of the profit sharing agreement with South Garth Residential Care Home Partnership which is amortised over a period of two years.

12. Tangible fixed assets

Group	Freehold Property £	Motor Vehicles £	Office equipment £	Total £
Cost or valuation				
At 1 October 2003	4,622,282	10,575	868,030	5,500,887
Additions	-	-	11,925	11,925
Acquisition of subsidiaries	4,850,000	23,600	22,351	4,895,951
Disposals	–	(10,575)	–	(10,575)
Impairment review	(1,231,712)	–	–	(1,231,712)
Transfer on change of accounting policy	829,430	–	(829,430)	–
At 31 March 2004	9,070,000	23,600	72,876	9,166,476
Depreciation				
At 1 October 2003	928,441	10,575	561,823	1,500,839
Charge for the period	–	395	5,457	5,852
On disposals	–	(10,575)	–	(10,575)
Acquisition of subsidiaries	–	20,143	13,800	33,943
Impairment review	(1,468,593)	–	–	(1,468,593)
Transfer on change of accounting policy	540,152	–	(540,152)	–
At 31 March 2004	–	20,538	40,928	61,466
Net book value				
At 31 March 2004	9,070,000	3,062	31,948	9,105,010
At 30 September 2003	3,693,841	–	306,207	4,000,048

The freehold properties of the Group were valued by Christie & Co (valuers, surveyors and agents) at 19 January 2004 at open market value for existing use.

The historical cost of the Group's freehold properties at 31 March 2004 was £10,301,712.

12. Tangible fixed assets *(continued)*

Company	Freehold Property £	Motor Vehicles £	Office equipment £	Total £
Cost or valuation				
At 1 October 2003	4,622,282	10,575	868,030	5,500,887
Additions	1,500,000	–	12,630	1,512,630
Disposals	–	(10,575)	–	(10,575)
Impairment review	(1,231,712)	–	–	(1,231,712)
Transfer on change of accounting policy	829,430	–	(829,430)	–
At 31 March 2004	5,720,000	–	51,230	5,771,230
Depreciation				
At 1 October 2003	928,441	10,575	561,823	1,500,839
Charge for the period	–	–	4,825	4,825
On disposals	–	(10,575)	–	(10,575)
Impairment review	(1,468,593)	–	–	(1,468,593)
Transfer on change of accounting policy	540,152	–	(540,152)	–
At 31 March 2004	–	–	26,496	26,496
Net book value				
At 31 March 2004	5,720,000	–	24,734	5,744,734
At 30 September 2003	3,693,841	–	306,207	4,000,048

On 31 March 2004 the business and assets of Newsham House Limited, a wholly owned subsidiary, were hived up to ADL plc. Included within these assets was the nursing home valued at £1,500,000 and shown in the above fixed assets as additions.

The freehold properties were valued by Christie & Co (valuers, surveyors and agents) at 19 January 2004 at open market value for existing use.

The historical cost of the freehold property at 31 March 2004 was £6,951,712.

13. Investments

Company	Total £
Cost	
Additions	2,287,888
At 31 March 2004	2,287,888
Net book value	
At 31 March 2004	2,287,888

13. Investments *(continued)*

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
Newsham House Limited	England	Ordinary	100%	Dormant
Woodland Nursing Homes Limited	England	Ordinary	100%	Dormant
The Knoll Nursing Home Limited	England	Ordinary	100%	Dormant
Barleyglow Limited	England	Ordinary	100%	Dormant

On 13 February 2004 the Company acquired Woodland Healthcare Limited for £1,200,000 being satisfied by way of a £400,000 cash consideration and the issue of 2,000,000 ordinary shares in the Company.

Net assets acquired as at 13 February 2004

	Book Value	Adjustments	Fair Value to Group
	£	£	£
Intangible assets (note 11)	-	125,000	125,000
Fixed assets	3,360,276	-	3,360,276
Stocks	3,000	-	3,000
Debtors	132,349	(5,820)	126,529
Cash	70,972	-	70,972
Creditors	(59,726)	(310,560)(a)	(370,286)
Loans	(3,166,354)	1,022,500(b)	(2,143,854)
	340,517	831,120	1,171,637
Goodwill rising on acquisition			203,270
			1,374,907
Discharged by:			
Fair value of shares issued			800,000
Cash			400,000
Costs associated with the acquisition			174,907
			1,374,907

(a) The fair value adjustments in respect of creditors represents a provision for taxation in respect of the loan below.

(b) The fair value adjustments in respect of loans represents loans that on acquisition of the company were no longer due.

(c) Woodland Healthcare Limited earned a profit after tax of £729,000 for the nine month period to 31 March 2004 (2003: twelve months £38,000) of which £14,000 arose in the period from 13 February to 31 March 2004.

13. Investments *(continued)*

The summarised profit and loss account for period from 1 July 2003 to the effective date of acquisition is as follows:-

	£
Turnover	902,000
Operating profit	63,000
Gains from restructuring company	1,016,000
Profit before tax	1,007,000
Taxation	292,000
Profit for period to 13 February 2004.	£715,000

There were no recognised gains and losses in the period ended 13 February 2004 other than the profit of £715,000 above.

On 13 February 2004 the Company purchased Newsham House Limited for £750,000, the consideration being paid by the issue of 1,875,000 ordinary shares in the Company. There is a deferred consideration due of £500,000 dependent on planning permission being obtained for surplus land which will be satisfied by the issue of a further 1,250,000 ordinary shares in the Company.

Net assets acquired as at 13 February 2004

	Book Value	**Adjustments**	**Fair Value to Group**
	£	**£**	**£**
Fixed assets	1,500,705	-	1,500,705
Debtors	15,685	-	15,685
Cash	58,834	-	58,834
Creditors	(6,370)	-	(6,370)
Loans	(834,336)	-	(834,336)
	734,518	-	734,518
Goodwill rising on acquisition			178,463
			912,981
Discharged by:			
Fair value of shares issued			750,000
Costs associated with the acquisition			162,981
			912,981

13. Investments *(continued)*

Newsham House Limited earned a profit after tax of £88,000 for the nine month period ended 31 March 2004 (2003: twelve months £14,000) of which £20,000 arose in the period from 13 February to 31 March 2004.

The summarised profit and loss account for period from 1 July 2003 to the effective date of acquisition is as follows:-

Turnover	530,000
Operating profit	100,000
Profit before tax	75,000
Taxation	7,000
Profit for period to 13 February 2004	68,000

There were no recognised gains or losses in the period ended 13 February 2004 other than the profit of £68,000 above.

14. Stocks

	Group		Company	
	31 Mar 04	30 Sep 03	**31 Mar 04**	30 Sep 03
	£	£	**£**	£
Stock	**9,520**	6,000	**6,520**	6,000

15. Debtors

	Group		Company	
		Restated		Restated
	31 Mar 04	30 Sep 03	**31 Mar 04**	30 Sep 03
	£	£	**£**	£
Trade debtors	**143,731**	33,360	**60,937**	33,360
Amounts owed by group undertakings	–	–	**2,835,498**	–
Other debtors	**139,002**	–	–	–
Prepayments and accrued income	**25,839**	22,000	**22,319**	22,000
	308,572	55,360	**2,918,754**	55,360

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

	Group		Company	
	31 Mar 04	30 Sep 03	**31 Mar 04**	30 Sep 03
	£	£	**£**	£
Amounts owed by group undertakings	-	–	**2,835,498**	–

16. Creditors: Amounts falling due within one year

	Group		Company	
		Restated		Restated
	31 Mar 04	30 Sep 03	**31 Mar 04**	30 Sep 03
	£	£	**£**	£
Bank overdrafts	**194,885**	600,000	**194,885**	600,000
10% convertible loan stock	–	897,000	–	897,000
Trade creditors	**122,675**	100,000	**86,932**	100,000
Amount due to group undertaking	-	-	**749,342**	-
Corporation tax	**322,792**	3,489	**16,404**	3,489
PAYE and social security	**128,193**	–	**58,434**	–
Other creditors	**159,979**	22,000	**116,726**	22,000
Accruals and deferred income	**216,509**	152,000	**207,109**	152,000
	1,145,033	1,774,489	**1,429,832**	1,774,489

On 19 January £900,000 10% convertible loan stock was converted into 2,727,272 ordinary shares at a price of 33 pence per share. These shares were subsequently purchased by two of the directors, W J Davies and R J Ellert.

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

	Group		Company	
	31 Mar 04	30 Sep 03	**31 Mar 04**	30 Sep 03
	£	£	**£**	£
Bank loans	**5,400,000**	1,112,000	**5,400,000**	1,112,000
Less finance costs	**(122,353)**	-	**(122,353)**	-
	5,277,647	1,112,000	**5,277,647**	1,112,000

The bank loan and overdraft are secured by way of legal charge and a fixed and floating charge over all the Company's and the Group's freehold properties and other assets both present and future. Interest on the bank loan is 1.5% over LIBOR and is repayable in instalments after 30 April 2005.

18. Creditors - capital instruments

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

	Group		Company	
	31 Mar 04	30 Sep 03	**31 Mar 04**	30 Sep 03
	£	£	**£**	£
Amounts repayable:				
In one year or less or on demand	–	600,000	-	600,000
In more than one year but not more than two years	**250,000**	115,000	**250,000**	115,000
In more than two years but not more than five years	**650,000**	387,000	**650,000**	387,000
In more than five years	**4,500,000**	610,000	**4,500,000**	610,000
	5,400,000	1,712,000	**5,400,000**	1,712,000

19. Bank loans and overdrafts

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

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

	31 Mar 04	30 Sep 03
	£	£
Floating rate		
Bank overdraft	**195,000**	600,000
Bank loan	**5,400,000**	1,112,000
Fixed rate		
10% convertible loan stock	–	897,000
Total	**5,595,000**	2,609,000

The interest rate on floating rate financial liabilities is 1.5% above LIBOR for the bank loan and 1.75% above LIBOR for the bank overdraft (2003: 2% to 3% above LIBOR).

The fair value (based on market interest rates) of the 10% convertible loan stock at 30 September 2003 was £912,000. The 10% convertible loan stock was converted into 2,727,272 ordinary shares of 5 pence each on 19 January 2004.

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

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

It is, and has been throughout the period 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 (2003: 34%).

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

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.

19. Bank loans and overdrafts *(continued)*

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

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

Repayment Date	**Amount £**
30 April 2005	£125,000
30 October 2005	£125,000
30 April 2006	£150,000
30 October 2006	£150,000
30 April 2007	£175,000
30 October 2007	£175,000
30 April 2008	£200,000
30 October 2008	£200,000
30 April 2009	£225,000
30 October 2009	£225,000
30 April 2010	£225,000
30 October 2010	£225,000
30 April 2011	£3,200,000
Total	**£5,400,000**

Repayment of Facility B: On each repayment date, the Company must repay the Facility B loan in the amount of 2.5% of the aggregate of all amounts from time to time advanced under Facility B loan, and on the final repayment date, the Company must repay in full all amounts outstanding under the Facility B loan.

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

20. Deferred taxation

The movement in the deferred taxation provision during the period was:

	Group		**Company**	
	Period to 31 Mar 04	Year to 30 Sep 03	Period to **31 Mar 04**	Year to 30 Sep 03
	£	£	**£**	£
Provision brought forward	**25,000**	–	**25,000**	–
(Decrease)/Increase in provision	**(25,000)**	25,000	**(25,000)**	25,000
Provision carried forward	–	25,000	–	25,000

	Group		**Company**	
	Period to 31 Mar 04	Year to 30 Sep 03	Period to **31 Mar 04**	Year to 30 Sep 03
	£	£	**£**	£
Excess of taxation allowances over depreciation on fixed assets	–	25,000	–	25,000

21. Contingencies

The Company has agreed to issue a further 1,250,000 ordinary shares of 5 pence each at price of 40 pence per share to the shareholders of Newsham House Limited as deferred consideration if planning permission is granted in respect of a development.

22. Related party transactions

The 10% unsecured loan stock referred to in Note 16 was held by P Dewe-Mathews, a Director of the Company and Best Investment Limited in which J Spiers, who was a Director of the Company, has a controlling interest. Subsequent to the conversion of the 10% convertible loan stock the shares were purchased by W J Davies and R J Ellert, who were appointed Directors of the Company on 11 February 2004.

During the period W J Davies was repaid a loan of £80,000 by Newsham House Limited and Atreus Investments Limited, a company in which W J Davies has controlling interest, was repaid a loan of £192,336 by Newsham House Limited together with £4,253 and £9,400 interest.

Also during the period W J Davies was repaid £150,000 Woodland Healthcare Limited subordinated loan stock together with interest of £6,452.

During the period, Star Healthcare Limited, a company owned by P L Jackson a Director, provided consultancy services to the Company and Woodland Healthcare Limited for fees of £15,555 and £21,864 respectively.

The Company paid £8,100 for the period to 31 March 2004 to Mrs P J Dewe-Mathews (the wife of P Dewe-Mathews, a Director) for the rent of the Company's head office. The Company paid £2,000 for the period from 1 February to 31 March 2004 to P L Jackson, a Director for the rent of the Company's new head office.

23. Share capital

Authorised share capital:

	31 Mar 04	30 Sep 03
	£	£
15,000,000 Ordinary shares of £0.05 each	**750,000**	325,000
45,000,000 Deferred -non equity shares of £0.05 each	**2,250,000**	2,250,000
	3,000,000	2,575,000

Allotted, called up and fully paid:

	31 Mar 04		30 Sep 03	
	No.	**£**	No.	£
Ordinary shares of £0.05 each	**8,885,694**	**444,285**	2,283,422	114,171
Deferred –non equity shares of £0.05 each	**20,550,798**	**1,027,540**	20,550,798	1,027,540
	29,436,492	**1,471,825**	22,834,220	1,141,711

On 19 January 2004 £900,000 10% convertible loan stock was converted in to 2,727,272 ordinary shares of 5 pence each at 33 pence per share.

23. Share capital *(continued)*

On 11 February 2004 the Company increased the authorised ordinary share capital from £325,000 to £750,000 by the creation of 8,500,000 ordinary shares of 5 pence each which rank pari passu in all respects with the existing ordinary shares of 5 pence each.

On 13 February 2004 the Company issued 1,875,000 ordinary shares of 5 pence each at 40 pence per share for the acquisition of Newsham House Limited and on the same date issued a further 2,000,000 ordinary shares of 5 pence each at 40 pence per share for the acquisition of Woodland Healthcare Limited

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

24. Reserves

Group	Share premium account £	Profit and loss account (restated) £
Balance brought forward	1,242,509	(1,168,172)
Prior year adjustment (note 10)	–	(66,129)
Restated balance brought forward	1,242,509	(1,234,301)
Loss for the period	–	(39,369)
New equity share capital subscribed	2,119,887	–
Balance carried forward	3,362,396	(1,273,670)

Company	Share premium account £	Profit and loss account (restated) £
Balance brought forward	1,242,509	(1,168,172)
Prior year adjustment (note 10)	–	(66,129)
Restated balance brought forward	1,242,509	(1,234,301)
Retained profit for the period	–	701,211
New equity share capital subscribed	2,119,887	–
Balance carried forward	3,362,396	(533,090)

Notes to the financial statements *(continued)*
Six month period ended 31 March 2004

25. Reconciliation of movements in shareholders' funds

	Period to 31 Mar 04 £	Year to 30 Sep 03 £
(Loss)/Profit for the financial period	**(39,369)**	542,871
New equity share capital subscribed	**330,114**	-
Premium on new share capital subscribed	**2,119,887**	-
	2,450,001	-
Net addition to funds	**2,410,632**	542,871
Opening shareholders' equity funds	**1,216,048**	607,048
Prior year adjustment (see note 10)	**(66,129)**	-
	1,149,919	607,048
Closing shareholders' equity funds	**3,560,551**	1,149,919

Included within shareholders' funds is £1,027,540 (2003 £1,027,540) relating to non-equity interests.

26. Notes to the statement of cash flows

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

	Period to 31 Mar 04 £	Restated Year to 30 Sep 03 £
Operating profit	**233,000**	802,000
Amortisation	**11,000**	-
Depreciation	**5,000**	86,000
Increase in stocks	**(4,000)**	-
(Increase)/decrease in debtors	**(172,000)**	65,000
Increase in creditors	**352,000**	33,000
Exceptional item – revaluation/impairment of fixed assets	**(237,000)**	(564,000)
Re-organisation costs	**(215,000)**	-
Net cash (outflow)/inflow from operating activities	**(27,000)**	422,000

Returns on investments and servicing of finance

	Period to 31 Mar 04 £	Year to 30 Sep 03 £
Interest paid	**(92,000)**	(207,000)
Net cash outflow from returns on investments and servicing of finance	**(92,000)**	(207,000)

26. Notes to the statement of cash flows *(continued)*

Taxation

	Period to 31 Mar 04 £	Year to 30 Sep 03 £
Taxation	–	–

Capital expenditure

	Period to 31 Mar 04 £	Year to 30 Sep 03 £
Payments to acquire tangible fixed assets	(12,000)	(22,000)
Net cash outflow from capital expenditure	(12,000)	(22,000)

Acquisitions

	Period to 31 Mar 04 £	Year to 30 Sep 03 £
Purchase of subsidiary undertaking	(400,000)	–
Acquisition costs	(338,000)	–
Cash acquired with subsidiary undertakings	130,000	–
Loans acquired with subsidiary undertakings	(2,962,000)	–
Net cash outflow from acquisitions	(3,570,000)	–

Financing

	Period to 31 Mar 04 £	Year to 30 Sep 03 £
Increase/(decrease) in bank loans	4,034,000	(289,000)
Net cash inflow from financing	4,034,000	(289,000)

Reconciliation of net cash flow to movement in net debt

	Period to 31 Mar 04 £	Year to 30 Sep 03 £
Increase in cash in the period	333,000	(96,000)
Net cash (inflow)/outflow from bank loans	(4,034,000)	289,000
Change in net debt	(3,701,000)	193,000
Amortisation of issue costs on 10% convertible loan stock	-	(16,000)
10% convertible loan stock converted to ordinary shares	900,000	-
Net debt at 1 October 2003	(2,608,000)	(2,785,000)
Net debt at 31 March 2004	(5,409,000)	(2,608,000)

Notes to the financial statements *(continued)*
Six month period ended 31 March 2004

26. Notes to the statement of cash flows *(continued)*

Analysis of changes in net debt

	At 1 Oct 03 £	Cash flows £	Other non cash flows £	At 31 Mar 04 £
Net cash:				
Cash in hand and at bank	1,000	63,000	-	64,000
Overdrafts	(468,000)	273,000	-	(195,000)
Debt:				
Bank loans due after more than one year	(1,112,000)	(4,166,000)	-	(5,278,000)
Bank loans due within one year	(132,000)	132,000	-	-
10% convertible loan stock	(897,000)	(3,000)	900,000	-
Net debt	(2,608,000)	(3,701,000)	900,000	(5,409,000)

27. Net asset value per share

The calculation of net asset value per share at 31 March 2004 is based on net assets of £3,560,551 (2003: £1,149,919) divided by the 8,885,694 ordinary shares in issue at that date (2003: 2,383,422).

28. Post balance sheet events

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

On 20 May 2004 the Company purchased Jubilee House Residential Care Home for £995,000 and terminated the management agreement with the Jubilee House Residential Care Home Partnership.

Notice of the annual general meeting

Notice is hereby given that the annual general meeting of the Company will be held at the offices of Durlacher Limited, Moorgate Hall, 155 Moorgate, London EC2M 6XB at 10.30 am on Wednesday 22 September 2004 for the following purposes.

Ordinary Business

1. To receive the Directors' report and financial statements of the Company for the six month period ended 31 March 2004 together with the Auditors' report thereon.
2. To re-appoint CLB as Auditors to the Company to hold office until the conclusion of the next general meeting before which financial statements are laid, and to authorise the Directors to set their remuneration.
3. To re-appoint Vincent Henry Peter Dewe-Mathews as a Director.

By Order of the Board

Richard Ellert
Company Secretary

27 July 2004

Registered Office
Corbie Steps
89 Harehills Lane
Leeds LS7 4HA

Notes

1. A person entitled to receive notice of, and attend and vote at the above meeting may appoint a proxy to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company. Forms of proxy must be deposited with the Company's Registrars, Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time appointed for the meeting or adjourned meeting. Completion and return of the form of proxy will not prevent the holder from attending the meeting and voting in person should he wish to do so.
2. To have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person may cast), a person must have his name entered in the register of members of the Company by no later than 10.30 am on 20 September 2004. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.