

Registered no: 2083074

Health & Care Services (UK) Limited

Annual Report

for the year ended 31 December 1998



Health & Care Services (UK) Limited

Annual report for the year ended 31 December 1998

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Health & Care Services (UK) Limited

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Directors and advisers

Executive directors

J L Adams (resigned 31 March 1999)
M A Stratford
G Blackoe (appointed 31 March 1999)

Registered auditors

PricewaterhouseCoopers
Temple Court
35 Bull Street
Birmingham
B4 6JT

Solicitors

Simon Bishop & Partners
"Hillcairnie"
St Andrew's Road
Droitwich
Worcestershire
WR9 8DJ

Secretary and registered office

S J Bishop
"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

Directors' report for the year ended 31 December 1998

The directors present their report and the audited financial statements for the year ended 31 December 1998.

Principal activity

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

Parent company

The company is a wholly owned subsidiary of Craegmoor Healthcare Company Limited.

Review of business

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

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend for the year ended 31 December 1998 (47 weeks ended 31 December 1997: Nil), and recommend that the profit for the year ended 31 December 1998 of £1,277,620 (period ended 31 December 1997: £1,202,911) be transferred to reserves.

Directors

The directors of the company during the year ended 31 December 1998 are shown on page 1.

Directors' interests

M A Stratford is 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 any interest in the share capital of Health & Care Services (UK) Limited or Craegmoor Healthcare Company Limited.

Directors' report for the year ended 31 December 1998 (continued)

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1998. The directors also confirm that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 principal computer applications software is year 2000 ready. Other programs that may require testing and possibly replacing will be 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.

The company commenced auditing its systems including equipment which may have embedded computer chips during the year. The company has designated a number of employees to this project which report to the group's executive committee which has ultimate responsibility for this exercise.

The total cost to complete upgrades and modifications to the company's systems and hardware is not considered material and since the company only uses packaged software it does not anticipate significant charges to the profit and loss account during 1999. Any replacement computer hardware will be capitalised and amortised in line with the company's standard depreciation policy.

Health & Care Services (UK) Limited

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Directors' report for the year ended 31 December 1998 (continued)

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

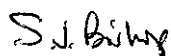
New computer hardware purchased from 1 January 1999 will be validated to ensure that it is Euro compliant and that the appropriate currency symbol is available.

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

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998 following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers will be proposed at the annual general meeting.

By order of the board



S J Bishop
Company secretary
14 May 1999

Report of the auditors to the members of Health & Care Services (UK) Limited

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We have audited the financial statements on pages 6 to 19, which have been prepared under the historical cost convention as modified by revaluation of certain fixed assets and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3, the financial statements. Our responsibilities, as independent auditors, are established 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 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 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham
14 May 1999

Health & Care Services (UK) Limited

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Profit and loss account for the year ended 31 December 1998

	Notes	52 weeks ended 31 December 1998 £	47 weeks ended 31 December 1997 £
Turnover - continuing operations	2	5,234,713	4,254,252
Cost of sales - continuing operations		(2,559,494)	(1,987,828)
Gross profit - continuing operations		2,675,219	2,266,424
Administrative expenses - continuing operations		(694,411)	(466,730)
Operating profit - continuing operations		1,980,808	1,799,694
Interest receivable and similar income	5	1,190	3,234
Interest payable and similar charges	6	(200)	-
Profit on ordinary activities before taxation	7	1,981,798	1,802,928
Tax on profit on ordinary activities	8	(704,178)	(600,017)
Retained profit for the year	17	1,277,620	1,202,911

Health & Care Services (UK) Limited

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Statement of total recognised gains and losses

	Notes	52 weeks ended 31 December 1998 £	47 weeks ended 31 December 1997 £
Profit for the financial year		1,277,620	1,202,911
Unrealised surplus on revaluation of freehold land and buildings	17	57,182	5,470,720
Total gains and losses recognised since last annual report		1,334,802	6,673,631

Note of historical cost profits and losses

	£	£
Reported profits on ordinary activities before taxation	1,981,798	1,802,928
Difference between historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount.	112,029	97,449
Historical cost profit on ordinary activities before taxation	2,093,827	1,900,377
Historical cost profit for the year after taxation	1,389,649	1,300,360

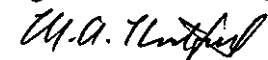
Health & Care Services (UK) Limited

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Balance sheet at 31 December 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	9	9,638,303	9,433,630
Investments	10	230,001	230,001
		<hr/>	<hr/>
		9,868,304	9,663,631
Current assets			
Stocks	11	3,650	3,650
Debtors	12	4,997,690	2,432,286
Cash at bank and in hand		41,834	444,125
		<hr/>	<hr/>
		5,043,174	2,880,061
Creditors: amounts falling due within one year	13	(2,007,518)	(1,250,857)
		<hr/>	<hr/>
Net current assets		3,035,656	1,629,204
		<hr/>	<hr/>
Total assets less current liabilities		12,903,960	11,292,835
Creditors: amounts falling due after more than one year	14	(4,002,773)	(3,726,450)
Provisions for liabilities and charges	15	(69,500)	(69,500)
		<hr/>	<hr/>
Net assets		8,831,687	7,496,885
		<hr/>	<hr/>
Capital and Reserves			
Called up share capital	16	601,300	601,300
Share premium account		176,700	176,700
Revaluation reserve	17	5,527,902	5,470,720
Capital redemption reserve		43,300	43,300
Profit and loss account	17	2,482,485	1,204,865
		<hr/>	<hr/>
Equity shareholders' funds	18	8,831,687	7,496,885
		<hr/>	<hr/>

The financial statements on pages 6 to 19 were approved by the board of directors on 14 May 1999 and were signed on its behalf by:



M A Stratford
Director

Notes to the financial statements for the year ended 31 December 1998

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 are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Tangible 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 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 basis:

Freehold land and buildings	2% straight line method
Furniture, fittings and equipment	15% reducing balance method
Motor vehicles	25% straight line method

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

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 for the year ended 31 December 1998 are included within the consolidated financial statements of that company.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Stocks

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

**Notes to the financial statements
for the year ended 31 December 1998 (continued)**

1 Principal accounting policies (continued)

Deferred taxation

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

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 consists entirely of fee income charged for the period in the United Kingdom.

3 Directors' emoluments

Directors' emoluments for 1998 were Nil (47 weeks ended 31 December 1997: Nil).

**Notes to the financial statements
for the year ended 31 December 1998 (continued)****4 Employee information**

The average weekly number of persons (including executive directors) employed by the company during the year was as shown below.

	52 weeks ended 31 December 1998 Number	47 weeks ended 31 December 1997 Number
Nursing, ancillary and administrative staff	246	223
	<hr/>	<hr/>
	£	£
Staff costs (for the above persons)		
Wages and salaries	2,150,044	1,683,745
Social security costs	150,806	115,103
Pension	38,479	-
	<hr/>	<hr/>
	2,339,329	1,798,848
	<hr/>	<hr/>

The comparative number of staff employed have been restated to comply with the current year basis and classification, the directors consider to be more meaningful.

5 Interest receivable and similar income

	52 weeks ended 31 December 1998 £	47 weeks ended 31 December 1997 £
Bank interest received	1,190	3,234
	<hr/>	<hr/>

**Notes to the financial statements
for the year ended 31 December 1998 (continued)**

6 Interest payable and similar charges

	52 weeks ended 31 December 1998 £	47 weeks ended 4 February 1997 £
Other interest payable	200	-
	<u> </u>	<u> </u>

7 Profit on ordinary activities before taxation

	52 weeks ended 31 December 1998 £	47 weeks ended 4 February 1997 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year:		
- Tangible owned fixed assets	239,943	219,688
Auditors' remuneration for:		
- Audit	8,280	6,500
- Other Services	-	-
Hire of assets	2,241	4,000
	<u> </u>	<u> </u>

**Notes to the financial statements
for the year ended 31 December 1998 (continued)****8 Tax on profit on ordinary activities**

	52 weeks ended 31 December 1998 £	47 weeks ended 31 December 1997 £
United Kingdom corporation tax at 31.5% (47 weeks ended 31 December 1997:31.5%)		
Current charge	495,408	600,000
Group relief	167,310	-
Under provision in respect of previous year's	41,460	17
	<hr/>	<hr/>
	704,178	600,017
	<hr/>	<hr/>

**Notes to the financial statements
for the year ended 31 December 1998 (continued)**

9 Tangible fixed assets

	Freehold land and buildings	Furniture and fittings	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 January 1998	9,222,685	718,205	106,905	10,047,795
Revaluations	(96,521)	-	-	(96,521)
Additions	278,210	171,041	-	449,251
Disposals	(58,317)	-	(3,500)	(61,817)
At 31 December 1998	9,346,057	889,246	103,405	10,338,708
Depreciation				
At 1 January 1998	153,703	409,005	51,457	614,165
Revaluations	(153,703)	-	-	(153,703)
Charge for year	167,703	46,380	25,860	239,943
At 31 December 1998	167,703	455,385	77,317	700,405
Net book value				
At 31 December 1998	9,178,354	433,861	26,088	9,638,303
At 31 December 1997	9,068,982	309,200	55,448	9,433,630
Cost or valuation at 31 December 1998				
Valuation in year	9,126,164	-	-	9,126,164
Cost	219,891	889,247	103,406	1,212,544
	9,346,055	889,247	103,406	10,338,708

**Notes to the financial statements
for the year ended 31 December 1998 (continued)****9 Tangible fixed assets (continued)**

The land and buildings were initially revalued in February 1997 by the directors based, in part, on an independent professional valuation, using an open market value for existing use basis. This valuation was reassessed by the directors' during the year as a result of changes in market conditions.

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

	1998	1997
	£	£
Cost	3,312,917	3,093,024
Aggregate depreciation based on cost	(264,494)	(208,820)
	<hr/>	<hr/>
Net book value based on cost	3,048,423	2,884,204
	<hr/>	<hr/>

10 Investments

	1998	1997
	£	£
Shares in subsidiary undertakings at cost	230,001	230,001
	<hr/>	<hr/>

The company's subsidiary undertakings are as follows:-

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

All of the above companies are incorporated in Great Britain and all 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.

**Notes to the financial statements
for the year ended 31 December 1998 (continued)****11 Stocks**

	1998	1997
	£	£
Consumables	3,650	3,650
	<u> </u>	<u> </u>

12 Debtors

	1998	1997
	£	£
Amounts falling due within one year		
Trade debtors	260,265	202,302
Amounts owed by group undertakings	4,614,082	1,980,939
Corporation tax repayable	-	52,194
Other debtors	-	1,204
Prepayments and accrued income	123,343	195,647
	<u> </u>	<u> </u>
	4,997,690	2,432,286
	<u> </u>	<u> </u>

13 Creditors: amounts falling due within one year

	1998	1997
	£	£
Trade creditors	23,809	40,046
Corporation tax	1,246,778	594,794
Other taxation and social security	-	307
Accruals and deferred income	281,603	231,720
Amounts owed to subsidiary undertakings	455,328	383,990
	<u> </u>	<u> </u>
	2,007,518	1,250,857
	<u> </u>	<u> </u>

**Notes to the financial statements
for the year ended 31 December 1998 (continued)**

14 Creditors: amounts falling due after more than one year

	1998	1997
	£	£
Amounts owed to immediate parent company	4,002,773	3,726,450
	<u> </u>	<u> </u>

Amounts owed to the immediate parent company 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 repayments of this loan within the next 12 months.

15 Provisions for liabilities and charges

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

	Amount provided		Amount unprovided	
	1998	1997	1998	1997
	£	£	£	£
Tax effect of timing differences because of:				
Excess capital allowances over depreciation	69,500	69,500	35,136	13,487
Revaluation surplus	-	-	1,548,387	1,600,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	69,500	69,500	1,583,523	1,613,487
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16 Called up share capital

	1998	1997
	£	£
Authorised		
700,000 ordinary shares of £1 each	700,000	700,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
601,300 ordinary shares of £1 each	601,300	601,300
	<u> </u>	<u> </u>

**Notes to the financial statements
for the year ended 31 December 1998 (continued)**

17 Reserves

	Revaluation reserve	Profit & loss account
	£	£
At 1 January 1998	5,470,720	1,204,865
Retained profit for the year	-	1,277,620
Revaluation in the year	57,182	-
	<hr/>	<hr/>
At 31 December 1998	5,527,902	2,482,485
	<hr/>	<hr/>

18 Reconciliation of movement in shareholders' funds

	31 December 1998	31 December 1997
	£	£
Opening shareholders' funds	7,496,885	823,254
Profit for the financial year	1,277,620	1,202,911
	<hr/>	<hr/>
	8,774,505	2,026,165
Other recognised gains relating to the year	57,182	5,470,720
	<hr/>	<hr/>
Closing shareholders' funds	8,831,687	7,496,885
	<hr/>	<hr/>

Notes to the financial statements for the Year ended 31 December 1998 (continued)

19 Capital commitments

There were no capital commitments at 31 December 1998 (31 December 1997: Nil).

20 Contingent liability

There is a fixed and floating charge over the property, undertaking 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 Related party transactions

The company has taken advantage of the exemption granted under Paragraph 3(c) of FRS8 and not disclosed any transactions with group companies.

22 Pension scheme

The company operates a defined benefit pension scheme, the "Health and Care Pension and Life Assurance Plan" for the staff at one of its homes. The scheme will be professionally valued triannually, under the projected unit method.

The Trustees of the "Health and Care Pension and Life Assurance Plan" have appointed an actuary who determined 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 valuation. The total net pension cost of the company was £38,479 during the year (1997: £Nil).

23 Immediate and ultimate parent companies

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