

AVALON NURSING HOMES LIMITED
(Registered Number 2653123)

ANNUAL REPORT

YEAR ENDED 31 MARCH 1999

PANNELL KERR FORSTER
Chartered Accountants



AVALON NURSING HOMES LIMITED
ANNUAL REPORT
YEAR ENDED 31 MARCH 1999

CONTENTS

DIRECTORS AND ADVISERS	1
DIRECTORS' REPORT	2
STATEMENT OF DIRECTORS' RESPONSIBILITIES	3
AUDITORS' REPORT	4
PROFIT AND LOSS ACCOUNT	5
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	6
BALANCE SHEET	7
CASH FLOW STATEMENT	8
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT	9
NOTES TO THE FINANCIAL STATEMENTS	10

**AVALON NURSING HOMES LIMITED
DIRECTORS AND ADVISERS**

DIRECTORS

M J Newman
S A Newman
C J Atkinson

SECRETARY

K S Lewis

REGISTERED OFFICE

2 Kings Court
Harwood Road
Horsham
West Sussex
RH13 5UR

AUDITORS

Pannell Kerr Forster
Chartered Accountants
Pannell House
Park Street
Guildford
Surrey GU1 4HN

BANKERS

Bank of Scotland
St James's Gate
14/16 Cockspur Street
London
SW1Y 5BL

SOLICITORS

Downs
156 High Street
Dorking
Surrey RH4 1BQ

AVALON NURSING HOMES LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 March 1999 which show the state of affairs of the company.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £139,075. Interim dividends of £40,000 were paid during the year. The directors recommend the payment of a final dividend of £19,600 and recommend that the remaining profit for the year be transferred to reserves.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company is the operation of nursing homes. The directors believe the results for the year and the year end financial position to be satisfactory.

YEAR 2000

The directors have considered the implications of the potential year 2000 computer problems and in their opinion there are no significant risks or costs arising for the company in this area.

DIRECTORS

The directors who served in the year and their interests in the shares of the company were as follows:

	Ordinary shares of £1 each		Special deferred share of £1 each	
	At 31 March	At 31 March	At 31 March	At 31 March
	1999	1998	1999	1998
M J Newman	-	-	-	-
S A Newman	5,275	5,275	-	-
C J Atkinson (appointed 6 October 1998)	-	-	200	-

Mr M J Newman holds, via a beneficial interest in a family trust, 62,615 ordinary £1 shares in the company. A further 5,275 shares in the company by a member of M J Newman's family who is a minor.

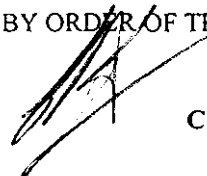
EMPLOYEES

The company continued its policy to give full and just consideration to applications for employment made by disabled persons. During the year the company has maintained its obligations to develop and improve internal communications aimed at involving employees in all of its affairs in so far as they affect employees.

AUDITORS

In accordance with Section 384 of the Companies Act 1985 a resolution proposing the reappointment of Pannell Kerr Forster as auditors to the company will be put to the members at the annual general meeting.

BY ORDER OF THE BOARD



C J Atkinson
Director

117 October 1999

AVALON NURSING HOMES LIMITED
STATEMENT OF 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;
- 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.

**AUDITORS' REPORT TO THE MEMBERS OF
AVALON NURSING HOMES LIMITED**

We have audited the financial statements on pages 5 to 17 which have been prepared under the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

As described on page 3 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. 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.

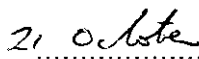
Opinion

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



PANNELL KERR FORSTER
Chartered Accountants
Registered Auditors

Guildford

 1999

AVALON NURSING HOMES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 1999

	<u>Notes</u>	Total 1999 £	1998 £
Turnover	1 & 2	5,969,485	4,307,173
Cost of sales		4,473,873	3,062,324
Gross profit		1,495,612	1,244,849
Administrative expenses		480,251	445,772
Operating profit		1,015,361	799,077
Interest receivable	3	26,460	17,376
Interest payable and similar charges	4	(877,777)	(548,568)
Profit/(loss) on disposal of assets		(52)	178
Profit on ordinary activities before taxation	5	163,992	268,063
Tax on profit on ordinary activities	9	24,917	74,936
Profit for the financial year		139,075	193,127
Dividends		(59,600)	(19,867)
Profit transferred to reserves		79,475	173,260

Movements on reserves are shown in note 16.

The turnover and operating profit relate wholly to continuing activities and there is no material difference between the results as disclosed above and the results on an unmodified historical cost basis.

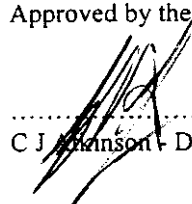
AVALON NURSING HOMES LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 MARCH 1999

	<u>1999</u> £	<u>1998</u> £
Profit for the financial year	139,075	193,127
Unrealised (deficit)/surplus on revaluation of properties	(203,224)	(98,834)
Total recognised losses and gains relating to the year	<u>(64,149)</u>	<u>94,293</u>

AVALON NURSING HOMES LIMITED
BALANCE SHEET
31 MARCH 1999

	<u>Notes</u>	<u>£</u>	<u>1999</u>	<u>£</u>	<u>1998</u>	<u>£</u>
FIXED ASSETS						
Tangible assets	10		13,013,320		10,727,510	
CURRENT ASSETS						
Stocks	11	6,894		7,404		
Debtors	12	234,286		246,323		
Cash at bank and in hand		2,139		1,372		
			<u>243,319</u>		<u>255,099</u>	
CREDITORS						
Amounts falling due within one year	13	(1,462,535)		(1,130,963)		
NET CURRENT LIABILITIES						
			(1,219,216)		(875,864)	
TOTAL ASSETS LESS CURRENT LIABILITIES						
			<u>11,794,104</u>		<u>9,851,646</u>	
CREDITORS						
Amounts falling due after more than one year	13		(8,752,340)		(6,758,392)	
PROVISION FOR LIABILITIES AND CHARGES						
Deferred taxation	14		(319,259)		(267,000)	
			<u>2,722,505</u>		<u>2,826,254</u>	
CAPITAL AND RESERVES						
Called up share capital	15		100,200		100,000	
Share capital premium account	16		19,800		-	
Revaluation reserve	16		1,585,982		1,789,206	
Profit and loss account	16		1,016,523		937,048	
			<u>2,722,505</u>		<u>2,826,254</u>	
EQUITY SHAREHOLDERS' FUNDS						
	17		<u>2,722,505</u>		<u>2,826,254</u>	

Approved by the board on 11th October 1999


.....
C J Robinson Director

AVALON NURSING HOMES LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 1999

	<u>Notes</u>	<u>£</u>	<u>1999</u>	<u>£</u>	<u>1998</u>	<u>£</u>
Net cash flow from operating activities	18		1,461,580		1,023,154	
Returns on investments and servicing of finance						
Interest received		26,460		18,528		
Interest paid		(1,057,662)		(446,239)		
Interest element of finance						
Lease rentals		(6,588)		(5,598)		
Dividends paid		(64,567)		-		
Net cash outflow from returns on investment and servicing of finance			(1,102,357)		(433,309)	
Taxation						
UK Corporation tax paid			(10,692)		(32,000)	
Capital expenditure						
Purchase of tangible fixed assets		(2,667,552)		(1,426,196)		
Sale of tangible fixed assets		7,090		6,120		
Net cash outflow from investing activities			(2,660,462)		(1,420,076)	
Net cash outflow before financing			(2,311,931)		(862,231)	
Financing	19					
New loans		2,058,587		1,055,750		
Principal payment under capital leases		(45,980)		(9,385)		
Repayment of loan		-		(302,627)		
Loan repayments received		24,242		75,758		
Share capital		20,000		-		
Net cash inflow from financing			2,056,849		819,496	
Decrease in cash	19		(255,082)		(42,735)	

AVALON NURSING HOMES LIMITED
RECONCILIATION OF NET CASHFLOW
TO MOVEMENT IN NET DEBT
YEAR ENDED 31 MARCH 1999

	<u>£</u>	<u>1999</u>	<u>£</u>	<u>£</u>	<u>1998</u>	<u>£</u>
Decrease in cash in the period	(255,082)			(42,735)		
Cash inflow from increase in debt	(2,058,587)			(753,123)		
New capital leases	(68,901)			(46,588)		
Cash outflow from decrease in finance leases	45,980			9,385		
		(2,336,590)			(833,061)	
Loans repaid		(24,242)			(75,758)	
		(2,360,832)			(908,819)	
Net debt at 1 April 1998		(7,082,561)			(6,173,742)	
Net debt at 31 March 1999		(9,443,393)			(7,082,561)	

AVALON NURSING HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1999

1 ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets, and in accordance with applicable accounting standards.

The principal accounting policies consistently applied in the preparation of the financial statements are as follows:

(a) Turnover

Turnover comprises fees receivable from the company's principal activity of operating nursing homes.

(b) Tangible fixed assets and depreciation

No depreciation is charged on freehold land and buildings as it is the company's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time.

Accordingly, the directors consider that the lives of these assets are so long and residual values so high that any depreciation required by the Companies Act 1985 and SSAP12 would not be material. Any permanent diminution in the value of such properties is charged to the profit and loss account as appropriate. In addition all of the nursing homes owned by the company are revalued on a regular basis.

Tangible fixed assets are depreciated over their estimated useful lives on the reducing balance method, at the following annual rates:

Motor vehicles	20%
Furniture, fixtures and fittings	10%

(c) Stocks

Stock is valued at the lower of cost and net realisable value.

(d) Deferred taxation

Provision is made for deferred taxation using the liability method to the extent that it is probable that a liability will crystallise.

(e) Leased assets

Assets obtained under finance leases have been included in the balance sheet at cost and are being depreciated over their estimated useful lives. The obligations relating to finance leases (net of finance charges allocated to future years) are included under creditors due within one year or after one year as appropriate.

The rentals payable under operating leases are charged to the profit and loss account as incurred.

(f) Pension costs

Contributions to personal pension policies on behalf of certain employees are charged to the profit and loss account in the year in which they are paid.

AVALON NURSING HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1999

2 TURNOVER

Turnover is attributable to the company's principal activity and arises entirely within the United Kingdom.

3 INTEREST RECEIVABLE

	<u>1999</u> £	<u>1998</u> £
Bank interest	17,568	3,954
Other loan interest receivable from related party	8,892	13,422
	<hr/> 26,460	<hr/> 17,376
	<hr/> <hr/>	<hr/> <hr/>

4 INTEREST PAYABLE

On bank overdraft and loans	685,039	418,299
Finance charges	6,588	5,598
Other interest payable	186,150	124,671
	<hr/> 877,777	<hr/> 548,568
	<hr/> <hr/>	<hr/> <hr/>

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is after charging:

Auditors' remuneration	7,500	7,500
Depreciation:		
owned assets	118,188	80,886
leased assets	22,089	9,453
Operating lease rentals	31,370	18,812
Finance charges	6,588	5,598
	<hr/>	<hr/>

6 STAFF COSTS

	<u>Number</u>	<u>Number</u>
Average number employed in the year:		
Administration	8	9
Nursing staff	284	226
	<hr/> 292	<hr/> 235
	<hr/> <hr/>	<hr/> <hr/>

AVALON NURSING HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1999

6	STAFF COSTS (continued)	<u>1999</u> £	<u>1998</u> £
	The aggregate staff costs were as follows:		
	Wages and salaries	2,948,851	2,241,312
	Social security costs	195,152	157,467
	Pension contributions	23,322	19,860
		<hr/>	<hr/>
		3,167,325	2,418,639
		<hr/> <hr/>	<hr/> <hr/>
7	PENSION COSTS		
	The pension cost charge for the year, amounting to £23,322, represents contributions payable by the company to personal pension policies of certain employees.		
8	DIRECTORS' EMOLUMENTS	<u>1999</u> £	<u>1998</u> £
	Aggregate emoluments	132,500	185,614
		<hr/> <hr/>	<hr/> <hr/>
	The company contributes to personal pension policies of three directors.		
9	TAX ON PROFIT ON ORDINARY ACTIVITIES	<u>1999</u> £	<u>1998</u> £
	United Kingdom corporation tax on the result for the year at 21% (1998: 21%)	-	2,000
	Transfer to deferred taxation	52,259	72,936
	(Over)/under provisions in respect of prior years	(27,342)	-
		<hr/>	<hr/>
		24,917	74,936
		<hr/> <hr/>	<hr/> <hr/>

AVALON NURSING HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1999

10 TANGIBLE FIXED ASSETS	<u>Freehold land and buildings</u> £	<u>Furniture fixtures & fittings</u> £	<u>Motor vehicles</u> £	<u>Total</u> £
Cost or valuation				
At 1 April 1998	9,906,581	1,047,783	105,926	11,060,290
Additions at cost	2,145,679	421,873	68,901	2,636,455
Revaluation in year	(203,224)	-	-	(203,224)
Disposals	-	-	(23,365)	(23,365)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1999	11,849,036	1,469,656	151,462	13,470,154
	<hr/>	<hr/>	<hr/>	<hr/>
At cost	101,040	1,469,656	151,462	1,722,158
At valuation	11,747,996	-	-	11,747,996
	<hr/>	<hr/>	<hr/>	<hr/>
	11,849,036	1,469,656	151,462	13,470,154
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 1998	-	301,318	31,462	332,780
Charge for year	-	118,188	22,089	140,277
Disposals	-	-	(16,223)	(16,223)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1999	-	419,506	37,328	456,834
	<hr/>	<hr/>	<hr/>	<hr/>
Net book amount				
At 31 March 1999	11,849,036	1,050,150	114,134	13,013,320
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 1998	9,906,581	746,465	74,464	10,727,510
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

- (i) With the exception of one home held at cost and two at directors valuations totalling £2.789m, all the homes are recorded at valuations carried out by specialised valuers David and Co dated September 1998. All valuations are on an operational existing use basis. On a historical cost basis freehold land and buildings would be stated at £8,117,375.
- (ii) Included in motor vehicles are assets held under finance leases with a net book value at the year end of £66,242 (1998: £22,766).

AVALON NURSING HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1999

11	STOCKS	<u>1999</u>	<u>1998</u>
		£	£
	Catering stock	6,894	7,404
12	DEBTORS	<u> </u>	<u> </u>
	Amounts due within one year:		
	Trade debtors	89,921	88,819
	Prepayments and accrued income	27,226	3,949
	Other debtors	997	678
	Corporation tax recoverable	-	28,635
	Loan to related party	-	64,242
	ACT recoverable	16,142	-
		<u> </u>	<u> </u>
		134,286	186,323
	Amounts due after more than one year:		
	Loan to related party	100,000	60,000
		<u> </u>	<u> </u>
		234,286	246,323
		<u> </u>	<u> </u>

The related party loan included above, which amounts to £100,000, represents a loan to Bramble Care Homes Limited, a company owned by two directors S A Newman and M J Newman. The loan carries interest at the rate paid by the company on its own overdraft facilities.

13	CREDITORS	<u>1999</u>	<u>1998</u>
		£	£
	Amounts falling due within one year:		
	Bank loans	147,380	70,051
	Bank overdraft	610,035	354,186
	Trade creditors	102,652	91,539
	Other creditors	37,424	121,612
	Corporation tax	(51,010)	6,967
	Other taxes and social security	63,555	76,592
	Accruals and deferred income	501,822	364,603
	Obligations under finance leases	35,777	25,546
	Proposed dividends	14,900	19,867
		<u> </u>	<u> </u>
		1,462,535	1,130,963
	Amounts falling due after more than one year:		
	Bank loans	6,850,636	4,869,378
	Other loans	1,861,498	1,861,498
	Obligations under finance leases	40,206	27,516
		<u> </u>	<u> </u>
		8,752,340	6,758,392
		<u> </u>	<u> </u>

Other loans included above relate to a loan from a trust in which Mr M J Newman is a beneficiary. The loan has no fixed repayment terms and with effect from 30 November 1998 carried interest at 10%. This loan has been postponed in favour of amounts due to the Bank of Scotland.

Other creditors include an amount of £25,000 (1998: Nil) due to C J Atkinson, a director.

AVALON NURSING HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1999

13 CREDITORS (continued)

The obligations under finance leases due after more than one year are all payable within five years and are net of finance charges.

The bank loan and overdraft are secured by a fixed and floating charge over the company's undertaking, properties and assets and is repayable as follows:

	<u>1999</u> £	<u>1998</u> £
Within one year	147,380	70,051
Between one and two years	131,511	101,786
Between two and five years	579,517	366,551
After five years	6,139,608	4,401,041
	<hr/>	<hr/>
	6,998,016	4,939,429
	<hr/>	<hr/>

The above loans are repayable in full by 12 January 2018. Interest is being charged at fixed rates of between 8.7% and 10.075% until 5 August 2003 and thereafter at 1.575% over base rate.

14 PROVISION FOR LIABILITIES AND CHARGES

The movements on the deferred tax account are as follows:-

	£
At 1 April 1998	267,000
Transfer to profit and loss account	52,259
	<hr/>
At 31 March 1999	319,259
	<hr/>

The amount provided in the balance sheet and the full potential liability to deferred tax are as follows:-

	1999		1998	
	<u>Potential liability</u> £	<u>Provided</u> £	<u>Potential liability</u> £	<u>Provided</u> £
Accelerated capital allowances	342,000	342,000	280,000	280,000
Property revaluation gains	757,844	-	843,861	-
Other timing differences	(22,741)	(22,741)	(13,000)	(13,000)
	<hr/>	<hr/>	<hr/>	<hr/>
	1,077,103	319,259	1,110,861	267,000
	<hr/>	<hr/>	<hr/>	<hr/>

No provision has been made for any deferred tax that may arise in respect of property revaluation gains as it is the directors' intention to reinvest any disposal proceeds and claim rollover relief.

AVALON NURSING HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1999

15 SHARE CAPITAL	<u>1999</u> £	<u>1998</u> £
Authorised:		
100,000 ordinary shares of £1 each	100,000	100,000
200 special deferred shares of £1 each	200	-
	<hr/>	<hr/>
Allotted, called up and fully paid:		
100,000 ordinary shares of £1 each	100,000	100,000
200 special deferred shares of £1 each	200	-
	<hr/>	<hr/>
	100,200	100,000
	<hr/>	<hr/>

During the year, the company allotted 200 special deferred shares of £1 each for a consideration of £20,000.

16 MOVEMENTS ON RESERVES	<u>Profit and loss account</u> £	<u>Share premium account</u> £	<u>Revaluation reserve</u> £
Balance at 1 April 1998	937,048	-	1,789,206
Profit for the financial year	139,075	-	-
Reduction in revaluation reserve in year	-	-	(203,224)
Dividends	(59,600)	-	-
Arising on shares issued in year	-	19,800	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 1999	1,016,523	19,800	1,585,982
	<hr/>	<hr/>	<hr/>

17 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS	<u>1999</u> £	<u>1998</u> £
Profit for the financial year	139,075	193,127
Revaluation in year	(203,224)	(98,834)
Dividends	(59,600)	(19,867)
	<hr/>	<hr/>
	(123,749)	74,426
Share capital issued in year	20,000	-
Equity shareholders' funds at 1 April 1998	2,826,254	2,751,828
	<hr/>	<hr/>
Equity shareholders' funds at 31 March 1999	2,722,505	2,826,254
	<hr/>	<hr/>

AVALON NURSING HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1999

18 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>1999</u> £	<u>1998</u> £
Operating profit	1,015,316	799,077
Depreciation	140,277	90,339
(Increase)/decrease in stocks	510	(2,673)
(Increase)/decrease in trade debtors	(1,102)	29,515
Increase in other debtors	(319)	(43)
Decrease/(increase) in prepayments and accrued income	(23,277)	7,619
(Decrease)/increase in trade creditors	11,113	39,348
Increase in other taxation and social security	(20,487)	7,901
(Decrease)/increase in accruals and deferred income	323,737	30,459
Increase/(decrease) in other creditors	15,812	21,612
	<u>1,461,580</u>	<u>1,023,154</u>

19 ANALYSIS OF NET DEBT

	<u>At 1 April</u> <u>1998</u> £	<u>Cashflow</u> £	<u>Other</u> <u>non-cash</u> <u>changes</u> £	<u>At 31 March</u> <u>1999</u> £
Cash in hand	1,372	767		2,139
Overdrafts	(354,186)	(255,849)		(610,035)
		<u>(255,082)</u>		
Debt after one year	(6,730,876)	(1,981,258)		(8,712,134)
Debt due within one year	(70,051)	(77,329)		(147,380)
Finance leases	(53,062)	45,980	(68,901)	(75,983)
Current assets				
- loan to related party	124,242	(24,242)	-	100,000
	<u>(7,082,561)</u>	<u>(2,291,931)</u>	<u>(68,901)</u>	<u>(9,443,393)</u>

20 POST BALANCE SHEET EVENTS

During the year ended 31 March 1995 a fire caused damage at one of the company's nursing homes, during its construction, causing delays in opening the home. The costs of repairs to make good the damage were met by insurers. In addition, a claim for loss of profits and reimbursement of other costs was submitted to the company's insurers for a total of approximately £250,000 and is still being pursued. At the date of finalising these accounts it is not possible to quantify the likely outcome of these negotiations and nothing has therefore been accrued in the accounts. The company will take credit for the eventual settlement of the claim once it has been agreed with the insurance company.

21 RELATED PARTY TRANSACTIONS

Mr M J Newman is a beneficiary in a Trust which owns 62.6% of the company's shares. Interest payable to the Trust for the year amounted to £124,671 (1998: £95,932) in respect of outstanding loans.

Other related party transactions and balances are disclosed in notes 3, 12 and 13.

22 ULTIMATE CONTROLLING PARTY

The ultimate controlling party is considered to be Mr M J Newman.