

Register

HEATH FARM LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 1999

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DIRECTORS

R.J. Lloyd
V. Barlow
M.J. Rigden
R.E. Lloyd
G. Revell

COMPANY SECRETARY

G. Revell

REGISTERED OFFICE

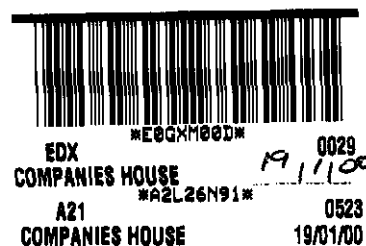
Heath Farm,
Charing Heath,
Kent.
TN27 OAX.

AUDITORS

Spain Brothers & Co.,
Thames House,
Roman Square,
Sittingbourne,
Kent.
ME10 4BJ.

COMPANY NUMBER

2582284



65 23-1-00

HEATH FARM LIMITED

REPORT OF THE DIRECTORS for the year ended 31st AUGUST 1999

The Directors present their report, together with the audited financial statements for the year ended 31st August 1999.

1. PRINCIPAL ACTIVITY

The principal activity of the company continued to be that of property management and the supply of services to a subsidiary undertaking and a related undertaking. The principal activity of the group was the provision of fostering education and support to children placed in the care of the local authorities.

2. DIRECTORS

The Directors who served during the year and their interests in shares of the company were:-

	£1 Ordinary Shares	
	31st August 1999	1st September 1998
R.J. Lloyd	37,785	39,395
V. Barlow	37	37
M.J. Rigden	1,100	100
R.E. Lloyd	407	37
G. Revell (Appointed 1 st September 1998)	407	407

3. DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the Directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, 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 company will continue in business.

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

4. YEAR 2000

The risks and uncertainties associated with the year 2000 problem have been assessed and it is not anticipated that it will have an impact on the operations of the company.

5. AUDITORS

The Auditors, Spain Brothers & Co. have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

HEATH FARM LIMITED

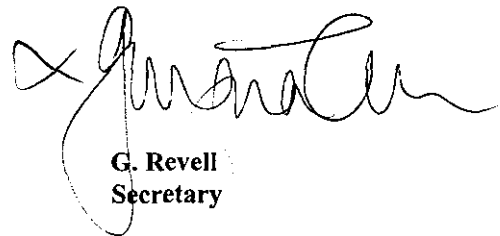
REPORT OF THE DIRECTORS for the year ended 31st AUGUST 1999

Continued ...

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the Board on 13th January 2000

By Order of the Board



G. Revell
Secretary

Charing Heath, Kent.

AUDITORS' REPORT TO THE SHAREHOLDERS OF:

HEATH FARM LIMITED for the year ended 31st AUGUST 1999

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2, the company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31st August 1999 and of the results of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Spain Brothers & Co

Thames House,
Roman Square,
Sittingbourne,
Kent.

SPAIN BROTHERS & CO.
Sittingbourne,
Chartered Accountants
Registered Auditors

13th January 2000

HEATH FARM LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31st AUGUST 1999**

		1998
NOTE		
2. TURNOVER	3,949,385	3,726,741
Cost of Sales	2,628,905	2,531,953
GROSS PROFIT	1,320,480	1,194,788
Administrative Expenses	1,258,327	1,141,225
	62,153	53,563
Other Operating Income	5,586	18,186
3. OPERATING PROFIT	67,739	71,749
Profit/Loss on Disposal of Fixed Assets	3,270	(8,797)
	71,009	62,952
Interest Receivable and Similar Income	1,446	2,874
	72,455	65,826
Interest Payable and Similar Charges	6,708	26,691
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	65,747	39,135
4. Tax on Ordinary Activities	20,257	17,479
11.& PROFIT FOR THE YEAR TRANSFERRED		
12. TO RESERVES	£ 45,490	£ 21,656

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the above two financial years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit for the above two financial years.

The notes on pages 8 to 14 form part of these financial statements.

HEATH FARM LIMITED**CONSOLIDATED BALANCE SHEET as at 31st AUGUST 1999****NOTE****1998****FIXED ASSETS**

5. Tangible Assets	207,977	229,264
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CURRENT ASSETS

7. Stocks	56,175	53,774
8. Debtors	244,977	302,025
Cash at Bank and in Hand	85,805	101,117
	<u>386,957</u>	<u>456,916</u>

9. CREDITORS: Amounts falling due within one year	544,403	663,424
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NET CURRENT LIABILITIES

(157,446)	(206,508)
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TOTAL ASSETS LESS CURRENT LIABILITIES

50,531	22,756
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9. CREDITORS: Amounts falling due after more than one year	4,830	22,545
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NET ASSETS

<u>£ 45,701</u>	<u>£ 211</u>
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CAPITAL AND RESERVES

10. Called up Share Capital	40,000	40,000
12. Profit & Loss Account	5,701	(39,789)
11. SHAREHOLDERS' FUNDS	<u>£ 45,701</u>	<u>£ 211</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the Board of Directors on 13th January 2000
and signed on their behalf by



R.J. Lloyd

Director

The notes on pages 8 to 14 form part of these financial statements.

HEATH FARM LIMITED

BALANCE SHEET as at 31st AUGUST 1999

NOTE

1998

FIXED ASSETS		
5. Tangible Assets	201,253	206,334
CURRENT ASSETS		
7. Stocks	56,175	53,774
8. Debtors	61,514	63,433
Cash at Bank and in Hand	2,349	2
	<u>120,038</u>	<u>117,209</u>
9. CREDITORS: Amounts falling due within one year	599,423	555,197
NET CURRENT LIABILITIES	(479,385)	(437,988)
TOTAL ASSETS LESS CURRENT LIABILITIES	(278,132)	(231,654)
9. CREDITORS: Amounts falling due after more than one year	4,696	19,479
NET LIABILITIES	<u>£(282,828)</u>	<u>£(251,133)</u>
CAPITAL AND RESERVES		
10. Called up Share Capital	40,000	40,000
12. Profit & Loss Account	(322,828)	(291,133)
11. SHAREHOLDERS' FUNDS	<u>£(282,828)</u>	<u>£(251,133)</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the Board of Directors on 13th January 2000
and signed on their behalf by

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R.J. Lloyd

Director

The notes on pages 8 to 14 form part of these financial statements.

HEATH FARM LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 31st AUGUST 1999

1. PRINCIPAL ACCOUNTING POLICIES

Basis of Accounting

The company's financial statements are prepared in accordance with applicable Accounting Standards. The principal accounting policies adopted are as follows:-

Cash Flow Statement

The group qualifies as a small group under the Companies Act 1985. The Directors have elected to take advantage of the exemption under FRS1 not to prepare a Cash Flow Statement.

Basis of Consolidation

The group financial statements consolidate the results of Heath Farm Limited, the Parent Undertaking and its Subsidiary Undertaking on the basis of merger accounting.

Turnover

Turnover comprises amounts derived from the provision of goods and services in the normal course of business net of discounts, Value Added Tax and other related sales.

Depreciation

Depreciation is provided on all Tangible Fixed Assets at annual rates calculated to write off the cost of each asset evenly over its expected useful life as follows:-

Improvements to Leasehold Properties	-	Over remaining term of lease
Fixtures, Fittings and Equipment	-	25% on cost
Motor Vehicles	-	25% on cost
Livestock	-	20% on cost

Stock

Stock is stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price after allowing for costs of disposal.

Leased Assets

Assets acquired under finance leases and hire purchase contracts of a similar nature are included in the Balance Sheet at their equivalent capital value less accumulated depreciation. The corresponding obligations under these leases are included as creditors. The interest element of these obligations is charged to the Profit and Loss Account on a straight line basis over the life of each agreement.

Operating lease rentals are charged to the Profit and Loss Account as incurred.

Pensions

The company and its subsidiary operate a money purchase pension scheme. The cost is charged to the Profit and Loss Account as the contributions fall due.

HEATH FARM LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 31st AUGUST 1999

1. PRINCIPAL ACCOUNTING POLICIES - Continued

Deferred Tax

Provision for deferred tax is made under the liability method only to the extent that it is probable that a liability will become payable in the foreseeable future.

2. TURNOVER

The group's operations are considered to fall into one class of business and derive from one geographical market.

3. OPERATING PROFIT

Operating Profit is stated after charging:-

	Group	
	1999	1998
Auditor's Remuneration:		
- Audit Fees	9,130	7,905
Depreciation of Tangible Fixed Assets		
- Owned Fixed Assets	75,032	80,494
- Assets held under Finance Leases and Hire Purchase Contracts	10,033	15,602
Loss on Disposal of Tangible Fixed Assets	680	4,410
Operating Lease Rentals - Other Assets	105,162	116,447
	<u> </u>	<u> </u>

Directors Emoluments

	Group	
	1999	1998
Aggregate Emoluments	318,083	146,213
Company Pension Contributions to Money Purchase Schemes	13,877	25,644
	<u>£331,960</u>	<u>£171,857</u>

Retirement benefits are accruing to three Directors under a money purchase scheme.

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge in the Profit and Loss Account is:-

	Group		Company	
	1999	1998	1999	1998
Corporation Tax due at 30.8% (1998: 44.7%) on the results for the year	<u>£20,257</u>	<u>£17,479</u>	<u>£ 911</u>	<u>£3,904</u>

The liability to Corporation Tax is shown in Note 9 to the financial statements.

HEATH FARM LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 31st AUGUST 1999

5. TANGIBLE FIXED ASSETS

The Group

	Improve- ments to Leasehold Properties	Fixtures Fittings & Equipment	Motor Vehicles	Livestock	Total
Cost					
At 1st September 1998	303,479	119,829	113,056	28,800	565,164
Additions	34,526	24,907	7,741	12,600	79,774
	-----	-----	-----	-----	-----
	338,005	144,736	120,797	41,400	644,938
Disposals	-	18,174	41,151	1,000	60,325
	-----	-----	-----	-----	-----
At 31st August 1999	338,005	126,562	79,646	40,400	584,613
	-----	-----	-----	-----	-----
Depreciation					
At 1st September 1998	166,598	82,064	62,718	24,520	335,900
Provided for the year	42,852	21,684	15,129	5,400	85,065
	-----	-----	-----	-----	-----
	209,450	103,748	77,847	29,920	420,965
Disposals	-	18,174	26,155	-	44,329
	-----	-----	-----	-----	-----
At 31st August 1999	209,450	85,574	51,692	29,920	376,636
	-----	-----	-----	-----	-----
Net Book Value					
At 31st August 1999	£128,555	£40,988	£27,954	£10,480	£207,977
	=====	=====	=====	=====	=====
Net Book Value					
At 31st August 1998	£136,881	£37,765	£50,338	£ 4,280	£229,264
	=====	=====	=====	=====	=====

The net book value of Tangible Fixed Assets includes £21,363 (1998: £43,076) in respect of assets held under finance leases and Hire Purchase Contracts of a similar nature.

Depreciation of £10,033 (1998: £15,602) has been charged on those assets in the year.

HEATH FARM LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 31st AUGUST 1999

5. TANGIBLE FIXED ASSETS

The Company

	Improve- ments to Leasehold Properties	Fixtures Fittings & Equipment	Motor Vehicles	Livestock	Total
Cost					
At 1st September 1998	303,479	88,452	74,399	28,800	495,130
Additions	34,526	20,414	7,741	12,600	75,281
	-----	-----	-----	-----	-----
	338,005	108,866	82,140	41,400	570,411
Disposals	-	18,174	21,156	1,000	40,330
	-----	-----	-----	-----	-----
At 31st August 1999	338,005	90,692	60,984	40,400	530,081
	-----	-----	-----	-----	-----
Depreciation					
At 1st September 1998	166,598	56,754	40,924	24,520	288,796
Provided for the year	42,852	17,848	13,262	5,400	79,362
	-----	-----	-----	-----	-----
	209,450	74,602	54,186	29,920	368,158
Disposals	-	18,174	21,156	-	39,330
	-----	-----	-----	-----	-----
At 31st August 1999	209,450	56,428	33,030	29,920	328,828
	-----	-----	-----	-----	-----
Net Book Value					
At 31st August 1999	£128,555	£34,264	£27,954	£10,480	£201,253
	=====	=====	=====	=====	=====
Net Book Value					
At 31st August 1998	£136,881	£31,698	£33,475	£ 4,280	£206,334
	=====	=====	=====	=====	=====

6. FIXED ASSET INVESTMENTS

Heath Farm Limited became the sole member and guarantor of its subsidiary undertaking, Heath Farm Family Services, a company limited by guarantee, on 1st September 1997. The principal activity of the company is the provision of fostering, education and support to children placed in the care of local authorities and the company operates principally in the United Kingdom.

The results of the company have been included in the consolidated financial statements on the basis of merger accounting.

7. STOCKS

Group and Company

	1999	1998
Livestock	£56,175	£53,774
	=====	=====

HEATH FARM LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 31st AUGUST 1999

8. DEBTORS

	Group		Company	
	1999	1998	1999	1998
Trade Debtors	172,971	230,788	1,981	11,226
Other Debtors	72,006	71,237	59,533	52,207
	<u>£244,977</u>	<u>£302,025</u>	<u>£61,514</u>	<u>£63,433</u>

9. CREDITORS: Amounts falling due within one year

	Group		Company	
	1999	1998	1999	1998
Bank Loan and Overdraft (see a)	11,759	53,437	11,759	53,437
Trade Creditors	52,858	56,553	31,044	31,442
Amounts Owed to Related Undertaking	21,619	50,137	-	-
Amounts Owed to Subsidiary Undertaking	-	-	483,690	353,874
Corporation Tax (Note 4)	20,257	17,479	911	3,904
Other Taxation and Social Security	65,701	81,367	38,419	57,276
Other Creditors	50,867	66,980	26,557	48,220
Deferred Income	312,699	320,661	-	-
Obligations Under Finance Leases and Hire Purchase Contracts (see b)	8,643	16,810	7,043	7,044
	<u>£544,403</u>	<u>£663,424</u>	<u>£599,423</u>	<u>£555,197</u>

CREDITORS: Amounts falling due after more than one year

Bank Loan (see a)	-	7,739	-	7,739
Obligations Under Finance Leases and Hire Purchase Contracts (see b)	4,830	14,806	4,696	11,740
	<u>£ 4,830</u>	<u>£22,545</u>	<u>£ 4,696</u>	<u>£19,479</u>

- a. The bank loan and overdraft are secured by a fixed and floating charge over the group's assets, an unlimited guarantee by its subsidiary undertaking and a limited guarantee given by a Director. They are repayable as follows:

	Group and Company	
	1999	1998
In one year or less, or on demand	11,759	53,437
Between one and two years	-	7,739
	<u>£11,759</u>	<u>£61,176</u>

HEATH FARM LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 31st AUGUST 1999

9. CREDITORS: - Continued

- b. Obligations under finance leases and hire purchase contracts of a similar nature, which are secured on the assets concerned, are repayable as follows:

	Group and Company	
	1999	1998
Within one year	<u>£ 7,043</u>	<u>£ 7,044</u>
Between two and five years	<u>£ 4,696</u>	<u>£11,740</u>

10. SHARE CAPITAL

	1999	1998
Authorised		
40,000 Ordinary Shares of £1 each	<u>£40,000</u>	<u>£40,000</u>
Issued and Fully Paid		
40,000 Ordinary Shares of £1 each	<u>£40,000</u>	<u>£40,000</u>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	1999	1998	1999	1998
Profit/Loss for the Financial Year	45,490	21,656	(31,695)	(36,257)
Opening Shareholders' Funds	211	(21,445)	(251,133)	(214,876)
Closing Shareholders' Funds	<u>£45,701</u>	<u>£ 211</u>	<u>£(282,828)</u>	<u>£(251,133)</u>

12. RESERVES

	Profit & Loss Account	
	Group	Company
At 1st September 1998	(39,789)	(291,133)
Profit/Loss for the year	45,490	(31,695)
At 31st August 1999	<u>£ 5,701</u>	<u>£(322,828)</u>

In accordance with Section 230, the Companies Act 1985, the Profit and Loss Account of the Parent Undertaking is not presented as part of these financial statements.

HEATH FARM LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 31st AUGUST 1999

13. FINANCIAL COMMITMENTS

At the Balance Sheet date the group's commitments under operating leases to pay rentals during the next year were as follows:-

	Land and Buildings		Other	
	1999	1998	1999	1998
Operating leases which expire				
- Within one year	-	9,940	-	-
- Between two and five years	46,000	-	115,322	104,157
- After five years	-	46,000	-	-
	<u>£46,000</u>	<u>£55,940</u>	<u>£115,322</u>	<u>£104,157</u>

14. RELATED PARTY TRANSACTIONS

R.J. Lloyd is the Ultimate Controlling Party and, at 31st August 1999, the balance on her Director's Current Account was £1,676.

The balances on the Directors' Current Accounts of M. Rigden and V. Barlow, who are also related parties, were £1,162 and £1,867 respectively at the year end.

During the year, the company entered into the following transactions with a Related Undertaking, Heath Farm School.

Transport Services	<u>£11,200</u>
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15. PENSION SCHEME

The assets of the money purchase pension scheme are held separately from those of the Undertakings concerned in independently administered funds. The pension cost represents contributions payable to the funds as follows.

Group		Company	
1999	1998	1999	1998
<u>£21,883</u>	<u>£41,046</u>	<u>£13,877</u>	<u>£13,144</u>

16. GUARANTEES

Unlimited cross company guarantees have been given to Midland Bank plc in respect of the group banking facilities.

A limited guarantee has also been given by a Director.