

Registered

HEATH FARM LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2000

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DIRECTORS

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

COMPANY SECRETARY

G.F.M. 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



HEATH FARM LIMITED

REPORT OF THE DIRECTORS for the year ended 31st AUGUST 2000

The Directors present their report, together with the audited financial statements for the year ended 31st August 2000.

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 2000	1st September 1999
R.J. Lloyd	37,785	37,785
V. Barlow	37	37
M.J. Rigden	1,100	1,100
R.E. Lloyd	407	407
G.F.M. Revell	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. 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

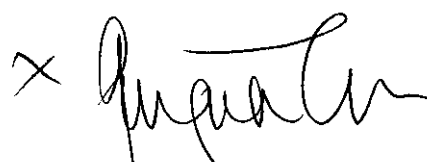
REPORT OF THE DIRECTORS for the year ended 31st AUGUST 2000

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 19th December 2000

By Order of the Board

x 
G.F.M. Revell
Secretary

Charing Heath, Kent.

AUDITORS' REPORT TO THE SHAREHOLDERS OF:

HEATH FARM LIMITED for the year ended 31st AUGUST 2000

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 2000 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

21st December 2000

HEATH FARM LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31st AUGUST 2000****1999****NOTE**

2.	TURNOVER	4,168,834	3,949,385
	Cost of Sales	2,803,786	2,628,905
	GROSS PROFIT	1,365,048	1,320,480
	Administrative Expenses	1,314,756	1,258,327
		50,292	62,153
	Other Operating Income	5,546	5,586
3.	OPERATING PROFIT	55,838	67,739
	Loss/Profit on Disposal of Fixed Assets	(4,901)	3,270
		50,937	71,009
	Interest Receivable and Similar Income	1,681	1,446
		52,618	72,455
	Interest Payable and Similar Charges	2,651	6,708
	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	49,967	65,747
4.	Tax on Ordinary Activities	19,211	20,257
11.&	PROFIT FOR THE YEAR TRANSFERRED		
12.	TO RESERVES	£ 30,756	£ 45,490

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

The group 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 2000

NOTE

1999

FIXED ASSETS		
5. Tangible Assets	164,191	207,977
CURRENT ASSETS		
7. Stocks	40,774	56,175
8. Debtors	218,373	244,977
Cash at Bank and in Hand	179,794	85,805
	-----	-----
	438,941	386,957
9. CREDITORS: Amounts falling due within one year	526,675	544,403
	-----	-----
NET CURRENT LIABILITIES	(87,734)	(157,446)
	-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES	76,457	50,531
9. CREDITORS: Amounts falling due after more than one year	-	4,830
	-----	-----
NET ASSETS	<u>£ 76,457</u>	<u>£ 45,701</u>
CAPITAL AND RESERVES		
10. Called up Share Capital	40,000	40,000
12. Profit & Loss Account	36,457	5,701
	-----	-----
11. SHAREHOLDERS' FUNDS	<u>£ 76,457</u>	<u>£ 45,701</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 19th December 2000
and signed on their behalf by

X 

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 2000

NOTE

1999

FIXED ASSETS		
5. Tangible Assets	153,475	201,253
CURRENT ASSETS		
7. Stocks	40,774	56,175
8. Debtors	54,692	61,514
Cash at Bank and in Hand	5,662	2,349
	-----	-----
	101,128	120,038
9. CREDITORS: Amounts falling due within one year	591,149	599,423
	-----	-----
NET CURRENT LIABILITIES	(490,021)	(479,385)
	-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES	(336,546)	(278,132)
9. CREDITORS: Amounts falling due after more than one year	-	4,696
	-----	-----
NET LIABILITIES	£(336,546)	£(282,828)
	=====	=====
CAPITAL AND RESERVES		
10. Called up Share Capital	40,000	40,000
12. Profit & Loss Account	(376,546)	(322,828)
	-----	-----
11. SHAREHOLDERS' FUNDS	£(336,546)	£(282,828)
	=====	=====

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 19th December 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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 31st AUGUST 2000

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 2000

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	
	2000	1999
Auditor's Remuneration:		
- Audit Fees	8,900	9,130
Depreciation of Tangible Fixed Assets		
- Owned Fixed Assets	63,638	75,032
- Assets held under Finance Leases and Hire Purchase Contracts	10,033	10,033
Loss on Disposal of Tangible Fixed Assets	2,780	680
Operating Lease Rentals - Other Assets	111,895	105,162
	<u>=====</u>	<u>=====</u>

Directors Emoluments

	Group	
	2000	1999
Aggregate Emoluments	315,923	318,083
Company Pension Contributions to Money Purchase Schemes	23,773	13,877
	<u>-----</u>	<u>-----</u>
	<u>£339,696</u>	<u>£331,960</u>
	<u>=====</u>	<u>=====</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	
	2000	1999	2000	1999
Corporation Tax Due on the Results for the Year	20,951	20,257	-	911
Over-provision on the Results of the Previous Year	(40)	-	-	-
Group Relief	(1,700)	-	-	-
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
	<u>£19,211</u>	<u>£20,257</u>	<u>£ -</u>	<u>£ 911</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

HEATH FARM LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 31st AUGUST 2000

4. TAX ON PROFIT ON ORDINARY ACTIVITIES - Continued

The liability to Corporation Tax is shown in Note 9 to the financial statements is made up as follows:

	2000	1999
Amount Due on the Results for the Year	20,951	20,257
Group Relief	(1,700)	-
	-----	-----
	£19,251	£20,257
	=====	=====

5. TANGIBLE FIXED ASSETS

The Group

	Improve- ments to Leasehold Properties	Fixtures Fittings & Equipment	Motor Vehicles	Livestock	Total
Cost					
At 1st September 1999	338,005	126,562	79,646	40,400	584,613
Additions	15,729	21,777	-	-	37,506
	-----	-----	-----	-----	-----
	353,734	148,339	79,646	40,400	622,119
Disposals	-	18,499	-	24,000	42,499
	-----	-----	-----	-----	-----
At 31st August 2000	353,734	129,840	79,646	16,400	579,620
	-----	-----	-----	-----	-----
Depreciation					
At 1st September 1999	209,450	85,574	51,692	29,920	376,636
Provided for the year	36,071	22,398	13,262	1,940	73,671
	-----	-----	-----	-----	-----
	245,521	107,972	64,954	31,860	450,307
Disposals	-	13,598	-	21,280	34,878
	-----	-----	-----	-----	-----
At 31st August 2000	245,521	94,374	64,954	10,580	415,429
	-----	-----	-----	-----	-----
Net Book Value					
At 31st August 2000	£108,213	£35,466	£14,692	£5,820	£164,191
	=====	=====	=====	=====	=====
Net Book Value					
At 31st August 1999	£128,555	£40,988	£27,954	£10,480	£207,977
	=====	=====	=====	=====	=====

The net book value of Tangible Fixed Assets includes £11,330 (1999: £21,363) in respect of assets held under Finance Leases and Hire Purchase Contracts of a similar nature.

Depreciation of £10,033 (1999: £10,033) 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 2000

5. TANGIBLE FIXED ASSETS

The Company

	Improve- ments to Leasehold Properties	Fixtures Fittings & Equipment	Motor Vehicles	Livestock	Total
Cost					
At 1st September 1999	338,005	90,692	60,984	40,400	530,081
Additions	15,729	11,905	-	-	27,634
	-----	-----	-----	-----	-----
	353,734	102,597	60,984	40,400	557,715
Disposals	-	13,043	-	24,000	37,043
	-----	-----	-----	-----	-----
At 31st August 2000	353,734	89,554	60,984	16,400	520,672
	-----	-----	-----	-----	-----
Depreciation					
At 1st September 1999	209,450	56,428	33,030	29,920	328,828
Provided for the year	36,071	17,605	13,262	1,940	68,878
	-----	-----	-----	-----	-----
	245,521	74,033	46,292	31,860	397,706
Disposals	-	9,229	-	21,280	30,509
	-----	-----	-----	-----	-----
At 31st August 2000	245,521	64,804	46,292	10,580	367,197
	-----	-----	-----	-----	-----
Net Book Value					
At 31st August 2000	£108,213	£24,750	£14,692	£5,820	£153,475
	=====	=====	=====	=====	=====
Net Book Value					
At 31st August 1999	£128,555	£34,264	£27,954	£10,480	£201,253
	=====	=====	=====	=====	=====

6. FIXED ASSET INVESTMENTS

Heath Farm Limited is the sole member and guarantor of its subsidiary undertaking, Heath Farm Family Services, 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.

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

7. STOCKS

	Group and Company	
	2000	1999
Livestock	£40,774	£56,175
	=====	=====

HEATH FARM LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 31st AUGUST 2000

8. DEBTORS

	Group		Company	
	2000	1999	2000	1999
Trade Debtors	152,068	172,971	308	1,981
Other Debtors	66,305	72,006	54,384	59,533
	<u>£218,373</u>	<u>£244,977</u>	<u>£54,692</u>	<u>£ 61,514</u>

9. CREDITORS: Amounts falling due within one year

	Group		Company	
	2000	1999	2000	1999
Bank Loan and Overdraft	-	11,759	-	11,759
Trade Creditors	71,392	52,858	27,285	31,044
Amounts Owed to Related Undertaking	-	21,619	-	-
Amounts Owed to Subsidiary Undertaking	-	-	500,964	483,690
Corporation Tax (Note 4)	19,251	20,257	-	911
Other Taxation and Social Security	72,845	65,701	25,775	38,419
Other Creditors	49,700	50,867	32,429	26,557
Deferred Income	308,658	312,699	-	-
Obligations Under Finance Leases and Hire Purchase Contracts	4,829	8,643	4,696	7,043
	<u>£526,675</u>	<u>£544,403</u>	<u>£591,149</u>	<u>£599,423</u>

CREDITORS: Amounts falling due after more than one year

Obligations Under Finance Leases and Hire Purchase Contracts	-	4,830	-	4,696
	<u>£ -</u>	<u>£ 4,830</u>	<u>£ -</u>	<u>£ 4,696</u>

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	
	2000	1999
Within One Year	<u>£ 4,696</u>	<u>£ 7,043</u>
Between Two and Five years	<u>£ -</u>	<u>£ 4,696</u>

HEATH FARM LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 31st AUGUST 2000

10. SHARE CAPITAL

	2000	1999
Equity Shares		
Authorised		
40,000 Ordinary Shares of £1 each	£40,000	£40,000
	=====	=====
Issued and Fully Paid		
40,000 Ordinary Shares of £1 each	£40,000	£40,000
	=====	=====

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	2000	1999	2000	1999
Profit/Loss for the Financial Year	30,756	45,490	(53,718)	(31,695)
Opening Shareholders' Funds	45,701	211	(282,828)	(251,133)
	-----	-----	-----	-----
Closing Shareholders' Funds	£76,457	£45,701	£(336,546)	£(282,828)
	=====	=====	=====	=====

12. RESERVES

	Profit & Loss Account	
	Group	Company
At 1st September 1999	5,701	(322,828)
Profit/Loss for the Year	30,756	(53,718)
	-----	-----
At 31st August 2000	£36,457	£(376,546)
	=====	=====

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 2000

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	
	2000	1999	2000	1999
Operating Leases Which Expire				
- Within One Year	-	-	49,214	-
- Between Two and Five Years	50,500	46,000	44,948	115,322
- After Five Years	-	-	-	-
	<u>£50,500</u>	<u>£46,000</u>	<u>£94,162</u>	<u>£115,322</u>

14. RELATED PARTY TRANSACTIONS

R.J. Lloyd is the Ultimate Controlling Party and, at 31st August 2000, the balance on her Director's Current Account was £79.

The balances on the Directors' Current Accounts of M. Rigden, V. Barlow and G. Revell, who are also related parties, were £11,425, £2,630, and £4,491 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>£ 6,726</u>
--------------------	----------------

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	
2000	1999	2000	1999
<u>£32,279</u>	<u>£21,883</u>	<u>£23,773</u>	<u>£13,877</u>