

Mental Health Care (Clwyd) Limited

Registered No. 2120462

DIRECTORS

T I Adey-Jones
R Ellis

SECRETARY

T Archer

AUDITORS

Ernst & Young
Silkhouse Court
Tithebarn Street
Liverpool L2 2LE

BANKERS

Royal Bank of Scotland
15 Foregate Street
Chester CH1 1HD

SOLICITORS

Davies Wallis Foyster
Harvester House
37 Peter Street
Manchester M2 5GB

Richard C Hall & Partners
Crown Buildings
121a Saughall Road
Blacon
Chester CH1 5ET

REGISTERED OFFICE

Alexander House
Highfield Park
Llandyrnog
Denbighshire
LL16 4LU



Mental Health Care (Clwyd) Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 1997.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company's principal activity during the year continued to be the provision of residential care for people with mental disorders.

RESULTS AND DIVIDENDS

The retained loss for the year, after taxation, amounted to £117,810 (1996: £52,524). It is recommended that this amount be transferred from reserves.

The directors do not recommend the payment of a dividend.

FUTURE DEVELOPMENTS

The planned transfer of residents to other homes within the Mental Health Care Group of companies and the subsequent conversion of the property into a domestic building will continue throughout the forthcoming year.

FIXED ASSETS

There were no significant changes in fixed assets during the year, details of which are shown in note 7 of the accounts.

DIRECTORS AND THEIR INTERESTS

The directors and their interests in the issued ordinary shares of £1 each of the company were as follows:

	<i>Issued ordinary shares of £1 each</i>	
	<i>31 March 1997</i>	<i>31 March 1996</i>
Mrs E Adey-Jones	1	1
Miss P D Adey	1	1
G E Jones	-	-

The directors were also directors of the ultimate parent undertaking.

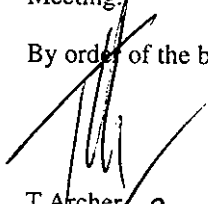
Mrs E Adey-Jones, Miss P D Adey and G E Jones resigned as directors on 31 October 1997. T I Adey-Jones and R Ellis were appointed as directors on 1 November 1997.

Mrs E Adey-Jones, Miss P D Adey are also partners in the Galltfaenan Hall Group of homes which operate under the name of Mrs E Adey-Jones and Partners. This concern assists the Mental Health Care Group, a group of companies of which the company is a member, in the placement of clients and also assists with the provision of finance to the Group.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board


T Archer
Secretary

30.1.98

Mental Health Care (Clwyd) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS

to the members of Mental Health Care Group (Clywd) Limited

We have audited the accounts on pages 5 to 14, which have been prepared under the historical cost convention as modified by the revaluation of freehold property and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

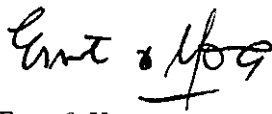
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Liverpool

30 January 1998

Mental Health Care (Clwyd) Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1997

	Note	1997 £	1996 £
TURNOVER	2	79,069	156,516
Cost of sales		32,216	86,662
Gross profit		46,853	69,854
Administrative expenses		186,974	123,470
OPERATING LOSS	3	(140,121)	(53,616)
Profit on disposal of tangible fixed assets		-	515
Interest payable	4	(12,660)	(17,044)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(152,781)	(70,145)
Tax on loss on ordinary activities	6	34,971	17,621
LOSS RETAINED FOR THE FINANCIAL YEAR	15	(117,810)	(52,524)

Mental Health Care (Clwyd) Limited

STATEMENT OF RECOGNISED GAINS AND LOSSES for the year ended 31 March 1997

	1997 £	1996 £
Loss for the financial year	(117,810)	(52,524)
Unrealised surplus on revaluation of freehold property	-	51,471
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	(117,810)	(1,053)

Mental Health Care (Clwyd) Limited

BALANCE SHEET

at 31 March 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	7	534,954	502,066
CURRENT ASSETS			
Debtors	8	38,741	46,967
Cash at bank and in hand		67	130
		38,808	47,097
CREDITORS: due within one year	9	554,307	381,011
NET CURRENT LIABILITIES		(515,499)	(333,914)
TOTAL ASSETS LESS CURRENT LIABILITIES		19,455	168,152
CREDITORS: due after more than one year	10	(82,861)	(108,608)
PROVISION FOR LIABILITIES AND CHARGES	13	(5,837)	(10,977)
		(69,243)	48,567
CAPITAL AND RESERVES			
Called up share capital	14	100	100
Revaluation reserve	15	51,168	51,471
Profit and loss account	15	(120,511)	(3,004)
EQUITY SHAREHOLDERS' FUNDS		(69,243)	48,567

[Signature]

Director

30.01.98

Mental Health Care (Clwyd) Limited

NOTES TO THE ACCOUNTS

at 31 March 1997

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention, modified by the revaluation of freehold property and in accordance with applicable Accounting Standards.

Fixed asset revaluation

Freehold property was revalued as at 31 March 1996 and the revaluation surplus has been taken to the revaluation reserve.

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Capital instruments

Capital instruments, being instruments issued as a means of raising finance, are classified as debt, non-equity shares or equity shares. Costs incurred associated with capital instruments are dealt with in a manner consistent with the classification of the instrument.

Statement of cashflows

The company is exempt from producing a statement of cashflows in these accounts as over 90% of its voting rights are controlled by another undertaking incorporated in the United Kingdom which has included a statement of cashflows in its consolidated accounts.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Depreciation

Depreciation of tangible fixed assets, other than freehold land, is provided at rates calculated to write off the cost less the estimated residual value, of each asset over its expected useful life, as follows:

<i>Equal annual instalments</i>	<i>Rates used</i>
Freehold buildings	2%
Furnishings, fittings and equipment held under finance lease	20%
Motor vehicles held under finance lease or hire purchase	25% and 33%
<i>Reducing Annual Instalments</i>	
Furnishing, fittings and equipment	10%

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The corresponding lease or hire purchase obligation is capitalised in the balance sheet as a liability. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of the capital outstanding.

Mental Health Care (Clwyd) Limited

NOTES TO THE ACCOUNTS

at 31 March 1997

2. TURNOVER

Turnover is based on fees invoiced to third parties.

Turnover is attributable to one continuing activity, the provision of residential care for people with mental disorders in the United Kingdom.

3. OPERATING LOSS

Operating loss is stated after charging:

	1997 £	1996 £
Depreciation of:		
Owned fixed assets	18,885	15,727
Assets held under finance leases and hire purchase contracts	733	4,224
Hire of plant and machinery	6,192	95
Management charges	15,725	23,500
Auditor's remuneration	2,938	2,938

4. INTEREST PAYABLE

	1997 £	1996 £
On bank loans, overdrafts and other loans: not wholly repayable within 5 years	8,496	11,706
Related party	3,964	4,961
Finance charges payable under finance leases and hire purchase contracts	200	377
	12,660	17,044

5. DIRECTORS AND EMPLOYEES

	1997 £	1996 £
Wages and salaries	40,066	93,482
Social security costs	2,431	6,909
	42,497	100,391

The average number of persons employed during the year by the company was:

	1997 No.	1996 No.
Care staff	4	4
Property maintenance	1	2
Administration	1	1
	6	7

No remuneration was paid to the officers of the company.

Mental Health Care (Clwyd) Limited

NOTES TO THE ACCOUNTS

at 31 March 1997

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	1997 £	1996 £
Based on the loss for the year:		
Corporation tax at 24% (1996: 24%)	-	17,943
Deferred taxation (see note 13)	1,161	(812)
Group relief receivable	30,785	-
	<u>31,946</u>	<u>17,131</u>
Adjustment in respect of prior years:		
Corporation tax (over)/under provided	(954)	490
Deferred taxation (see note 13)	3,979	-
	<u>34,971</u>	<u>17,621</u>

7. TANGIBLE FIXED ASSETS

	Freehold property £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation:				
At 1 April 1996	421,176	139,016	8,870	569,062
Additions	34,627	17,879	-	52,506
At 31 March 1997	<u>455,803</u>	<u>156,895</u>	<u>8,870</u>	<u>621,568</u>
Depreciation:				
At 1 April 1996	-	58,126	8,870	66,996
For the year	7,817	11,801	-	19,618
At 31 March 1997	<u>7,817</u>	<u>69,927</u>	<u>8,870</u>	<u>86,614</u>
Net book value				
At 31 March 1996	<u>421,176</u>	<u>80,890</u>	<u>-</u>	<u>502,066</u>
At 31 March 1997	<u>447,986</u>	<u>86,968</u>	<u>-</u>	<u>534,954</u>

The freehold property was valued on 31 March 1996 on the existing use basis and as a fully operational trading unit.

Mental Health Care (Clwyd) Limited

NOTES TO THE ACCOUNTS

at 31 March 1997

7. TANGIBLE FIXED ASSETS (continued)

On the historical cost basis, freehold property would have been included as follows:

	£
Cost:	
At 1 April 1996	406,109
Additions	34,627
At 31 March 1997	440,736
	£
Cumulative depreciation based on cost:	
At 1 April 1996	36,404
Provided during the period	7,514
At 31 March 1997	43,918

Included in freehold property is freehold land at cost of £65,000 (1996 : £65,000) which was not depreciated in the year.

8. DEBTORS

	1997 £	1996 £
Due within one year:		
Trade debtors	1,304	1,756
Amounts due from ultimate parent undertaking	-	19,758
Sundry debtors	4,332	1,329
Prepayments	2,320	5,497
Corporation tax	-	18,627
Group relief receivable	30,785	-
	38,741	46,967

9. CREDITORS: amounts falling due within one year

	1997 £	1996 £
Loans (see note 11)	25,407	23,518
Bank overdraft	127,703	190,020
Finance leases and hire purchase contracts (see note 12)	-	1,286
Trade creditors	4,494	4,542
Amount due to ultimate parent undertaking	15,891	-
Amounts due to fellow subsidiary undertakings	352,595	122,786
Amounts due to related parties (see note 17)	17,836	20,968
Sundry creditors	1,896	1,896
Accruals	7,762	15,118
Other taxes and social security costs	723	-
Deferred income	-	877
	554,307	381,011

Mental Health Care (Clwyd) Limited

NOTES TO THE ACCOUNTS

at 31 March 1997

10. CREDITORS: amounts falling due after more than one year

	1997 £	1996 £
Loans (see note 11)	72,059	97,806
Related parties (see note 17)	10,802	10,802
	<u>82,861</u>	<u>108,608</u>

11. LOANS

Loans due at 31 March 1997 are repayable as follows:

	1997 £	1996 £
Bank loans repayable:		
between two and five years	44,736	72,314
between one and two years	27,323	25,492
	<u>72,059</u>	<u>97,806</u>
Repayable after more than one year (note 10)	25,407	23,518
Repayable within one year (note 9)		
	<u>97,466</u>	<u>121,324</u>

The bank loan is secured by a fixed and floating charge on certain assets of the company.

12. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	1997 £	1996 £
Amounts payable within one year	-	1,286

Analysis of changes in finance leases and hire purchase contracts during the current and previous years:

	1997 £	1996 £
Opening balances	1,286	7,526
Capital element of finance lease and hire purchase contract repayments	(1,286)	(6,240)
Closing balances	<u>-</u>	<u>1,286</u>

13. PROVISION FOR LIABILITIES AND CHARGES

The movements in deferred taxation during the current and previous years are as follows:

	1997 £	1996 £
Opening balance	10,977	10,165
(Release)/charge for the year	(5,140)	812
Closing balance	<u>5,837</u>	<u>10,977</u>

Deferred taxation provided in the accounts is as follows:

Capital allowances in advance of depreciation	<u>5,837</u>	<u>10,977</u>
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Mental Health Care (Clwyd) Limited

NOTES TO THE ACCOUNTS

at 31 March 1997

14. SHARE CAPITAL

	1997 £	1996 £
Authorised:		
100 Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
Allotted, issued and fully paid		
100 Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Revaluation account £	Profit and loss reserve £	Total £
At 1 April 1995	100	-	49,520	49,620
Loss for the year	-	-	(52,524)	(52,524)
Surplus on revaluation of property	-	51,471	-	51,471
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 1 April 1996	100	51,471	(3,004)	48,567
Loss for the year	-	-	(117,810)	(117,810)
Transfer from revaluation reserve	-	(303)	303	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 1997	100	51,168	(120,511)	(69,243)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16. CONTINGENT LIABILITY

The company has entered into an unlimited cross guarantee with both its ultimate parent undertaking and fellow subsidiary undertakings. The extent of bank borrowing covered by the cross guarantee at 31 March 1997 was £1,700,990 (1996: £1,854,438). The bank overdraft is secured by a fixed and floating charge over certain assets of the group.

17. RELATED PARTY TRANSACTIONS

Mrs E Adey-Jones and Miss P D Adey, directors of the company, are also partners in the Galltfaenan Hall Group of homes which operate under the name of Mrs E Adey-Jones and Partners.

M Adey-Jones is a director of the ultimate parent undertaking. He is also the sole proprietor of Holland House which is a residential home for people with mental disorders in the United Kingdom.

The following amounts had been loaned unsecured to the company:

	1997 £	1996 £
Galltfaenan Hall Group	10,802	10,802
Holland House	17,836	20,968
	<u> </u>	<u> </u>
	28,638	31,770
	<u> </u>	<u> </u>

The loan from Galltfaenan Hall Group is repayable over five years and interest is charged at 2% above base rate. The loan from Holland House is interest free.

Mental Health Care (Clwyd) Limited

NOTES TO THE ACCOUNTS

at 31 March 1997

18. ULTIMATE PARENT UNDERTAKING

The parent undertaking of the smallest and largest group of which the company is a member and for which group accounts are prepared is Mental Health Care (UK) Limited, a company registered in England and Wales. Copies of the accounts of Mental Health Care (UK) Limited can be obtained from:

The Registrar of Companies
Companies House
Crown Way
Cardiff
CF4 3UZ