

FAIRWAY CARE LIMITED

COMPANY NO. 2050550

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER, 1992



FAIRWAY CARE LIMITED

YEAR ENDED 31st DECEMBER, 1992

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FAIRWAY CARE LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31st DECEMBER, 1992

The Directors have pleasure in presenting their Report and the Accounts for the year ended above.

1. ACTIVITIES

The Company continued to trade principally in the management of Nursing Homes.

2. RESULTS

There was a Net Profit before taxation of £21,396 (1991: £24,196). The Directors estimate that provision for Corporation Tax of £8,115 is required (1991: £1,857). No dividend is proposed, and the balance of profit after taxation for the year has been transferred to Reserves.

3. BUSINESS REVIEW

The Directors consider the financial position of the Company to be satisfactory, and are pleased with overall progress in the year. They are confident that this level of activity can be sustained in the foreseeable future.

4. FIXED ASSETS

Movement of Fixed Assets is shown in Note 7 to the financial Statements.

FAIRWAY CARE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31st DECEMBER, 1992

5. DIRECTORS

The Directors during the year, together with their interests in the Company's Share Capital were as follows:

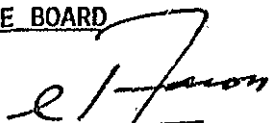
	<u>1992</u>	<u>1991</u>
G. H. Faron	20	20
J. Faron	20	20
F. D. Corfe	20	20
V. Corfe	20	20

6. AUDITORS

During the year, Messrs Philip D. Harrison were appointed in place of Duncan Sheard Glass. In accordance with Section 384 of the Companies Act 1985, a resolution proposing their re-appointment is to be put to the Annual General Meeting.

BY ORDER OF THE BOARD

G. H. FARON



Director

31 August, 1993.

REPORT OF THE AUDITOR

To the Members of FAIRWAY CARE LIMITED

FOR THE YEAR ENDED 31st DECEMBER, 1992

I have audited the financial statements on pages 4 to 11 in accordance with Auditing Standards.

- (1) The financial statements have been prepared on a going concern basis. This basis may not be appropriate because at 31st December 1992 the Company's current liabilities exceed its current assets by £228,238. Should the Company be unable to continue to trade, adjustments would have to be made to reduce the value of assets to their recoverable amounts and to re-classify fixed assets and long term liabilities as current assets and liabilities.
- (2) As explained more fully in Note 7, the freehold property of the Company has been included at a valuation which was not provided by qualified independent assessment. Should this valuation be excessive, adjustment would have to be made to reduce the value of the asset to its recoverable amount.

Subject to the Company's being able to continue to trade, and subject to any adjustments I might have found to be necessary had I been able to satisfy myself as to the matter raised in (2) above, in my opinion, the financial statements give a true and fair view of the state of the Company's affairs at 31st December, 1992 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Philip D. Harrison

PHILIP D. HARRISON

Chartered Accountant and Registered Auditor

Liverpool

31 August, 1993

FAIRWAY CARE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER, 1992

<u>1991</u>		<u>1992</u>
982,567	TURNOVER (Note 1)	1,637,673
(546,875)	COST OF SALES	(943,714)
-----		-----
435,692	GROSS PROFIT	693,959
(390,614)	ADMINISTRATIVE EXPENSES	(636,178)
676	INTEREST RECEIVABLE AND SIMILAR INCOME	-
(21,558)	INTEREST PAYABLE AND SIMILAR CHARGES (Note 4)	(36,385)
-----		-----
24,196	PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	21,396
(1,857)	TAXATION ON ORDINARY ACTIVITIES (Note 5)	(8,115)
-----		-----
22,339	PROFIT (LOSS) FOR THE FINANCIAL YEAR	13,281
(27,322)	ADD: BALANCE BROUGHT FORWARD	(4,983)
-----		-----
(4,983)	BALANCE CARRIED FORWARD	8,298
=====		=====

FAIRWAY CARE LIMITED

BALANCE SHEET

AS AT 31st DECEMBER, 1992

1991

<u>365,786</u>	TANGIBLE FIXED ASSETS (Note 7)	695,764
	<u>CURRENT ASSETS</u>	
48,869	Debtors (Note 8)	60,324
10,712	Balance at Bank and in Hand	637
<u>59,581</u>		<u>60,961</u>
	LESS: CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR (Note 9)	289,199
<u>178,573</u>		<u>289,199</u>
<u>(118,992)</u>	NET CURRENT ASSETS (LIABILITIES)	<u>(228,238)</u>
246,794	TOTAL ASSETS LESS CURRENT LIABILITIES	467,526
	CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Note 10)	(266,839)
(1,335)	PROVISION FOR LIABILITIES AND CHARGES (Note 11)	(3,950)
<u>(4,863)</u>		<u>196,737</u>

Represented by:

100	CALLED UP SHARE CAPITAL (Note 2)	100
-	REVALUATION RESERVE (Note 12)	188,339
(4,983)	PROFIT AND LOSS ACCOUNT	8,298
<u>(4,883)</u>		<u>196,737</u>

G. H. FARON

F. D. CORFE

G. H. Faron
F. D. Corfe

ON BEHALF OF THE BOARD

The Financial Statements were approved by the Board on 31 August, 1993.

FAIRWAY CARE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER, 1992

1. ACCOUNTING POLICIES

a. BASIS OF ACCOUNTING

The Accounts have been prepared in accordance with applicable accounting standards under the Historical Cost Convention.

b. TANGIBLE FIXED ASSETS

Tangible Fixed Assets are shown at Cost less Accumulated Depreciation. Depreciation is provided on all tangible fixed assets, at annual rates calculated to write off the cost less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold Properties	2%	Straight line
Motor Vehicles	20%	Straight Line
Plant, Equipment Fixtures & Fittings	15%	Reducing Balance
Leased Assets	20%	Straight Line

c. DEFERRED TAXATION

Provision is made for Deferred Taxation caused by timing differences, except to the extent that there is a reasonable probability of the tax not falling due in the foreseeable future. The liability for Deferred Taxation is calculated at the rate of Corporation Tax expected to apply when the liability arises.

d. LEASES

An asset acquired under a lease which transfers substantially all the risks and rewards of ownership to the Company is capitalised as a tangible asset and depreciated over the shorter of the term of the lease or its useful life.

Outstanding obligations due under a lease net of finance charges are included as a liability. The finance element of the rental payment is charged to the profit and loss account over the term of the lease.

All other leases are operating leases and the rentals are charged to the profit and loss account.

FAIRWAY CARE LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31st DECEMBER, 1992

1. (CONTINUED)

e. CASH FLOW STATEMENT

The Company is a small company as defined by Section 247 of the Companies Act, 1985. Accordingly, it has elected to take advantage of the exemption from preparing a Cash Flow Statement under Financial Reporting Standard no. 1.

f. TURNOVER

Turnover represents the total of Gross Fees Receivable.

2. SHARE CAPITAL

	<u>1992</u>	<u>1991</u>
Ordinary Shares of £1 each		
Authorised		
100 Shares	100	100
Allotted, Called up and fully paid		
100 Shares	100	100

FAIRWAY CARE LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31st DECEMBER, 1992

3. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES

All arose from the main activity. Turnover included Exports of Nil.

	<u>1992</u>	<u>1991</u>
Profit on ordinary Activities is stated after charging:		
Directors' Emoluments	-	-
Auditors' Remuneration	1,500	6,000
Depreciation	21,686	18,198
	-----	-----

4. INTEREST PAYABLE

On Bank Loans, Overdrafts and Other Loans: Repayable within 5 years not by instalments	4,415	3,421
On Hire Purchase and Finance Lease Contracts	666	-
On all other loans repayable wholly or partly in more than five years	31,304	18,137
	-----	-----
	36,385	21,558
	=====	=====

5. TAXATION

U.K. Corporation Tax:

On the profit for the year at 25 % (1991: 25 %)	5,500	522
Deferred Taxation	2,615	1,335
	-----	-----
As charged in Accounts	8,115	1,857
	=====	=====

FAIRWAY CARE LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31st DECEMBER, 1992

6. EMPLOYEES

a. Aggregated Staff Costs during the Year were as follows:

	<u>1992</u>	<u>1991</u>
Wages and Salaries	801,059	449,269
Social Security Costs	50,845	28,516
	-----	-----
	851,904	477,785
	-----	-----

b. The average weekly number of employees:

Administration and Management	5	3
Nursing and Care	154	140
	---	---
	159	143
	---	---

7. TANGIBLE FIXED ASSETS

	<u>Freehold Properties</u>	<u>Leased Assets & Imps</u>	<u>Plant, Equipment, Fixtures & Fittings</u>	<u>Total</u>
COST				
Balance Brought Forward	311,661	22,325	50,159	384,145
Additions	54,726	72,014	36,585	163,325
Revaluation Surplus	188,339			188,339
	-----	-----	-----	-----
Carried Forward	554,726	94,339	86,744	735,809
	-----	-----	-----	-----
DEPRECIATION				
Balance Brought Forward	6,234	4,465	7,660	18,359
Charge for the Year	6,233	7,474	7,979	21,686
	-----	-----	-----	-----
Balance Carried Forward	12,467	11,939	15,639	40,045
	-----	-----	-----	-----
NET BOOK VALUE				
Brought Forward	305,427	17,860	42,499	365,786
	-----	-----	-----	-----
Carried Forward	542,259	82,400	71,105	695,764
	=====	=====	=====	=====

The Freehold Property at Oxton House was valued by the Directors on an existing use open market value as at 30 November 1992 at £500,000, its original cost being £311,661. The additions during the year consisted of the acquisition of the Central Laundry Facility in Rock Ferry, Birkenhead.

FAIRWAY CARE LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31st DECEMBER, 1992

7. TANGIBLE FIXED ASSETS (CONTINUED)

The comparable figures in respect of Historical Cost of the freehold land and buildings included at valuation are as follows:

	<u>1.1.92</u>	<u>Additions</u> <u>/Charged</u>	<u>31.12.92</u>
Cost	311,661	54,726	366,387
Depreciation	6,234	6,233	12,467
	-----		-----
Net Book Value	305,427		353,920
	-----		-----
		<u>1992</u>	<u>1991</u>

8. DEBTORS

Payable within one year:

Trade Debtors	46,298	34,560
Other Debtors and Prepayments	100	-
Balances with Related Companies	13,926	14,309
	-----	-----
	60,324	48,869
	-----	-----

9. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

Bank Overdraft	67,395	18,988
Trade Creditors	36,981	61,229
Current Element of Mortgages	16,014	6,348
Finance Lease Liability	1,157	2,241
Taxes and Social Security	71,724	21,271
Corporation Tax Provision	6,022	-
Current Account - F. D. Corfe	36,601	-
Other Creditors and Accruals	53,305	68,496
	-----	-----
	289,199	178,573
	-----	-----

The Mortgages are secured by charges over the freehold property of the Company. The Bank Overdraft is secured by a second legal mortgage over the freehold premises at Oxton House, 22 Lorne Road, Oxton, dated 2nd June, 1992.

10. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Mortgage Loans	260,485	242,310
Hire Purchase commitments	6,354	8,032
	-----	-----
	266,839	250,342
	-----	-----

FAIRWAY CARE LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31st DECEMBER, 1992

11. PROVISION FOR LIABILITIES AND CHARGES

	<u>Amount Provided and Full Potential Liability</u>	
	<u>1992</u>	<u>1991</u>
Deferred Taxation caused by timing differences on accelerated Capital Allowances	3,950	1,335
	-----	-----

12. REVALUATION RESERVE

During the Year the Company's premises at Oxton House were revalued by the Directors at £500,000, being a fair estimate of current market value. This created a Revaluation Reserve of £188,339.

13. CAPITAL COMMITMENTS

Expenditure contracted for but not provided in the financial statements was as follows:

Improvements to Leasehold Property	50,000	Nil
	-----	----

14. DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Company incurred expenditure of £36,274 in respect of the renovation of Leasehold Premises by Storeton Developments Limited, a company in which Mr F.D. Corfe, a Director of both companies, has a material interest. The trade was conducted on normal commercial terms.

Expenses for the year included a management charge of £30,000 payable to Mergold Limited. This charge represents the provision of management services in respect of Mr G.H. Faron, a Director of both companies. Expenses also include a charge of £109,240 for rent payable on a nursing home leased to Fairway Care Limited by Mergold Limited. These transactions too were conducted on normal commercial terms.

FAIRWAY CARE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st DECEMBER, 1992

<u>1991</u>	<u>%</u>			<u>%</u>
982,567	100.0	TURNOVER (Note 3)	1,637,673	100.0
-----	-----		-----	-----
		<u>LESS: DIRECT COSTS</u>		
52,931	5.4	Food	78,682	4.8
477,785	48.6	Payroll Costs	851,904	52.0
16,159	1.6	Medical Supplies	13,128	0.8
-----	-----		-----	-----
546,875	55.6		943,714	57.6
-----	-----		-----	-----
435,692	44.4	GROSS MARGIN	693,959	42.4
-----	-----		-----	-----
		<u>LESS: EXPENSES</u>		
3,660		Postage & Stationery	4,896	
234,911		Rent	395,532	
-		Rates	5,905	
14,583		Management Fees	30,000	
5,242		Insurance	12,657	
30,160		Heat & Light	43,648	
495		Equipment Leasing	2,360	
14,506		Cleaning & Garden Maintenance	32,841	
90		Training	580	
9,566		Repairs & Renewals	20,187	
-		Bedding & Uniforms	7,343	
3,180		& Levies	7,701	
6,150		Telephone	9,081	
7,658		General Expenses	5,102	
4,730		Advertising	19,853	
1,671		Motor and Travel	4,631	
396		Entertaining	99	
6,000		Audit and Accountancy	4,375	
15,225		Legal and Professional Fees	3,007	
6,055		Bank Charges	5,621	
21,558		Bank Interest	35,719	
-		Hire Purchase Interest	666	
(676)		Interest (Received)	-	
18,198		Depreciation (Note 8)	21,686	
-		Sundry (Income)	(927)	
8,138		Bad Debts	-	
-----	-----		-----	-----
411,496	41.9		672,563	41.1
-----	-----		-----	-----
24,196	2.5	NET PROFIT BEFORE TAXATION	21,396	1.3
=====	=====		=====	=====