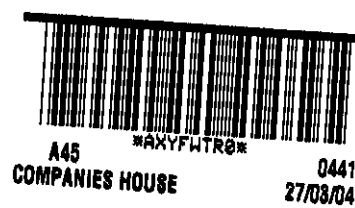


REGISTERED NUMBER: 03286133 (England and Wales)

ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 30 APRIL 2003

FOR

KAY CARE SERVICES LIMITED



KAY CARE SERVICES LIMITED
CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2003

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors on the Abbreviated Accounts	4
Abbreviated Profit and Loss Account	5
Statement of Total Recognised Gains and Losses	6
Abbreviated Balance Sheet	7
Cash Flow Statement	8
Notes to the Cash Flow Statement	9
Notes to the Abbreviated Accounts	11

KAY CARE SERVICES LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 30 APRIL 2003

DIRECTORS:

C Kay
Mrs A M Kay
D A Robson

SECRETARY:

C Kay

REGISTERED OFFICE:

Merit Home Care
1A Burt Terrace
Walbottle
Newcastle upon Tyne
Tyne and Wear
NE15 9RY

REGISTERED NUMBER:

03286133 (England and Wales)

AUDITORS:

Greaves Grindle
Chartered Accountants and
Registered Auditors
Victoria House
Bondgate Within
Alnwick
Northumberland
NE66 1TA

KAY CARE SERVICES LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 APRIL 2003

The directors present their report with the accounts of the company for the year ended 30 April 2003.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the provision of residential home care and domiciliary care services.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed accounts.

DIVIDENDS

An interim dividend of £4,500 per share was paid on 20 December 2002. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 30 April 2003 will be £13,500.

FUTURE DEVELOPMENTS

The company will continue to provide care services both in its residential care homes and through its domiciliary care services.

DIRECTORS

The directors during the year under review were:

C Kay
Mrs A M Kay
D A Robson

The beneficial interests of the directors holding office on 30 April 2003 in the issued share capital of the company were as follows:

	30.4.03	1.5.02
Ordinary £1 shares		
C Kay	1	1
Mrs A M Kay	1	1
D A Robson	1	1

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 period. 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.

KAY CARE SERVICES LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 APRIL 2003

AUDITORS

The auditors, Greaves Grindle, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:


.....
C Kay - Director

Date: 24. 3. 04

**REPORT OF THE INDEPENDENT AUDITORS TO
KAY CARE SERVICES LIMITED
UNDER SECTION 247B OF THE COMPANIES ACT 1985**

We have examined the abbreviated accounts on pages five to eighteen, together with the full financial statements of the company for the year ended 30 April 2003 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Companies Act 1985, and the abbreviated accounts on pages five to eighteen are properly prepared in accordance with that provision.

Greaves Grindle

Greaves Grindle
Chartered Accountants and
Registered Auditors
Victoria House
Bondgate Within
Alnwick
Northumberland
NE66 1TA

Date: 26th March 2004

KAY CARE SERVICES LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 APRIL 2003

	Notes	2003 £	2002 £
GROSS PROFIT		1,297,530	1,085,888
Administrative expenses		<u>964,806</u>	<u>826,794</u>
OPERATING PROFIT	3	332,724	259,094
Interest receivable and similar income		<u>3,320</u>	<u>2,003</u>
		336,044	261,097
Interest payable and similar charges	4	<u>53,843</u>	<u>58,880</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		282,201	202,217
Tax on profit on ordinary activities	5	<u>56,822</u>	<u>44,173</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		225,379	158,044
Dividends	6	<u>13,500</u>	<u>-</u>
		211,879	158,044
Retained profit brought forward:			
As previously reported		354,630	196,827
Prior year adjustments		<u>-</u>	<u>(241)</u>
As restated		354,630	196,586
RETAINED PROFIT CARRIED FORWARD		<u>£566,509</u>	<u>£354,630</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

The notes form part of these abbreviated accounts

KAY CARE SERVICES LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 APRIL 2003**

	2003	2002
	£	£
PROFIT FOR THE FINANCIAL YEAR	225,380	158,044
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	£225,380	158,044
Prior year adjustment		(241)
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		£157,803

The notes form part of these abbreviated accounts

KAY CARE SERVICES LIMITED
ABBREVIATED BALANCE SHEET
30 APRIL 2003

	Notes	2003 £	2002 £
FIXED ASSETS:			
Intangible assets	7	306,137	322,250
Tangible assets	8	761,533	786,951
		<u>1,067,670</u>	<u>1,109,201</u>
CURRENT ASSETS:			
Stocks	9	1,850	1,650
Debtors	10	135,265	119,725
Cash at bank and in hand		424,973	204,155
		<u>562,088</u>	<u>325,530</u>
CREDITORS: Amounts falling due within one year	11	254,612	195,234
NET CURRENT ASSETS:		<u>307,476</u>	<u>130,296</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:		<u>1,375,146</u>	<u>1,239,497</u>
CREDITORS: Amounts falling due after more than one year	12	(700,571)	(775,960)
PROVISIONS FOR LIABILITIES AND CHARGES:	15	(6,760)	(7,602)
		<u>£667,815</u>	<u>£455,935</u>
CAPITAL AND RESERVES:			
Called up share capital	16	3	3
Share premium	17	101,302	101,302
Profit and loss account		566,510	354,630
SHAREHOLDERS' FUNDS:	19	<u>£667,815</u>	<u>£455,935</u>

These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

ON BEHALF OF THE BOARD:

.....
C Kay - Director

Approved by the Board on 24.3.04

The notes form part of these abbreviated accounts

KAY CARE SERVICES LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 APRIL 2003

	Notes	2003 £	2002 £
Net cash inflow from operating activities	1	384,465	295,513
Returns on investments and servicing of finance	2	(50,523)	(56,877)
Taxation		(43,619)	(20,201)
Capital expenditure	2	(2,230)	(308,005)
Equity dividends paid		(13,500)	-
		<u>274,593</u>	<u>(89,570)</u>
Financing	2	(53,775)	196,592
Increase in cash in the period		<u>£220,818</u>	<u>£107,022</u>
Reconciliation of net cash flow to movement in net funds	3		
Increase in cash in the period		<u>220,818</u>	<u>107,022</u>
Change in net funds resulting from cash flows		<u>220,818</u>	<u>107,022</u>
Movement in net funds in the period		<u>220,818</u>	<u>107,022</u>
Net funds at 1 May		<u>204,155</u>	<u>97,133</u>
Net funds at 30 April		<u>£424,973</u>	<u>£204,155</u>

The notes form part of these abbreviated accounts

KAY CARE SERVICES LIMITED

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 APRIL 2003**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating profit	332,725	259,094
Depreciation charges	42,636	51,358
Loss on sale of fixed assets	1,125	-
Increase in stocks	(200)	(440)
Increase in debtors	(15,540)	(52,649)
Increase in creditors	23,719	38,150
	<u>384,465</u>	<u>295,513</u>
Net cash inflow from operating activities	<u>384,465</u>	<u>295,513</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2003 £	2002 £
Returns on investments and servicing of finance		
Interest received	3,320	2,003
Interest paid	(53,843)	(58,880)
	<u>(50,523)</u>	<u>(56,877)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(50,523)</u>	<u>(56,877)</u>
Capital expenditure		
Purchase of intangible fixed assets	-	(276,369)
Purchase of tangible fixed assets	(4,480)	(31,636)
Sale of tangible fixed assets	2,250	-
	<u>(2,230)</u>	<u>(308,005)</u>
Net cash outflow for capital expenditure and financial investment	<u>(2,230)</u>	<u>(308,005)</u>
Financing		
New loan taken out in year	-	250,000
Loan repayments in year	(56,283)	(37,336)
Amount introduced by directors	2,508	3,928
Amount withdrawn by directors	-	(20,000)
	<u>(53,775)</u>	<u>196,592</u>
Net cash (outflow)/inflow from financing	<u>(53,775)</u>	<u>196,592</u>

The notes form part of these abbreviated accounts

KAY CARE SERVICES LIMITED
NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 APRIL 2003

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.5.02 £	Cash flow £	At 30.4.03 £
Net cash:			
Cash at bank and in hand	<u>204,155</u>	<u>220,818</u>	<u>424,973</u>
	<u>204,155</u>	<u>220,818</u>	<u>424,973</u>
 Total	 <u>204,155</u>	 <u>220,818</u>	 <u>424,973</u>
Analysed in Balance Sheet			
Cash at bank and in hand	<u>204,155</u>		<u>424,973</u>
	<u>204,155</u>		<u>424,973</u>

The notes form part of these abbreviated accounts

KAY CARE SERVICES LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2003

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements are prepared under the historical cost convention.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2001, is being written off evenly over its estimated useful life of twenty years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	-20% on reducing balance
Fixtures and fittings	-20% on reducing balance
Motor vehicles	-25% on reducing balance
Computer equipment	-50% on reducing balance

The directors consider that freehold properties are maintained in such a state of repair that their residual value is at least equal to their net book value. As a result, the corresponding depreciation would not be material and therefore is not charged in the profit and loss account. The directors perform annual impairment reviews in accordance with FRS 15 and FRS 11 to ensure that the recoverable amount is not lower than the carrying value.

Stocks

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

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

2. STAFF COSTS

	2003	2002
	£	£
Wages and salaries	792,010	660,229
Social security costs	37,525	32,321
Other pension costs	4,202	1,424
	<u>833,737</u>	<u>693,974</u>

KAY CARE SERVICES LIMITED

**NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2003**

2. STAFF COSTS - continued

The average monthly number of employees during the year was as follows:

	2003	2002
Management and administration	9	8
Carers	112	86
Cooks and domestic	8	9
	<u>129</u>	<u>103</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	2003	2002
	£	£
Depreciation - owned assets	26,523	33,739
Loss on disposal of fixed assets	1,125	-
Goodwill written off	16,113	17,619
Auditors' remuneration	1,100	800
	<u>80,850</u>	<u>94,400</u>
Directors' emoluments	3,600	1,424
Directors' pension contributions to money purchase schemes	<u>3,600</u>	<u>1,424</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	1	1
	<u>1</u>	<u>1</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£	£
Bank loan interest	53,843	58,880
	<u>53,843</u>	<u>58,880</u>

KAY CARE SERVICES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 30 APRIL 2003

5. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2003 £	2002 £
Current tax:		
UK corporation tax	57,664	43,018
Underprovision in prior year	-	602
Total current tax	57,664	43,620
Deferred taxation	(842)	553
Tax on profit on ordinary activities	56,822	44,173

UK corporation tax was charged at 19% in 2002.

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	282,202	202,217
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002 - 19%)	84,661	38,421
Effects of:		
Expenses not deductible for tax purposes. (Primarily goodwill amortisation)	5,172	3,348
Depreciation for period in excess of capital allowances.	776	-
Capital allowances for period in excess of depreciation.	-	(868)
Marginal relief.	(32,945)	-
Change in rate of corporation tax.	-	1,976
Adjustments to tax charge in respect of previous periods.	-	602
Adjustments to tax charge in respect of current period.	-	141
Current tax charge	57,664	43,620
Deferred tax:		
Effect of increased tax rate on opening liability	200	-
Effect of decreased tax rate on opening liability	-	(352)
Origination and reversal of timing differences	(1042)	905
Total deferred tax (note 15)	(842)	553

KAY CARE SERVICES LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2003

6. DIVIDENDS

	2003	2002
	£	£
Equity shares:		
Ordinary - paid	<u>13,500</u>	<u>-</u>

7. INTANGIBLE FIXED ASSETS

	<u>Goodwill</u>
	£
COST:	
At 1 May 2002	
and 30 April 2003	<u>352,369</u>
AMORTISATION:	
At 1 May 2002	30,119
Charge for year	<u>16,113</u>
At 30 April 2003	<u>46,232</u>
NET BOOK VALUE:	
At 30 April 2003	<u>306,137</u>
At 30 April 2002	<u>322,250</u>

8. TANGIBLE FIXED ASSETS

	<u>Freehold property</u>	<u>Plant and machinery</u>	<u>Fixtures and fittings</u>
	£	£	£
COST:			
At 1 May 2002	657,749	169,288	62,901
Additions	<u>-</u>	<u>788</u>	<u>3,692</u>
At 30 April 2003	<u>657,749</u>	<u>170,076</u>	<u>66,593</u>
DEPRECIATION:			
At 1 May 2002	-	77,741	30,162
Charge for year	<u>-</u>	<u>18,467</u>	<u>7,285</u>
At 30 April 2003	<u>-</u>	<u>96,208</u>	<u>37,447</u>
NET BOOK VALUE:			
At 30 April 2003	<u>657,749</u>	<u>73,868</u>	<u>29,146</u>
At 30 April 2002	<u>657,749</u>	<u>91,547</u>	<u>32,739</u>

KAY CARE SERVICES LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2003

8. TANGIBLE FIXED ASSETS - continued

	Motor vehicles	Computer equipment	Totals
	£	£	£
COST:			
At 1 May 2002	4,500	5,191	899,629
Additions	-	-	4,480
Disposals	(4,500)	-	(4,500)
At 30 April 2003	-	5,191	899,609
DEPRECIATION:			
At 1 May 2002	1,125	3,650	112,678
Charge for year	-	771	26,523
Eliminated on disposals	(1,125)	-	(1,125)
At 30 April 2003	-	4,421	138,076
NET BOOK VALUE:			
At 30 April 2003	-	770	761,533
At 30 April 2002	3,375	1,541	786,951

9. STOCKS

	2003	2002
	£	£
Stock of food	1,000	1,000
Stock of oil	400	200
Sundry stocks	450	450
	<u>1,850</u>	<u>1,650</u>

**10. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2003	2002
	£	£
Trade debtors	130,334	116,424
Prepayments	4,780	3,150
Directors' current accounts	151	151
	<u>135,265</u>	<u>119,725</u>

KAY CARE SERVICES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2003

11. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR

	2003 £	2002 £
Bank loans and overdrafts (see note 13)	70,667	51,562
Trade creditors	5,160	6,738
Directors' current accounts	22,819	20,310
V.A.T.	40,762	26,325
PAYE/NIC creditor	13,041	3,011
Residents' bank funds	5,019	-
Taxation	57,664	43,619
Accruals and deferred income	39,480	43,669
	<u>254,612</u>	<u>195,234</u>

12. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR

	2003 £	2002 £
Bank loans (see note 13)	<u>700,571</u>	<u>775,960</u>

13. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	2003 £	2002 £
Amounts falling due within one year or on demand:		
Bank loans	<u>70,667</u>	<u>51,562</u>
Amounts falling due between one and two years:		
Bank loans	<u>73,128</u>	<u>70,667</u>
Amounts falling due between two and five years:		
Bank loans	<u>209,037</u>	<u>218,716</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans	<u>418,406</u>	<u>486,577</u>

KAY CARE SERVICES LIMITED

**NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2003**

13. LOANS AND OVERDRAFTS - continued

Amounts falling due in more than five years consist of three term loans, referred to as Loan A, Loan B, and Loan C. All three loans have fixed monthly repayments and their terms and interest rates are as follows:

	Interest rate	Term
Loan A	7.7% fixed	To May 2012
Loan B	Base + 2%	To June 2015
Loan C	Base + 2%	To May 2016

14. SECURED DEBTS

The following secured debts are included within creditors:

	2003	2002
	£	£
Bank loans	<u>771,238</u>	<u>827,522</u>

The bank loans are secured by a debenture (fixed and floating charges over all assets of the company) and legal charges over two residential care homes.

In addition, the debts are secured over personal assets of the directors.

15. PROVISIONS FOR LIABILITIES AND CHARGES

	2003	2002
	£	£
Deferred taxation	<u>6,760</u>	<u>7,602</u>
	Deferred	
	tax	
	£	
Balance at 1 May 2002	7,602	
Deferred tax credit in profit and loss account (note 5)	<u>(842)</u>	
Balance at 30 April 2003	<u>6,760</u>	

Accelerated capital allowances £6,760 (2002: £7,602).

KAY CARE SERVICES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 30 APRIL 2003

16. CALLED UP SHARE CAPITAL

Authorised: Number:	Class:	Nominal value:	2003 £	2002 £
100	Ordinary	£1	<u>100</u>	<u>100</u>

Allotted, issued and fully paid: Number:	Class:	Nominal value:	2003 £	2002 £
3	Ordinary	£1	<u>3</u>	<u>3</u>

17. SHARE PREMIUM

	2003 £	2002 £
Brought forward	<u>101,302</u>	<u>101,302</u>

18. TRANSACTIONS WITH DIRECTORS

The following loan to a director subsisted during the year ended 30 April 2003:

	£
Mrs A M Kay	
Balance outstanding at start of year	151
Balance outstanding at end of year	151
Maximum balance outstanding during year	<u>135,151</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year	225,380	158,044
Dividends	<u>(13,500)</u>	<u>-</u>
Net addition to shareholders' funds	211,880	158,044
Opening shareholders' funds	<u>455,935</u>	<u>297,891</u>
Closing shareholders' funds	<u>667,815</u>	<u>455,935</u>
Equity interests	<u>667,815</u>	<u>455,935</u>