

Health and Care Services (UK) Limited  
Annual report  
for the year ended 31 December 2001

Registered no: 2083074



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# **Health and Care Services (UK) Limited**

## **Annual report for the year ended 31 December 2001**

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# **Health and Care Services (UK) Limited**

## **Directors and Advisors for the year ended 31 December 2001**

### **Executive Directors**

M A Stratford

G Blackoe

### **Secretary**

BLG (Professional Services) Limited

Beaufort House

15 St. Botolph Street

London

EC3A 7NS

### **Auditors**

PricewaterhouseCoopers

Temple Court

35 Bull Street

Birmingham

B4 6JT

### **Solicitors**

Simon Bishop & Partners

"Hillcairnie"

St. Andrew's Road

Droitwich

Worcestershire

WR9 8DJ

### **Registered Office**

"Hillcairnie"

St. Andrew's Road

Droitwich

Worcestershire

WR9 8DJ

### **Bankers**

National Westminster Bank plc

Cheltenham & Gloucester Business Centre

68-70 Suffolk Road

Cheltenham

Gloucestershire

GL50 2ED

# **Health and Care Services (UK) Limited**

## **Directors' report for the year ended 31 December 2001**

The directors present their report and the audited financial statements for the year ended 31 December 2001.

### **Principal activities**

The principal activity of the company continues to be the operation of nursing homes.

### **Review of business and future developments**

Both the level of business and the year end position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

### **Results and dividends**

The profit and loss account shows a profit for the year of £1,490,000 (2000: £2,285,000). The directors paid interim dividends of £2,400,000 on 6 March 2001 and £650,000 on 6 April 2001 (2000: £2,750,000 paid on 13 September 2000). No final dividend has been proposed for the year ended 31 December 2001 (2000: £Nil).

### **Directors and their interests**

The directors who held office during the year are listed on page 1.

M A Stratford is a director of the ultimate parent company in the United Kingdom, Craegmoor Limited and his share interests are shown in the directors' report of that company. No other director had at 31 December 2001 any interests in the share capital of Health and Care Services (UK) Limited or Craegmoor Limited.

### **Changes in fixed assets**

Movements in tangible fixed assets during the year are set out in note 10 to the financial statements.

# **Health and Care Services (UK) Limited**

## **Directors' report for the year ended 31 December 2001 (continued)**

### **Statement of directors' responsibilities**

At the end of each financial year the Directors are required by the Companies Act 1985 to prepare accounts 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 the accounts for the year ended 31 December 2001, appropriate accounting policies, supported by reasonable and prudent judgements and estimates, have been consistently used and UK applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985. In addition, the Directors are responsible for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Company are properly safeguarded and to ensure that reasonable steps are taken to prevent or detect fraud and other irregularities.

The auditors' responsibilities in relation to the accounts are set out in their report on page 4.

### **Auditors**

A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting

**By order of the Board**



**M A Stratford**  
**Director**  
29 October 2002

# Health and Care Services (UK) Limited

## Auditors' report to the members of Health and Care Services (UK) Limited

We have audited the financial statements on pages 5 to 19

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards as issued by the Auditing Practices Board.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

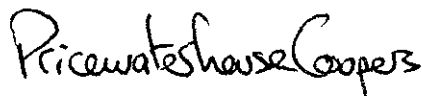
### Basis of audit opinion

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 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 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 financial statements give a true and fair view of the state of the company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Birmingham  
29 October 2002

# Health and Care Services (UK) Limited

## Profit and loss account for the year ended 31 December 2001

	Note	2001 Total £'000	2000 £'000
Turnover	2	5,239	5,274
Cost of sales		(2,824)	(2,834)
<b>Gross profit</b>		<b>2,415</b>	<b>2,440</b>
Administrative expenses		( 810)	(772)
<b>Operating profit</b>	6	<b>1,605</b>	<b>1,668</b>
Exceptional item: provision for loss on sale of property	7	( 100)	-
Exceptional item: profit on disposal of fixed asset investment	7	-	457
Income from shares in group undertakings		550	500
Net interest payable	8	-	(2)
<b>Profit on ordinary activities before taxation</b>		<b>2,055</b>	<b>2,623</b>
Tax on profit on ordinary activities	9	( 565)	(338)
<b>Profit on ordinary activities after taxation</b>		<b>1,490</b>	<b>2,285</b>
Dividends paid		(3,050)	(2,750)
<b>Loss transferred to reserves</b>	18	<b>(1,560)</b>	<b>(465)</b>

All activities relate to continuing operations.

The company has no recognised gains and losses other than those shown above and therefore no separate statement of gains and losses has been prepared.

# Health and Care Services (UK) Limited

## Note of historical cost profit and losses

	2001	2000
For the year ended 31 December 2001	£'000	£'000
Reported profit on ordinary activities before taxation	2,055	2,622
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	218	213
Historical cost profit on ordinary activities before taxation	2,271	2,835
Historical cost loss for the year retained after taxation and dividends	(1,344)	(253)



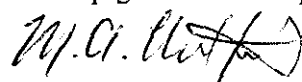
# Health and Care Services (UK) Limited

## Balance sheet as at 31 December 2001

	Note	2001 £'000	2000 £'000
<b>Fixed Assets</b>			
Tangible assets	10	15,221	15,492
Investments	11	-	-
<b>Current assets</b>			
Stock	12	4	4
Debtors	13	2,834	6,565
Cash at bank and in hand		35	50
		2,873	6,619
<b>Creditors: amounts falling due within one year</b>	14	(486)	(2,943)
<b>Net current assets</b>		2,387	3,676
<b>Total assets less current liabilities</b>		17,608	19,168
<b>Creditors : amounts falling due after more than one year</b>	15	(3,305)	(3,305)
Provisions for liabilities and charges	16	(70)	(70)
<b>Net assets</b>		14,233	15,793
<b>Capital and reserves</b>			
Called up share capital	17	601	601
Share premium account	18	177	177
Revaluation reserve	18	11,778	11,778
Profit and loss account	18	1,634	3,194
Other reserves	18	43	43
<b>Total equity shareholders' funds</b>	19	14,233	15,793

The financial statements on page 5 to 19 were approved by the board of directors and signed on its behalf by:

M A Stratford  
Director  
29 October 2002



# Health and Care Services (UK) Limited

## Notes to the financial statements for the year ended 31 December 2001

### 1. Principal accounting policies

#### Basis of accounting

The financial statements have been prepared under the historical cost convention, in accordance with applicable Accounting Standards in the United Kingdom. During the period, the Company has implemented Financial Reporting Standards ("FRS") 18, "Accounting Policies". This has not resulted in any change to the accounting policies of the company. A summary of the more important accounting policies, which have been consistently applied, is set out below:

#### Tangible fixed assets

The cost of fixed assets is their purchase cost, and any costs directly attributable to bringing them into working condition for their intended use. Land and buildings are stated at valuations made by directors based on valuations made by independent professionally qualified valuers on an existing use open market value basis. Land and buildings are revalued by professionally qualified valuers every five years and in the intervening years these valuations are updated by the directors with the assistance of independent professional advice as required.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, on the following bases:

Freehold land	- nil
Freehold buildings	- 2% straight line
Short term leasehold property	- over lease term
Equipment	- 10% to 25% straight line (previously 15% reducing balance)
Furniture and fittings	- 10% to 25% straight line (previously 15% reducing balance)
Motor vehicles	- 25% straight line
Computer equipment	- 25% straight line

The change in the basis for depreciating equipment, furniture and fittings did not have a material impact on the results for the year.

Provision is made for any impairment in the period in which it arises. The impairment is calculated by comparing the carrying value to the recoverable amount as required by FRS11, 'Impairment of fixed assets and goodwill'. The recoverable amount of land and buildings is taken to be the higher of realisable value and value in use. Value in use is determined by reference to the expected future cash flows of the care home, discounted at a risk adjusted weighted cost of capital.

Provisions for impairment in the carrying value of fixed assets to below historical cost are charged to the profit and loss account.

#### Stocks

Stocks are stated at the lower of cost and net realisable value.

#### Finance and operating leases

Costs in respect of operating leases are charged as incurred.

Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on

# **Health and Care Services (UK) Limited**

## **Notes to the financial statements for the year ended 31 December 2001 (continued)**

### **1. Principal accounting policies (continued)**

the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms, generally 25 years and the useful lives of equivalent owned assets.

#### **Deferred taxation**

Deferred tax is provided using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise.

#### **Pension costs**

The cost of providing pensions is charged against profits over employees' working lives. Variations from this regular cost are allocated over the average remaining service lives of the current employees to the extent that these variations do not relate to the estimated cost of providing incremented pension benefits.

#### **Cash flow statement**

The company is a wholly owned subsidiary of Craegmoor Limited, and the cash flows of the company are included in the consolidated group cash flow statement of that company. Consequently, the company is exempt under the terms of Financial Reporting Standard No. 1 (Revised) from publishing a cash flow statement.

#### **Consolidation**

The company has taken advantage of the exemption under section 228(i) of the Companies Act, not to prepare and file consolidated accounts. The results of the company are included within the group accounts of Craegmoor Limited its ultimate parent undertaking that is incorporated in the United Kingdom. In accordance with section 228(ii), the company will deliver to the registrar, copies of these group accounts.

#### **Investments**

The carrying value of fixed asset investments is based on cost less provision for impairment.

### **2. Turnover**

Turnover which excludes value added tax consist entirely of fee income charged for the year in the United Kingdom.

### **3. Related party transactions**

The company has taken advantage of the exemption granted under paragraph 3 (c) of FRS 8 and not disclosed any transactions with other group companies.

### **4. Directors' emoluments**

Directors' emoluments for the year ending 31 December 2001 were £Nil (2000: £Nil).

# Health and Care Services (UK) Limited

## Notes to the financial statements for the year ended 31 December 2001 (continued)

### 5. Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

Nursing, ancillary and administrative	2001	2000
	Number	Number
Full time	130	170
Part time	150	127
	280	297

Staff costs (for the above persons)	2001	2000
	£'000	£'000
Wages and salaries	2,160	2,260
Social security costs	132	145
Other pension costs	39	35
	2,331	2,440

### 6. Operating profit

	2001	2000
	£'000	£'000
Operating profit is stated after charging:		
Depreciation of owned tangible fixed assets - owned assets	375	356
Auditors' remuneration - audit	10	9

# Health and Care Services (UK) Limited

## Notes to the financial statements for the year ended 31 December 2001 (continued)

### 7. Exceptional items

	2001 £'000	2000 £'000
Exceptional provision for loss on sale of properties (note 10)	(100)	-
Exceptional profit on the sale of fixed asset investment	-	457
	(100)	457

On 13 September 2000 the company transferred its investment in Concept Care Limited to Craegmoor Group Limited, an intermediate parent company in the United Kingdom. Craegmoor Group Limited reduced its intercompany loan with the company by £687,000. This generated a profit on disposal of £457,000. No taxation was attributable to this profit.

### 8. Net interest payable

	2001 £'000	2000 £'000
Interest payable on bank loans and overdrafts	-	(6)
Bank interest receivable	-	4
Net interest payable	-	(2)

### 9. Tax on profit on ordinary activities

	2001 £'000	2000 £'000
<b>Taxation on the profit for the year</b>		
UK corporation tax at 30% (2000: 30%) – current	565	560
Prior year adjustment for over provision	-	(222)
	565	338

# Health and Care Services (UK) Limited

## Notes to the financial statements for the year ended 31 December 2001 (continued)

### 10. Tangible fixed assets

	Freehold Land and Buildings £'000	Fixtures and Fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost or valuation</b>				
At 1 January 2001	15,369	1,068	113	16,550
Additions	83	114	7	204
<b>At 31 December 2001</b>	<b>15,452</b>	<b>1,182</b>	<b>120</b>	<b>16,754</b>
<b>Accumulated Depreciation</b>				
At 1 January 2001	375	584	99	1,058
Charge for the year	279	81	15	375
Provision for loss on sale	100	-	-	100
<b>At 31 December 2001</b>	<b>754</b>	<b>665</b>	<b>114</b>	<b>1,533</b>
<b>Net book value</b>				
<b>At 31 December 2001</b>	<b>14,698</b>	<b>517</b>	<b>6</b>	<b>15,221</b>
At 31 December 2000	14,994	484	14	15,492
<b>Cost or valuation at 31 December 2001 is represented by:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Valuation in 2000	15,369	-	-	15,369
Cost	83	1,182	120	1,385
<b>At 31 December 2001</b>	<b>15,452</b>	<b>1,182</b>	<b>120</b>	<b>16,754</b>

The net book value of fixtures and fittings includes £4,000 (2000: £nil) in respect of assets held under finance leases and similar hire purchase contracts.

In accordance with the company's accounting policy, the land and buildings occupied by the company, were revalued during 2000, by independent external valuers, Matthews and Goodman, Chartered Surveyors and Valuers. This was on the basis of existing use value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

In addition, the carrying value of freehold land and buildings was reassessed by the directors during the year. The exercise did not result in a change in carrying value. However, the closure and subsequent marketing of Holbeach Nursing Home has resulted in the requirement to recognise a provision for loss on disposal of £100,000.

# Health and Care Services (UK) Limited

## Notes to the financial statements for the year ended 31 December 2001 (continued)

### 10. Tangible fixed assets (continued)

If freehold land and buildings had not been revalued they would have been included at the following amounts:

	2001	2000
	£'000	£'000
Cost	3,409	3,326
Aggregate depreciation based on cost	(445)	(384)
Net book value based on cost	2,964	2,942

### 11. Investments

	Total
	£'000
Shares in subsidiary undertakings at cost	
At 1 January 2001	-
Disposals	-
At 31 December 2001	-

The company's subsidiary undertakings are as follows:

Name of undertaking	Principal activity	Description of shares held	Proportion of Nominal value of issued shares held
Health & Care Services (NW) Limited	Operation of residential and nursing homes	Ordinary £1 shares	100%
Health & Care Services (Yorks) Limited	Dormant company	Ordinary £1 shares	100%
Health & Care Services (Humbs) Limited	Operation of residential and nursing homes	Ordinary £1 shares	100%

All of the above companies are incorporated in England and Wales. The total cost of the investment is £9.

# Health and Care Services (UK) Limited

## Notes to the financial statements for the year ended 31 December 2001 (continued)

### 12. Stocks

	2001 £'000	2000 £'000
Consumables	4	4

### 13. Debtors

Amounts falling due within one year	2001 £'000	2000 £'000
Trade debtors	327	489
Amounts owed by group undertakings	2,441	6,050
Prepayments and accrued income	66	26
	2,834	6,565

### 14. Creditors – Amounts falling due within one year

	2001 £'000	2000 £'000
Trade creditors	29	24
Amounts owed to group undertakings	-	2,448
Corporation tax	170	125
Other creditors	54	24
Accruals and deferred income	233	322
	486	2,943



# Health and Care Services (UK) Limited

## Notes to the financial statements for the year ended 31 December 2001 (continued)

### 15. Creditors – Amounts falling due after more than one year

	2001	2000
	£'000	£'000
Amounts owed to group companies	3,305	3,305

Amounts owed to the immediate parent undertaking comprise an interest free loan. There are no defined repayment terms but the immediate parent company has confirmed to the directors of the company that it will not seek any repayment of this loan within the next 12 months.

Included in amounts owed to group companies due after more than one year is £10,000 loaned to the company by Craegmoor Funding PLC, a fellow subsidiary of Craegmoor Limited, under the Issuer/Borrowers Facility Agreement dated 23 November 2000.

### 16. Provisions for liabilities and charges

Deferred taxation provided in the financial statements and the amount unprovided of the total potential liability at a tax rate of 30% (2000: 30%), are as follows:

	Amounts provided		Amounts unprovided	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Tax effect of timing differences because of:				
Excess capital allowances over depreciation	70	70	58	34
Chargeable gains on revaluation	-	-	3,395	3,395
Deferred tax provision	70	70	3,453	3,429

### 17. Called up share capital

	2001	2000
	£'000	£'000
Authorised		
700,000 ordinary shares of £1 each	700	700
Allotted, called up and fully paid		
601,300 ordinary shares of £1 each	601	601

## Health and Care Services (UK) Limited

### Notes to the financial statements for the year ended 31 December 2001 (continued)

#### 18. Reserves

	Share premium account	Profit and loss account	Revaluation reserve	Other reserves
	£'000	£'000	£'000	£'000
At 1 January 2001	177	3,194	11,778	43
Loss for the financial year	-	(1,560)	-	-
At 31 December 2001	177	1,634	11,778	43

#### 19. Reconciliation of movement in shareholders' funds

	2001 £'000	2000 £'000
Profit for the financial year	1,490	2,285
Equity dividends paid	(3,050)	(2,750)
Net reduction in shareholders' funds	(1,560)	(465)
Opening equity shareholders' funds	15,793	16,258
Closing equity shareholders' funds	14,233	15,793

#### 20. Capital commitments

The company had no outstanding capital commitments at 31 December 2001 (2000: £Nil)

#### 21. Contingent liability

There is a fixed and floating charge over the property, undertakings and assets of the company in respect of a loan from Craegmoor Funding PLC to the company and its fellow subsidiaries under the Issuer/Borrowers Facility Agreement dated 23 November 2000. Craegmoor Funding PLC is a fellow subsidiary of Craegmoor Limited.

# Health and Care Services (UK) Limited

## Notes to the financial statements for the year ended 31 December 2001 (continued)

### 22. Pension scheme

The company operates a defined benefits pension scheme, the "Health and Care Pension and Life Assurance Plan" for staff at one of its homes. The scheme is professionally valued tri-annually, under the projected unit method.

The pension cost relating to the above defined benefit scheme is assessed in accordance with the advice of an independent qualified actuary using the projected units method. The latest actuarial valuation of the scheme was at 10 November 1998. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 2.5% per annum higher than increases in earnings and 3.83% higher than increases in present and future pensions.

At the date of the latest actuarial valuation the market value of the assets of the "Health and Care Pension and Life Assurance Plan" were £45,000. The actuarial value of these assets was sufficient to cover 141% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The contributions of the Company and employees are 25.7% and 6% respectively.

The total net pension cost of the company was £39,000 during the year (2000: £35,000)

#### FRS 17

The most recent valuation of the Group's defined benefit pension scheme, the "Health and Care Pension and Life Assurance Plan" has been updated to 31 December 2001 to take account of the requirements of FRS 17. The major assumptions used to calculate the present value of scheme liabilities were as follows:

	% per annum
Discount rate	5.81%
Inflation rate	2.67%
Rate of increase in salaries	4.00%
Rate of increase of pensions in payment	2.67%

# Health and Care Services (UK) Limited

## Notes to the financial statements for the year ended 31 December 2001 (continued)

### 22. Pension scheme (continued)

The assets of the scheme and the expected rate of return and liabilities of the scheme at 31 December were:

	Long term rate of return expected at 31 December	Value
	%	£'000
Equities	N/A	-
Bonds	N/A	-
Other -- Deposit Administration Contract	6.5	193
Market value of scheme		193
Present value of scheme liabilities		(196)
Deficit in the scheme at 31 December 2001		(3)
Related deferred tax asset		1
<b>Net liability</b>		<b>(2)</b>

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss account at 31 December 2001 would be as follows:

	£'000
<b>Net assets</b>	
Net assets excluding pension asset	14,233
Pension liability	(2)
<b>Net assets including pension liability</b>	<b>14,231</b>

	£'000
<b>Profit and loss account</b>	
Profit and loss account excluding pension asset	1,634
Pension liability	(2)
<b>Profit and loss account including pension liability</b>	<b>1,632</b>

## **Health and Care Services (UK) Limited**

### **Notes to the financial statements for the year ended 31 December 2001 (continued)**

#### **23. Immediate and ultimate parent companies**

The directors regard Craegmoor Holdings Limited, a company registered in England and Wales, as the immediate parent company of Health and Care Services (UK) Limited and Craegmoor Limited, a company registered in England and Wales, as the ultimate parent company in the United Kingdom of Craegmoor Holdings Limited. Copies of Craegmoor Limited's consolidated financial statements may now be obtained from its registered office, "Hillcairnie", St. Andrews Road, Droitwich, Worcester, WR9 8DJ.

At 31 December 2001, Legal & General Group Plc owned 62.85% of the issued share capital of Craegmoor Limited via an intermediate subsidiary and a limited partnership. Legal & General Group Plc has excluded Craegmoor Limited from consolidation in its 2001 report and accounts because the limited partnership agreement imposes severe long term restrictions over its ability to exercise control.

Subsequent to the period end Legal & General Group Plc's holding in the issued share capital of Craegmoor Limited has been reduced to 47.22%.