

HEATH FARM LIMITED
FINANCIAL STATEMENTS
FOR
31 AUGUST 2002

Company Registration Number 2582284



HEATH FARM LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2002

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HEATH FARM LIMITED

STATUTORY INFORMATION

The board of directors

V Barlow
R J Lloyd
G Revell
M J Rigden

Company secretary

G Revell

Registered office

Heath Farm
Charing Heath
Kent
TN27 0AX

Auditors

McBrides
Chartered Accountants
& Registered Auditors
Nexus House
2 Cray Road
Sidcup
Kent DA14 5DA

Bankers

HSBC Plc
Sun Pier
Medway Street
Chatham
Kent
ME4 4DN

HEATH FARM LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 AUGUST 2002

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 August 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the supply of administrative and other related services to the group. The principal activity of the group is the provision of fostering, education and support to children placed in the care of the local authorities.

The directors consider the year end position to be satisfactory.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 August 2002	At 1 September 2001
V Barlow	3,889	3,889
R J Lloyd	30,001	30,001
G Revell	1,000	1,000
M J Rigden	<u>3,889</u>	<u>3,889</u>

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 10, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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. The directors 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.

HEATH FARM LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 AUGUST 2002

DONATIONS

During the year the company made the following contributions:

	2002	2001
	£	£
Charitable	<u>5,000</u>	<u>—</u>

AUDITORS

A resolution to re-appoint McBrides as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the directors

Approved by the directors on 2/6/03

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HEATH FARM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 AUGUST 2002

We have audited the financial statements on pages 6 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 10.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the Statement of Directors' Responsibilities on page 2.

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 is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. 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'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.

HEATH FARM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*

YEAR ENDED 31 AUGUST 2002

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 August 2002 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Nexus House
2 Cray Road
Sidcup
Kent DA14 5DA



McBRIDES
Chartered Accountants
& Registered Auditors

5 June 2003

HEATH FARM LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 AUGUST 2002

	Note	2002 £	2001 £
Turnover	2	182,451	184,138
Cost of sales		<u>159,894</u>	<u>118,795</u>
Gross profit		22,557	65,343
Administrative expenses		244,001	231,885
Other operating income	3	<u>(262,301)</u>	<u>(122,285)</u>
Operating profit/(loss)	4	40,857	(44,257)
Income from shares in group undertakings	7	300,000	200,000
Interest receivable		—	200
Interest payable	8	(1,711)	(1,897)
Profit on ordinary activities before taxation		<u>339,146</u>	<u>154,046</u>
Tax on profit on ordinary activities	9	1,411	(13,016)
Retained profit for the financial year		<u><u>337,735</u></u>	<u><u>167,062</u></u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 10 to 16 form part of these financial statements.


HEATH FARM LIMITED

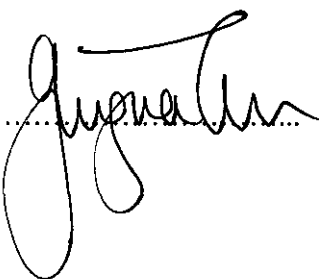
BALANCE SHEET

31 AUGUST 2002

	Note	£	2002 £	2001 £
Fixed assets				
Tangible assets	10		86,609	<u>63,104</u>
Current assets				
Stocks	12	40,774		43,074
Debtors	13	76,914		26,614
Cash at bank		<u>7,589</u>		<u>9,320</u>
		125,277		79,008
Creditors: Amounts falling due within one year	14	<u>39,522</u>		<u>300,433</u>
Net current assets/(liabilities)			<u>85,755</u>	<u>(221,425)</u>
Total assets less current liabilities			172,364	(158,321)
Creditors: Amounts falling due after more than one year	15		<u>4,113</u>	<u>11,163</u>
			<u>168,251</u>	<u>(169,484)</u>
Capital and reserves				
Called-up equity share capital	18		40,000	40,000
Profit and loss account	19		<u>128,251</u>	<u>(209,484)</u>
Shareholders' funds/(deficiency)	20		<u>168,251</u>	<u>(169,484)</u>

These financial statements were approved by the directors on the21/6/03..... and are signed on their behalf by:

..........

..........

The notes on pages 10 to 16 form part of these financial statements.

HEATH FARM LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 AUGUST 2002

	2002	2001
	£	£
Net cash outflow from operating activities	(227,600)	(267,123)
Returns on investments and servicing of finance		
Income from group undertakings	300,000	200,000
Interest received	—	200
Interest paid	(1)	—
Interest element of hire purchase	<u>(1,710)</u>	<u>(1,897)</u>
Net cash inflow from returns on investments and servicing of finance	298,289	198,303
Taxation	—	13,016
Capital expenditure		
Payments to acquire tangible fixed assets	(67,170)	(45,060)
Receipts from sale of fixed assets	<u>1,800</u>	<u>3,350</u>
Net cash outflow from capital expenditure	(65,370)	(41,710)
Cash inflow/(outflow) before financing	5,319	(97,514)
Financing		
Capital element of hire purchase	<u>(7,050)</u>	<u>13,517</u>
Net cash (outflow)/inflow from financing	(7,050)	13,517
Decrease in cash	<u>(1,731)</u>	<u>(83,997)</u>

RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002	2001
	£	£
Operating profit/(loss)	40,857	(44,257)
Depreciation	43,665	44,332
(Profit)/Loss on disposal of fixed assets	(1,800)	94
Decrease/(increase) in stocks	2,300	(2,300)
(Increase)/decrease in debtors	(50,300)	71,905
Decrease in creditors	(262,322)	(336,897)
Net cash outflow from operating activities	<u>(227,600)</u>	<u>(267,123)</u>

The notes on pages 10 to 16 form part of these financial statements.

HEATH FARM LIMITED
CASH FLOW STATEMENT *(continued)*
YEAR ENDED 31 AUGUST 2002

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002	2001
	£	£
Decrease in cash in the period	(1,731)	(83,997)
Cash outflow in respect of hire purchase	<u>7,050</u>	<u>(13,517)</u>
	5,319	(97,514)
Change in net debt	5,319	(97,514)
Net debt at 1 September 2001	(8,893)	967
Net debt at 31 August 2002	<u>(3,574)</u>	<u>(8,893)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Sep 2001 £	Cash flows £	At 31 Aug 2002 £
Net cash:			
Cash in hand and at bank	<u>9,320</u>	<u>(1,731)</u>	<u>7,589</u>
Debt:			
Hire purchase agreements	<u>(18,213)</u>	<u>7,050</u>	<u>(11,163)</u>
Net debt	<u>(8,893)</u>	<u>5,319</u>	<u>(3,574)</u>

The notes on pages 10 to 16 form part of these financial statements.

HEATH FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2002

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

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:

Leasehold Property	- Over remaining term of lease
Livestock	- 20% Straight line
Fixtures & Fittings	- 25% Straight line
Motor Vehicles	- 25% Straight line

Stocks

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

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the Profit and Loss Account.

Basis of consolidation

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity.

HEATH FARM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2002

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2002	2001
	£	£
United Kingdom	<u>182,451</u>	<u>184,138</u>

3. OTHER OPERATING INCOME

	2002	2001
	£	£
Rent receivable	—	2,051
Management charges receivable	260,000	120,000
Other operating income	<u>2,301</u>	<u>234</u>
	<u>262,301</u>	<u>122,285</u>

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

	2002	2001
	£	£
Depreciation	43,665	44,332
(Profit)/loss on disposal of fixed assets	(1,800)	94
Auditors' remuneration		
- as auditors	<u>2,500</u>	<u>9,205</u>

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2002	2001
	No	No
Number of management staff	<u>4</u>	<u>4</u>

The aggregate payroll costs of the above were:

	2002	2001
	£	£
Wages and salaries	92,017	63,434
Social security costs	824	7,279
Other pension costs	<u>6,727</u>	<u>8,544</u>
	<u>99,568</u>	<u>79,257</u>

HEATH FARM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2002

6. DIRECTORS' EMOLUMENTS

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

	2002	2001
	£	£
Emoluments receivable	30,940	31,566
Value of company pension contributions to money purchase schemes	<u>6,727</u>	<u>8,544</u>
	<u>37,667</u>	<u>40,110</u>

The number of directors who are accruing benefits under company pension schemes was as follows:

	2002	2001
	No	No
Money purchase schemes	<u>1</u>	<u>1</u>

7. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2002	2001
	£	£
Dividend received	<u>300,000</u>	<u>200,000</u>

8. INTEREST PAYABLE

	2002	2001
	£	£
Interest payable on bank borrowing	1	—
Finance charges	<u>1,710</u>	<u>1,897</u>
	<u>1,711</u>	<u>1,897</u>

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2002	2001
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 20% (2001 - 20%)	1,411	—
Over/under provision in prior year	<u>—</u>	<u>(2,936)</u>
	1,411	(2,936)
Group relief	<u>—</u>	<u>(10,080)</u>
Total current tax	<u>1,411</u>	<u>(13,016)</u>

HEATH FARM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2002

9. TAX ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20% (2001 - 20%).

	2002 £	2001 £
Profit on ordinary activities before taxation	339,146	154,046
Profit/(loss) on ordinary activities by rate of tax	67,829	30,809
Permanent timing differences	2,051	2,816
Income from share in group companies	(60,000)	(40,000)
Difference between capital allowances and depreciation	(2,950)	(775)
Losses utilised in period	(4,957)	(2,936)
Small companies relief	(521)	—
Difference due to changing tax rate in year	(41)	—
Group relief	—	(10,080)
Losses carried back to prior years	—	7,150
Total current tax (note 9(a))	1,411	(13,016)

10. TANGIBLE FIXED ASSETS

	Leasehold Property £	Livestock £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost					
At 1 September 2001	91,767	9,700	94,178	87,484	283,129
Additions	—	13,250	6,159	47,761	67,170
Disposals	—	—	(37,907)	(7,934)	(45,841)
At 31 August 2002	91,767	22,950	62,430	127,311	304,458
Depreciation					
At 1 September 2001	70,472	8,500	78,694	62,359	220,025
Charge for the year	9,130	3,250	10,783	20,502	43,665
On disposals	—	—	(37,907)	(7,934)	(45,841)
At 31 August 2002	79,602	11,750	51,570	74,927	217,849
Net book value					
At 31 August 2002	12,165	11,200	10,860	52,384	86,609
At 31 August 2001	21,295	1,200	15,484	25,125	63,104

Hire purchase agreements

Included within the net book value of £86,609 is £16,563 (2001 - £23,188) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £6,625 (2001 - £3,312).

HEATH FARM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2002

11. FIXED ASSET INVESTMENTS

Heath Farm Limited is the sole member and guarantor of its subsidiary undertaking, Heath Farm Family Services Limited, a company limited by guarantee. 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.

12. STOCKS

	2002	2001
	£	£
Stock	<u>40,774</u>	<u>43,074</u>

13. DEBTORS

	2002	2001
	£	£
Trade debtors	4,536	736
Amounts owed by group undertakings	43,772	—
VAT recoverable	—	1,463
Other debtors	20,610	18,946
Directors current accounts	2,527	—
Prepayments and accrued income	<u>5,469</u>	<u>5,469</u>
	<u>76,914</u>	<u>26,614</u>

14. CREDITORS: Amounts falling due within one year

	2002	2001
	£	£
Trade creditors	—	8,670
Amounts owed to group undertakings	—	250,107
Corporation tax	1,411	—
PAYE and social security	1,193	1,004
VAT	22,818	—
Hire purchase agreements	7,050	7,050
Other creditors	—	300
Directors current accounts	—	26,992
Accruals and deferred income	<u>7,050</u>	<u>6,310</u>
	<u>39,522</u>	<u>300,433</u>

Bank overdraft facilities are secured by a fixed charge over book debts and a floating charge over all other assets.

The company has provided a company unlimited cross guarantee to its subsidiary Heath Farm Family Services Limited in respect of its bank overdraft facilities.

HEATH FARM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2002

15. CREDITORS: Amounts falling due after more than one year

	2002 £	2001 £
Other creditors:		
Hire purchase agreements	<u>4,113</u>	<u>11,163</u>

Obligations under hire purchase agreements are secured by a charge over the individual assets that are the subject of the agreement.

16. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2002 £	2001 £
Amounts payable within 1 year	7,050	7,050
Amounts payable between 2 to 5 years	<u>4,113</u>	<u>11,163</u>
	<u>11,163</u>	<u>18,213</u>

17. RELATED PARTY TRANSACTIONS

Included in debtors is £2,527 (2001 - £(26,992)) due from the directors.

During the year the company received £442,451 (2001 - £300,000) from its subsidiary company Heath Farm Family Services Limited in relation to the provision of transport, riding services and management charges provided.

18. SHARE CAPITAL

Authorised share capital:

	2002 £	2001 £
40,000 Ordinary shares of £1 each	<u>40,000</u>	<u>40,000</u>

Allotted, called up and fully paid:

	2002 No	£	2001 No	£
Ordinary shares of £1 each	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>

19. PROFIT AND LOSS ACCOUNT

	2002 £	2001 £
Balance brought forward	(209,484)	(376,546)
Retained profit for the financial year	<u>337,735</u>	<u>167,062</u>
Balance carried forward	<u>128,251</u>	<u>(209,484)</u>

HEATH FARM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2002

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	337,735	167,062
Opening shareholders' equity deficit	(169,484)	(336,546)
Closing shareholders' equity funds/(deficit)	<u>168,251</u>	<u>(169,484)</u>

21. POST BALANCE SHEET EVENTS

Since 31 August 2002, the company has purchased the property known as Heath Farm, Charing Heath, Kent. The purchase price for the property was £1.2m and has been financed partly in cash and partly by way of a mortgage secured over the property.

22. ULTIMATE CONTROLLING PARTY

The company was under the control of Mrs R J Lloyd throughout the current and previous year.