

COMPANY REGISTRATION NUMBER 4340639

**The Franklyn Group Limited and its
Subsidiary Undertakings
Financial Statements
For
30 June 2003**



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JOLLIFFE CORK

Chartered Accountants & Registered Auditors
33 George Street
Wakefield
WF1 1LX

**The Franklyn Group Limited
and its Subsidiary Undertakings**

Financial Statements

Period From 1 January 2002 to 30 June 2003

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The Franklyn Group Limited and its Subsidiary Undertakings

Officers and Professional Advisers

The Board of Directors	Mr R A Fleming Mrs S A MacArthur Mrs D L Taylor
Company Secretary	Mrs D L Taylor
Registered Office	33 George Street Wakefield WF11LX
Auditors	Jolliffe Cork Chartered Accountants & Registered Auditors 33 George Street Wakefield WF1 1LX
Bankers	Bank of Ireland 36 Queen Street London EC4R 1HJ
Solicitors	Keeble Hawson Protection House 16-17 East Parade Leeds LS1 2BR

The Franklyn Group Limited and its Subsidiary Undertakings

The Directors' Report

Period From 1 January 2002 to 30 June 2003

The directors present their report and the financial statements of the group for the period from 1 January 2002 to 30 June 2003.

Principal Activities

The principal activity of the group during the period was that of Care Home Operators, Care Home Agents and Property Developers.

The Directors and their Interests

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

		Ordinary Shares of £1 each	
		At	At
		30 June 2003	1 January 2002 or later date of appointment
Mr R A Fleming	(Appointed 21 March 2002)	750	—
Mrs S A MacArthur	(Appointed 21 March 2002)	50	—
Mrs D L Taylor	(Appointed 21 March 2002)	200	—

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 group at the end of the period and of the group's profit or loss for the period then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 12 to 13, 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

**The Franklyn Group Limited
and its Subsidiary Undertakings**

The Directors' Report *(continued)*

Period From 1 January 2002 to 30 June 2003

Small Company Provisions

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

Registered office:
33 George Street
Wakefield
WF11LX

Signed by order of the directors

A handwritten signature in black ink, appearing to read 'D. L. Taylor', is written over the printed name of the Company Secretary.

Mrs D L Taylor
Company Secretary

Approved by the directors on 30 January 2004

The Franklyn Group Limited and its Subsidiary Undertakings

Independent Auditors' Report to the Shareholders

Period From 1 January 2002 to 30 June 2003

We have audited the financial statements on pages 6 to 17 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out on pages 12 to 13.

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 Directors and Auditors

As described in the Statement of Directors' Responsibilities the company'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 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.

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 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.

**The Franklyn Group Limited
and its Subsidiary Undertakings**

Independent Auditors' Report to the Shareholders *(continued)*

Period From 1 January 2002 to 30 June 2003

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs and of the group as at 30 June 2003 and of the loss of the group for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

Jolliffe Cork
JOLLIFFE CORK
Chartered accountants
& Registered Auditors

33 George Street
Wakefield
WF1 1LX

30 January 2004

**The Franklyn Group Limited
and its Subsidiary Undertakings**

Group Profit and Loss Account

Period From 1 January 2002 to 30 June 2003

	Note	Period from 1 Jan 02 to 30 Jun 03 £	Period from 1 Jul 01 to 31 Dec 01 £
Group Turnover		865,104	—
Cost of sales		(48,905)	—
Gross Profit		816,199	—
Administrative expenses		(712,218)	—
Operating Profit	3	103,981	—
Interest payable		(110,239)	—
Loss on Ordinary Activities Before Taxation		(6,258)	—
Tax on loss on ordinary activities		—	—
Loss for the Financial Period	4	(6,258)	—

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

Group Statement of Total Recognised Gains and Losses

Period From 1 January 2002 to 30 June 2003

	Period from 1 Jan 02 to 30 Jun 03 £	Period from 1 Jul 01 to 31 Dec 01 £
Loss for the financial period attributable to the shareholders of the parent company	(6,258)	—
Unrealised profit on revaluation of certain fixed assets	1,131,537	—
Total gains and losses recognised since last annual report	1,125,279	—

The notes on pages 12 to 17 form part of these financial statements.

**The Franklyn Group Limited
and its Subsidiary Undertakings**

Group Balance Sheet

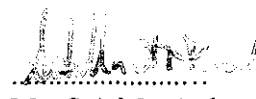
30 June 2003

	Note	30 Jun 03 £	£	31 Dec 01 £	£
Fixed Assets					
Intangible assets	5	45,000		—	
Tangible assets	6	3,456,222		—	
		<u>3,501,222</u>			
Current Assets					
Stocks		109,757		—	
Debtors	8	242,059		—	
Cash at bank and in hand		18,238		1	
		<u>370,054</u>		1	
Creditors: Amounts Falling due Within One Year	9	<u>547,459</u>		—	
Net Current (Liabilities)/Assets			<u>(177,405)</u>		1
Total Assets Less Current Liabilities			<u>3,323,817</u>		1
Creditors: Amounts Falling due after More than One Year	10		<u>1,239,172</u>		—
			<u>2,084,645</u>		1
Shareholder loan			958,365		—
Capital and Reserves					
Called-up equity share capital	11	1,000		1	
Profit and loss account	12	(6,258)		—	
Revaluation reserve	12	1,131,538		—	
Shareholders' Funds			<u>1,126,280</u>		1
			<u>2,084,645</u>		1

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

These financial statements were approved by the directors on the 30 January 2004 and are signed on their behalf by:


Mr R A Fleming


Mrs S A MacArthur


Mrs D L Taylor

The notes on pages 12 to 17 form part of these financial statements.

The Franklyn Group Limited and its Subsidiary Undertakings

Parent Company Balance Sheet

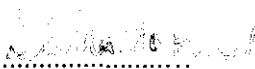
30 June 2003

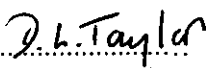
	Note	30 Jun 03 £	£	31 Dec 01 £	£
Fixed Assets					
Intangible assets	5	45,000		—	
Tangible assets	6	3,443,862		—	
Investments	7	2,000		—	
		<u>3,490,862</u>			
Current Assets					
Stocks		2,300		—	
Debtors	8	426,030		—	
Cash at bank and in hand		16,217		1	
		<u>444,547</u>		1	
Creditors: Amounts Falling due Within One Year	9	483,556		—	
Net Current (Liabilities)/Assets			(39,009)		1
Total Assets Less Current Liabilities			<u>3,451,853</u>		1
Creditors: Amounts Falling due after More than One Year	10	1,239,172		—	
		<u>2,212,681</u>			1
Shareholder loan			958,365		—
Capital and Reserves					
Called-up equity share capital	11	1,000			1
Profit and loss account	12	121,778			—
Revaluation reserve	12	1,131,538			—
Shareholders' Funds			<u>1,254,316</u>		1
			<u>2,212,681</u>		1

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

These financial statements were approved by the directors on the 30 January 2004 and are signed on their behalf by:


Mr R A Fleming


Mrs S A MacArthur


Mrs D L Taylor

The notes on pages 12 to 17 form part of these financial statements.

**The Franklyn Group Limited
and its Subsidiary Undertakings**

Group Cash Flow Statement

Period From 1 January 2002 to 30 June 2003

	Period from 1 Jan 02 to 30 Jun 03 £	£	Period from 1 Jul 01 to 31 Dec 01 £	£
Net Cash Outflow From Operating Activities		(56,640)		—
Returns on Investments and Servicing of Finance				
Interest paid	<u>(110,239)</u>		—	—
Net Cash Outflow From Returns on Investments and Servicing of Finance		(110,239)		—
Capital Expenditure				
Payments to acquire intangible fixed assets	<u>(50,000)</u>		—	—
Payments to acquire tangible fixed assets	<u>(2,336,803)</u>		—	—
Net Cash Outflow From Capital Expenditure		(2,386,803)		—
Cash Outflow Before Financing		(2,553,682)		—
Financing				
Shareholder loan	958,365		—	—
Issue of equity share capital	999		1	—
Bank loans	<u>1,612,555</u>		—	—
Net Cash Inflow From Financing		2,571,919		1
Increase in Cash		<u>18,237</u>		<u>1</u>

The notes on pages 12 to 17 form part of these financial statements.

**The Franklyn Group Limited
and its Subsidiary Undertakings**

Group Cash Flow Statement *(continued)*

Period From 1 January 2002 to 30 June 2003

**Reconciliation of Operating Profit to Net Cash Outflow From
Operating Activities**

	Period from 1 Jan 02 to 30 Jun 03 £	Period from 1 Jul 01 to 31 Dec 01 £
Operating profit	103,981	—
Amortisation	5,000	—
Depreciation	12,118	—
Increase in stocks	(109,757)	—
Increase in debtors	(242,059)	—
Increase in creditors	174,077	—
Net cash outflow from operating activities	(56,640)	—

Reconciliation of Net Cash Flow to Movement in Net Debt

	30 Jun 03 £	£	31 Dec 01 £	£
Increase in cash in the period	18,237		1	
Net cash (inflow) from bank loans	<u>(1,612,555)</u>		—	
		(1,594,318)		1
Change in net debt		(1,594,318)		1
Net funds at 1 January 2002		<u>1</u>		—
Net debt at 30 June 2003		(1,594,317)		<u>1</u>

The notes on pages 12 to 17 form part of these financial statements.

**The Franklyn Group
and its Subsidiary Undertakings**

Group Cash Flow Statement *(continued)*

Period From 1 January 2002 to 30 June 2003

Analysis of Changes in Net Debt

	At 1 Jan 2002 £	Cash flows £	At 30 Jun 2003 £
Net cash:			
Cash in hand and at bank	<u>1</u>	<u>18,237</u>	<u>18,238</u>
Debt:			
Debt due within 1 year	–	(373,383)	(373,383)
Debt due after 1 year	–	(1,239,172)	(1,239,172)
	<u>–</u>	<u>(1,612,555)</u>	<u>(1,612,555)</u>
Net debt	<u><u>1</u></u>	<u><u>(1,594,318)</u></u>	<u><u>(1,594,317)</u></u>

The notes on pages 12 to 17 form part of these financial statements.

The Franklyn Group Limited and its Subsidiary Undertakings

Notes to the Financial Statements

Period From 1 January 2002 to 30 June 2003

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 the Financial Reporting Standard for Smaller Entities (effective June 2002).

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 five 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.

Turnover

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

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:

10% per annum – straight line

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:

Fixtures and fittings	15% per annum – straight line
Motor vehicles	25% per annum – reducing balance
Office equipment	15% per annum – straight line

The Franklyn Group Limited and its Subsidiary Undertakings

Notes to the Financial Statements

Period From 1 January 2002 to 30 June 2003

1. Accounting Policies *(continued)*

Depreciation is not provided on land and buildings as the directors intend to carry out refurbishment and repairs as and when required in order to maintain the buildings in good condition.

Stocks

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

Work in Progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

2. Turnover

Overseas turnover amounted to Nil% (2001 – Nil%) of the total turnover for the period.

3. Operating Profit

Operating profit is stated after charging:

	Period from 1 Jan 02 to 30 Jun 03 £	Period from 1 Jul 01 to 31 Dec 01 £
Directors' emoluments	112,807	—
Staff pension contributions	4,586	—
Amortisation	5,000	—
Depreciation of owned fixed assets	12,118	—
Auditors' fees	7,500	—

4. Profit Attributable to Members of the Parent Company

The profit dealt with in the accounts of the parent company was £121,778 (2001 - £Nil).

The Franklyn Group Limited and its Subsidiary Undertakings

Notes to the Financial Statements

Period From 1 January 2002 to 30 June 2003

5. Intangible Fixed Assets

Group and company	Goodwill £
Cost	
Additions	50,000
At 30 June 2003	<u>50,000</u>
Amortisation	
Charge for the period	5,000
At 30 June 2003	<u>5,000</u>
Net Book Value	
At 30 June 2003	<u>45,000</u>
At 31 December 2001	<u>—</u>

6. Tangible Fixed Assets

Group	Freehold Property £	Fixtures & Fittings £	Motor Vehicles £	Office Equipment £	Total £
Cost					
Additions	2,236,577	68,872	27,082	4,272	2,336,803
Revaluation	1,131,537				1,131,537
At 30 June 2003	<u>3,368,114</u>	<u>68,872</u>	<u>27,082</u>	<u>4,272</u>	<u>3,468,340</u>
Depreciation					
Charge for the period	—	10,024	1,720	374	12,118
At 30 June 2003	<u>—</u>	<u>10,024</u>	<u>1,720</u>	<u>374</u>	<u>12,118</u>
Net Book Value					
At 30 June 2003	<u>3,368,114</u>	<u>58,848</u>	<u>25,362</u>	<u>3,898</u>	<u>3,456,222</u>
At 31 December 2001	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Freehold properties were revalued during the year by Colliers CRE, Chartered Surveyors and International Property Consultants on the basis of market value for existing use.

**The Franklyn Group Limited
and its Subsidiary Undertakings**

Notes to the Financial Statements

Period From 1 January 2002 to 30 June 2003

6. Tangible Fixed Assets (continued)

Company	Freehold Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost				
Additions	2,236,577	67,272	19,582	2,323,431
Revaluation	1,131,537			1,131,537
At 30 June 2003	<u>3,368,114</u>	<u>67,272</u>	<u>19,582</u>	<u>3,454,968</u>
Depreciation				
Charge for the period	—	10,011	1,095	11,106
At 30 June 2003	<u>—</u>	<u>10,011</u>	<u>1,095</u>	<u>11,106</u>
Net Book Value				
At 30 June 2003	<u>3,368,114</u>	<u>57,261</u>	<u>18,487</u>	<u>3,443,862</u>
At 31 December 2001	—	—	—	—

7. Investments

Company	Total £
Cost	
Additions	2,000
At 30 June 2003	<u>2,000</u>
Net Book Value	
At 30 June 2003	<u>2,000</u>

The company owns 100% of the issued ordinary share capital of the following companies registered in England;

The Franklyn Developments Limited

The Franklyn (Long Term Care) Limited (Dormant)

The principal activity of The Franklyn Developments Limited is that of property developers and Care Home Agents.

The Franklyn Group Limited and its Subsidiary Undertakings

Notes to the Financial Statements

Period From 1 January 2002 to 30 June 2003

8. Debtors

	Group		Company	
	30 Jun 03	31 Dec 01	30 Jun 03	31 Dec 01
	£	£	£	£
Trade debtors	68,587	—	58,587	—
Amounts owed by group undertakings	—	—	213,452	—
VAT recoverable	14,948	—	—	—
Other debtors	151,438	—	151,438	—
Prepayments and accrued income	7,086	—	2,553	—
	<u>242,059</u>	<u>—</u>	<u>426,030</u>	<u>—</u>

9. Creditors: Amounts Falling due Within One Year

	Group		Company	
	30 Jun 03	31 Dec 01	30 Jun 03	31 Dec 01
	£	£	£	£
Bank loans and overdrafts	373,383	—	373,383	—
Trade creditors	73,877	—	16,894	—
Amounts owed to group undertakings	—	—	1,000	—
Other creditors including taxation and social security:				
PAYE and social security	8,873	—	6,254	—
Other creditors	2,647	—	—	—
Accruals and deferred income	88,679	—	86,025	—
	<u>547,459</u>	<u>—</u>	<u>483,556</u>	<u>—</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	Group		Company	
	30 Jun 03	31 Dec 01	30 Jun 03	31 Dec 01
	£	£	£	£
Bank loans and overdrafts	<u>373,383</u>	<u>—</u>	<u>373,383</u>	<u>—</u>

10. Creditors: Amounts Falling due after More than One Year

	Group		Company	
	30 Jun 03	31 Dec 01	30 Jun 03	31 Dec 01
	£	£	£	£
Bank loans and overdrafts	<u>1,239,172</u>	<u>—</u>	<u>1,239,172</u>	<u>—</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	Group		Company	
	30 Jun 03	31 Dec 01	30 Jun 03	31 Dec 01
	£	£	£	£
Bank loans and overdrafts	<u>1,239,172</u>	<u>—</u>	<u>1,239,172</u>	<u>—</u>

**The Franklyn Group Limited
and its Subsidiary Undertakings**

Notes to the Financial Statements

Period From 1 January 2002 to 30 June 2003

11. Share Capital

Authorised share capital:

	30 Jun 03	31 Dec 01
	£	£
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid:

	30 Jun 03		31 Dec 01	
	No	£	No	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1</u>	<u>1</u>

12. Reserves

Group

	Revaluation reserve	Profit and loss account
	£	£
Loss for the period		(6,258)
Revaluation of fixed assets	<u>1,131,538</u>	
Balance carried forward	<u>1,131,538</u>	<u>(6,258)</u>

Company

	Revaluation reserve	Profit and loss account
	£	£
Retained profit for the period		121,778
Revaluation of fixed assets	<u>1,131,538</u>	
Balance carried forward	<u>1,131,538</u>	<u>121,778</u>