

Health and Care Services (UK) Limited
Annual report
for the year ended 31 December 1999

Registered Number 2083074



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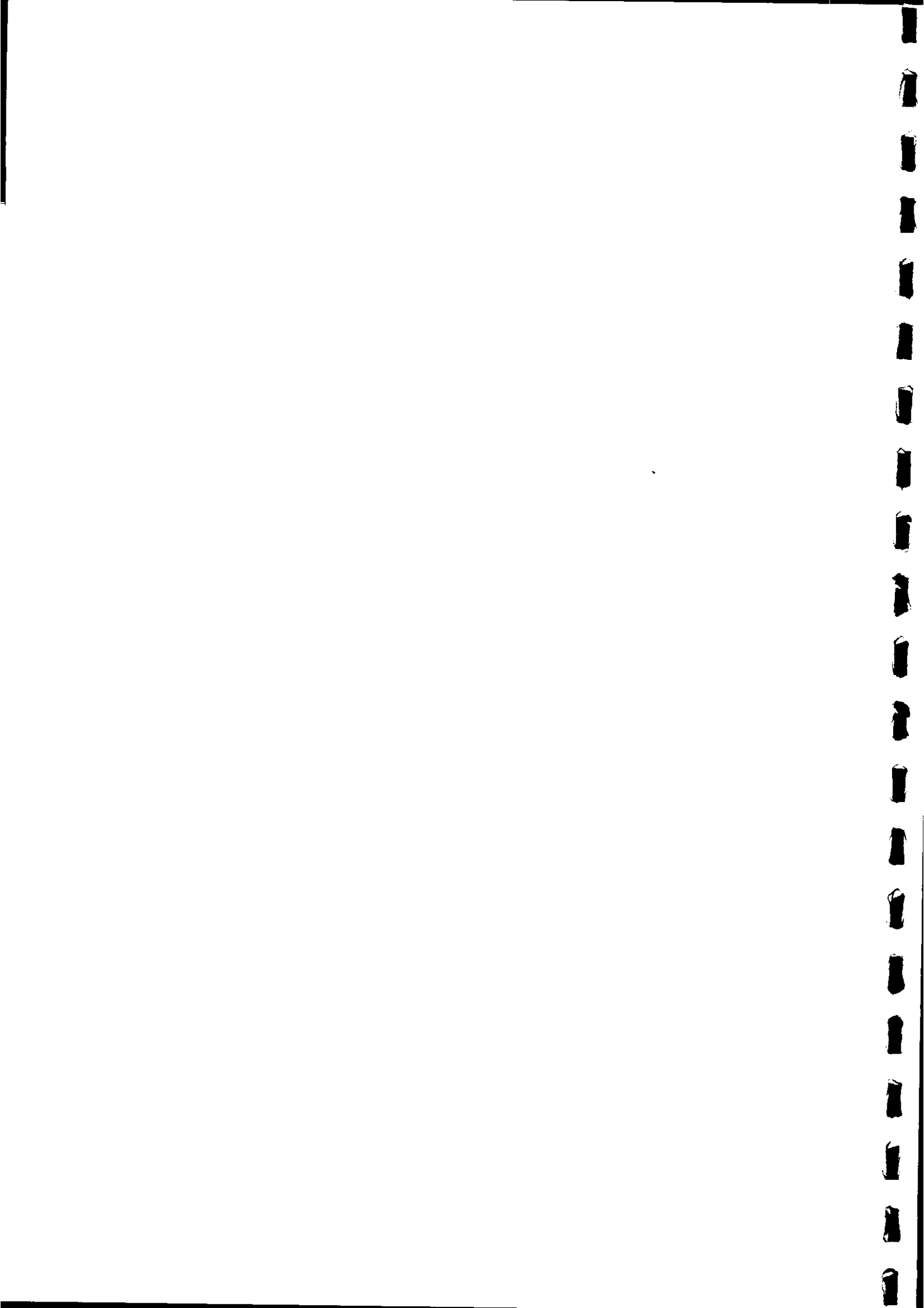
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Health and Care Services (UK) Limited

Annual report for the year ended 31 December 1999

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Health and Care Services (UK) Limited

Directors and Advisors for the year ended 31 December 1999

Executive Directors

J L Adams (resigned 18 February 1999)

M A Stratford

G Blackoe (appointed 18 February 1999)

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 1999

The directors present their report and the audited financial statements for the year ended 31 December 1999.

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 directors do not recommend the payment of a dividend for the year ended 31 December 1999 (1998: £nil). The profit for the year of £1,177,184 (1998: £1,277,620) will be transferred to reserves.

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 parent company, Craegmoor Healthcare Company Limited and his share interests are shown in the directors' report of that company. No other director had at 31 December 1999 any interests in the share capital of Health and Care Services (UK) Limited or Craegmoor Healthcare Company Limited.

Year 2000

Many computer systems express dates using only the last two digits to indicate the year. Such systems require testing and may require modification to ensure that they produce valid data in the year 2000 and beyond.

The company's principle computer applications software were year 2000 ready in 1999. Other programs that may have required testing and/or replacing were upgraded during the course of 1999.

The directors are aware that the risks related to the year 2000 issue are not only internal but that disruption may be caused by the failure of its customers and suppliers systems. There is therefore a risk associated with the failure of other parties to remedy their own year 2000 issues. No issues have arisen to date.

The company audited its systems including equipment which may have embedded computer chips during 1999, reporting to the group's executive committee which has ultimate responsibility for this exercise.

The total cost of upgrades and modifications to the company's systems and hardware was not material and since the company only uses packaged software there were no significant charges to the profit and loss account during 1999. Similarly, none are expected in 2000.

Changes in fixed assets

Movements in tangible fixed assets during the year are set out in note 9 to the financial statements.

Health and Care Services (UK) Limited

Introduction of the Euro

The company neither imports goods and services nor exports goods and services to the Euro zone.

The company has confirmed that the software upgrades are available for its packaged accounting system to cater for the Euro, which can be installed if confirmation of entry is announced.

New computer hardware purchased from 1 January 2000 will be validated to ensure that it is Euro compliant and that the appropriate currency symbol is available.

Upon announcement that the country is to enter the Euro system, the company will form an appropriate project team to deal with this matter.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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:

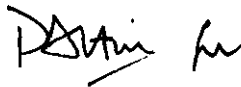
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare 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 that disclose with reasonable accuracy at any time the financial position of the company and 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

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

By order of the Board



BLG (Professional Services) Limited
Company Secretary
12 May 2000

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 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 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 financial statements.

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 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 the company's affairs at 31 December 1999 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
12 May 2000

Health and Care Services (UK) Limited

Profit and loss account for the year ended 31 December 1999

	Note	1999 £	1998 £
Turnover	2	5,268,924	5,234,713
Cost of sales		(2,763,263)	(2,559,494)
Gross profit		2,505,661	2,675,219
Administration expenses		(742,592)	(694,411)
Operating profit	7	1,763,069	1,980,808
Net interest (payable)/receivable	6	(6,885)	990
Profit on ordinary activities before taxation		1,756,184	1,981,798
Tax on profit on ordinary activities	8	(579,000)	(704,178)
Retained Profit for the financial year	17	1,177,184	1,277,620

All activities relate to continuing operations.

Health and Care Services (UK) Limited

Statement of total recognised gains and losses

	1999	1998
For the year ended 31 December 1999	£	£
Profit attributable to shareholders for the financial year	1,177,184	1,277,620
Unrealised surplus on revaluation of properties	6,250,000	57,182
Total recognised gains for the year	7,427,184	1,334,802

Health and Care Services (UK) Limited

Note of historical cost profit and losses

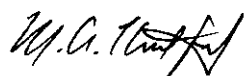
	1999	1998
For the year ended 31 December 1999	£	£
Reported profit on ordinary activities before taxation	1,756,184	1,981,798
Difference between historical cost depreciation and actual depreciation charge for the year calculated on the revalued amount	113,995	112,029
Historical cost profit on ordinary activities before taxation	1,870,179	2,093,827
Historical cost profit for the year retained after taxation	1,291,182	1,389,649

Health and Care Services (UK) Limited

Balance sheet as at 31 December 1999

	Note	1999 £	1998 £
Fixed Assets			
Tangible assets	9	15,713,244	9,638,303
Investments	10	230,001	230,001
Current assets			
Stock	11	3,650	3,650
Debtors	12	5,538,494	4,997,690
Cash at bank and in hand		72,030	41,834
		5,614,174	5,043,174
Creditors: amounts falling due within one year	13	(1,226,275)	(2,007,518)
Net current assets		4,387,899	3,035,656
Total assets less current liabilities		20,331,144	12,903,960
Creditors : amounts falling due after more than one year	14	(4,002,773)	(4,002,773)
Provisions for liabilities and charges	15	(69,500)	(69,500)
Net assets		16,258,871	8,831,687
Capital and reserves			
Called up share capital	16	601,300	601,300
Share premium account	17	176,700	176,700
Revaluation reserve	17	11,777,902	5,527,902
Profit and loss account	17	3,659,669	2,482,485
Other reserves	17	43,300	43,300
Total equity shareholders' funds		16,258,871	8,831,687

The financial statements on page 5 to 17 were approved by the board of directors and signed on its behalf by:



M A Stratford
Director
12 May 2000

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 1999

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below:

Basis of accounting

The financial statements have been prepared on the historical cost basis of accounting modified by the revaluation of certain fixed assets.

Fixed Assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. 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 independent 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, or valuation, of tangible fixed assets less their estimated residual values, on the following bases:

Freehold Buildings – straight line basis	2%
Motor Vehicles – straight line basis	25%
Furniture, fittings, tools and equipment – reducing balance method	15%

Provision is made for any impairment in the year in which it arises.

Investments

Investments are carried at cost. Provision is made for any impairment in the year in which it arises.

Operating leases

Costs in respect of operating leases are charged as incurred.

Stocks

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

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable a liability will crystallise.

Consolidation

Health & Care Services (UK) Limited is a wholly owned subsidiary of Craegmoor Healthcare Company Limited. As such it is exempt from preparing consolidated financial statements. Its results and the results of its subsidiary undertakings for the year ended 31 December 1999 are included within the consolidated financial statements of that company.

Health and Care Services (UK) Limited

Cash Flow Statement

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

Pensions

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.

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 1999 were £Nil (1998: £Nil).

5. Employee information

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

Nursing, ancillary and administrative	1999	1998
Full time	241	195
Part time	57	51
	298	246

Staff costs (for the above persons)	1999	1998
	£	£
Wages and salaries	2,350,598	2,150,044
Social security costs	150,001	150,806
Other pension costs	45,146	38,479
	2,545,745	2,339,329

Health and Care Services (UK) Limited

6. Net interest (payable)/receivable

	1999 £	1998 £
Interest payable on bank loans and overdrafts	(7,034)	(200)
Bank interest receivable	149	1,190
Net interest (payable)/receivable	(6,885)	990

7. Operating profit

	1999 £	1998 £
Operating profit is stated after charging/(crediting)		
Depreciation of owned tangible fixed assets - owned assets	264,552	239,943
Hire of machinery, equipment and operating lease rentals	1,691	2,241
Auditors' fees – Audit	7,300	8,280
– Non audit services	1,079	-

8. Tax on profit on ordinary activities

	1999 £	1998 £
Taxation on the profit for the year		
UK corporation tax at 30.25% (1998: 31.5%) – current	14,997	495,408
Group relief	564,003	167,310
Prior year adjustment for under/(over) provision	-	41,460
	579,000	704,178

Health and Care Services (UK) Limited

9. Tangible fixed assets

	Freehold Land and Buildings	Fixtures and Fittings	Motor Vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 January 1999	9,346,057	889,246	103,405	10,338,708
Additions	13,136	73,253	3,854	90,243
Disposals	-	-	(25,000)	(25,000)
Revaluations (see below)	6,009,952	-	-	6,009,952
At 31 December 1999	15,369,145	962,499	82,259	16,413,903
Accumulated Depreciation				
At 1 January 1999	167,703	455,385	77,317	700,405
Charge for the year	173,628	65,076	25,848	264,552
Disposals	-	-	(24,250)	(24,250)
Revaluations (see below)	(240,048)	-	-	(240,048)
At 31 December 1999	101,283	520,461	78,915	700,659
Net book value				
At 31 December 1999	15,267,862	442,038	3,344	15,713,244
At 31 December 1998	9,178,354	433,861	26,088	9,638,303

The carrying value of the freehold land and buildings was reassessed by the directors during the year, utilising independent professional advice. This resulted in the recognition of an increase in the carrying value of £6,250,000 which has been credited to the revaluation reserve.

Cost or valuation at 31 December 1999 is represented by:	£	£	£	£
Valuation in 1999	15,369,145	-	-	15,369,145
Cost	-	962,499	82,259	1,044,758
At 31 December 1999	15,369,145	962,499	82,259	16,413,903

Health and Care Services (UK) Limited

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

	1999	1998
Cost	3,326,053	3,312,917
Aggregate depreciation based on cost	(324,127)	(264,494)
Net book value based on cost	3,001,926	3,048,423

10. Investments

	Total £
Shares in subsidiary undertakings at cost	
At 1 January 1999 and 31 December 1999	230,001

The company's subsidiary undertakings are as follows:

- Health & Care (NW) Limited
- Health & Care (Yorks) Limited
- Health & Care (Humbs) Limited
- Concept Care Limited

All of the above companies are incorporated in Great Britain and are held by the company itself with the exception of 0.1% of the shares in Concept Care Limited, which are held by another subsidiary undertaking. Their principle activity is the operation of residential and nursing homes.

11. Stocks

	1999 £	1998 £
Consumables	3,650	3,650

Health and Care Services (UK) Limited

12. Debtors

Amounts falling due within one year	1999	1998
	£	£
Trade debtors	296,433	260,265
Amounts owed by group undertakings	5,221,972	4,614,082
Prepayments and accrued income	20,089	123,343
	5,538,494	4,997,690

13. Creditors – Amounts falling due within one year

	1999	1998
	£	£
Trade creditors	27,496	23,809
Amounts owed to group undertakings	274,506	455,328
Corporation tax	659,849	1,246,778
Other creditors	11,311	-
Accruals and deferred income	253,113	281,603
	1,226,275	2,007,518

14. Creditors – Amounts falling due after more than one year

	1999	1998
	£	£
Amounts owed to immediate parent undertaking	4,002,773	4,002,773

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.

Health and Care Services (UK) Limited

15. Provisions for liabilities and charges

Deferred taxation deferred in the financial statements and the amount unprovided of the total potential liability, are as follows:

	Amounts provided		Amounts unprovided	
	1999	1998	1999	1998
	£	£	£	£
Tax effect of timing differences because of:				
Excess capital allowances over depreciation	69,500	69,500	45,784	35,136
Chargeable gains on revaluation	-	-	3,395,000	1,548,387
	69,500	69,500	3,440,784	1,583,523

16. Called up share capital

	1999	1998
	£	£
Authorised		
700,000	700,000	700,000
Allotted, called up and fully paid		
601,300 ordinary shares of £1 each	601,300	601,300

17. Reserves

	Share premium account	Profit and loss account	Revaluation reserve	Other reserves
	£	£	£	£
At 1 January 1999	176,700	2,482,485	5,527,902	43,300
Surplus on property revaluations	-	-	6,250,000	-
Retained profit for the financial year	-	1,177,184	-	-
At 31 December 1999	176,700	3,659,669	11,777,902	43,300

Health and Care Services (UK) Limited

18. Reconciliation of movement in shareholders' funds

	1999 £	1998 £
Profit attributable to shareholders	1,177,184	1,277,620
Other recognised gains relating to the year	6,250,000	57,182
Net addition to shareholders' funds	7,427,184	1,334,802
Opening equity shareholders' funds	8,831,687	7,496,885
Closing equity shareholders' funds	16,258,871	8,831,687

19. Capital commitments

The company had no outstanding capital commitments at 31 December 1999 (1998: £Nil)

20. 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 Finance PLC to Parkcare Homes Limited under the Parkcare/Issuer Loan Agreement dated 20 December 1996. Craegmoor Finance PLC and Parkcare Homes Limited are fellow subsidiaries of the company.

21. 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 will be professionally valued tri-annually, under the projected unit method.

The Trustees of the "Health and Care Pension and Life Assurance Plan" have appointed an actuary who determines the initial employer contribution rate of 22% with an equivalent employee rate of 5%. The funding method adopted is the project unit method.

Employers' contribution rates will be reviewed on actuarial valuations. The total net pension cost of the company was £45,146 during the year (1998: £38,479)

Health and Care Services (UK) Limited

22. Ultimate Controlling Party

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

The directors regard Warburg Pincus LP, a company partnership incorporated in the United States of America, as the ultimate parent company. Copies of the ultimate parent company's financial statements are not available to the public.