Blenheim House Limited

Directors' report and financial statements

Seven months ended 31 December 1999

Registered number 3136041

Contents

Directors' report

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

Principal activities

The principal activity of the company was the development and management of long term medium secure units for individuals with chronic behavioural problems.

Business review

The results for the period are set out in the profit and loss account on page 5.

The directors have considered the impact of the Year 2000 date change on the company. There can be no assurance that the change in date from 1999 to 2000 will not affect the company's operations or results. However, at the date of signing, no adverse effects of the date change have been experienced.

Proposed dividend

The directors do not recommend the payment of a dividend *(31 May 1999: £nil)*.

Directors and directors' interests

The directors who held office during the period were as follows:

JA Cunningham	(resigned 6 September 1999)
DJ Ewart	(resigned 6 September 1999)
AG Heywood	(appointed 30 July 1999)
KD O'Connell	(resigned 30 July 1999)
JE Pedley	(resigned 6 September 1999)
SJ Purse	
MJ Tiplady	(resigned 30 July 1999)
AS Wilson	(resigned 30 July 1999)

On 6 January 2000 Dr CB Patel was appointed as a director and on 1 February 2000 S Page and Ms S Stewart were appointed as directors. On 7 March 2000 SJ Purse resigned as a director.

In accordance with the articles of association, no directors retire by rotation. None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

The interests of the directors in the share capital of Westminster Health Care Holdings Limited were as follows:

	Interest at end of the period		Interest at start of period or date of appointment	
	A shares	**B shares**	A shares	B shares
Dr CB Patel	**909,278**	**9**	909,278	9
AG Heywood	**75,773**	**1**	75,773	1

Directors' report *(continued)*

Employees

The directors recognise that the continued position of the company in the health care industry depends on the quality and motivation of its employees and as such the company is committed to pursue employment policies which will continue to attract, retain and motivate its employees.

Good and effective employee communications are particularly important, and throughout the business it is the directors' policy to promote the understanding by all employees of the company's business aims and performance. This is achieved through internal publications, presentations on performance and a variety of other approaches appropriate for a particular location.

The directors believe that it is important to recruit and retain capable and caring staff regardless of their sex, marital status, race or religion. It is the company's policy to give full and fair consideration to applications for employment from people who are disabled, to continue wherever possible the employment of and to arrange appropriate training for, employees who become disabled and to provide equal opportunities for the career development, training and promotion of disabled employees.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Jon Hather
Secretary

Kings Court
41-51 Kingston Road
Leatherhead
Surrey
KT22 7SZ

30 October 2000

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 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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Report of the auditors to the members of Blenheim House Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 as at 31 December 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

30 October 2000

Profit and loss account
for the seven months to 31 December 1999

	Note	**Seven months to 31 December 1999 £000**	Year to 31 May 1999 £000
Turnover		**6,733**	6,355
Cost of sales		**(5,311)**	(5,313)
Gross profit		**1,422**	1,042
Administrative expenses		**(171)**	(315)
Operating profit		**1,251**	727
Net interest payable and similar charges	*6*	**(42)**	(78)
Profit on ordinary activities before taxation		**1,209**	649
Tax on profit on ordinary activities	*7*	**-**	(169)
Profit for the financial year		**1,209**	480

The results for both the current and prior period derive from continuing activities.

Balance sheet
at 31 December 1999

	Note	31 December 1999		31 May 1999	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		**26,830**		14,403
Current assets					
Stocks	9	**10**		7	
Debtors	10	**2,165**		1,697	
Cash at bank and in hand		**612**		104	
		2,787		1,808	
Creditors: amounts falling due within one year	11	**(7,731)**		(7,346)	
Net current liabilities			**(4,944)**		(5,538)
Total assets less current liabilities			**21,886**		8,865
Creditors: amounts falling due after more than one year	12		**(12)**		(100)
Net assets			**21,874**		8,765
Capital and reserves					
Called up share capital	13		**11,901**		1
Revaluation reserve	14		**9,649**		9,649
Profit and loss account	14		**324**		(885)
Shareholders' funds – equity			**21,874**		8,765

These financial statements were approved by the board of directors on 30 October 2000 and were signed on its behalf by:

Dr CB Patel
Director

Statement of total recognised gains and losses
for the seven months to 31 December 1999

	Seven months to 31 Dec 1999 £000	Year to 31 May 1999 £000
Profit for the financial year	**1,209**	480
Unrealised surplus on revaluation of properties	-	9,649
Total recognised gains and losses relating to the financial year	**1,209**	10,129

Note of historical cost profits and losses
for the seven months to 31 December 1999

	Seven months to 31 Dec 1999 £000	Year to 31 May 1999 £000
Reported profit on ordinary activities before taxation	**1,209**	649
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	**80**	-
Historical cost profit on ordinary activities before taxation	**1,289**	649
Historical cost profit for the period retained after taxation and dividends	**1,289**	480

Reconciliation of movements in shareholders' funds
for the seven months to 31 December 1999

	Seven months to 31 Dec 1999 £000	Year to 31 May 1999 £000
Profit for the financial year	**1,209**	480
Other recognised gains and losses relating to the year (net)	-	9,649
New share capital subscribed (net of issue costs)	**11,900**	-
Net addition to shareholders' funds	**13,109**	10,129
Opening shareholders' funds	**8,765**	(1,364)
Closing shareholders' funds	**21,874**	8,765

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain land and buildings.

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Westminster Health Care Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

Fixed assets and depreciation

Regular valuations of freehold and long leasehold land and buildings are carried out and are reflected in the financial statements. Subsequent additions and assets in the course of construction are recorded at cost.

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings and long leasehold properties	-	50 years
Short leasehold properties	-	over the period of the lease
Plant, fixtures and fittings	-	3 to 10 years
Motor vehicles	-	4 years

No depreciation is provided on freehold land.

Fixed asset investments are stated at cost less provision for any impairment in value.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Notes *(continued)*

1 Accounting policies *(continued)*

Stocks

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of services.

2 Analysis of turnover and profit on ordinary activities before taxation

The company's turnover, profit before taxation and net assets arise primarily from its principal activity of charging patients and residents through the management of the company's long term medium secure units in the United Kingdom.

3 Profit on ordinary activities before taxation

	Seven months to 31 Dec 1999 £000	Year to 31 May 1999 £000
Profit/[loss] on ordinary activities before taxation is stated		
after charging		
Auditors' remuneration (inclusive of VAT):		
Audit	**5**	4
Other services - fees paid to the auditor and its associates	**-**	-
Depreciation and other amounts written off tangible fixed assets	**461**	219
Hire of plant and machinery - rentals payable under operating leases	**1**	2
Hire of other assets - operating leases	**2**	3
after crediting		
Rental income (third party)	**15**	-

Notes *(continued)*

4 Remuneration of directors

	Seven months to 31 Dec 1999 £000	Year to 31 May 1999 £000
Directors' emoluments	-	15
Company contributions to money purchase pension schemes	-	-
Compensation for loss of office	-	-
	-	15

The emoluments of the highest paid director were £nil *(31 May 1999: £15,000)* and company pension contributions of £nil *(31 May 1999: £nil)* were made to a money purchase scheme on his behalf.

There are no retirement benefits accruing to directors under money purchase schemes.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	Seven months to 31 Dec 1999	Year to 31 May 1999
Nursing staff	193	176
Hotel services staff	18	16
Administrative staff	23	22
	234	214

The aggregate payroll costs of these persons were as follows:

	Seven months to 31 Dec 1999 £000	Year to 31 May 1999 £000
Wages and salaries	2,603	2,812
Social security costs	242	263
Other pension costs	41	46
	2,886	3,121

Notes *(continued)*

6 Net interest payable and similar charges

	Seven months to 31 Dec 1999 £000	Year to 31 May 1999 £000
On all other loans	3	4
Intercompany interest payable	40	74
Finance charges payable in respect of finance leases	1	-
	44	78
Interest receivable and similar income	(2)	-
	42	78

7 Taxation

	Seven months to 31 Dec 1999 £000	Year to 31 May 1999 £000
Corporation tax		
Current tax on income for the period at 30% *(31 May 1999: 31%)*	-	169

The UK corporation tax on profit on ordinary activities has been relieved by the surrender of losses by other group companies.

Notes *(continued)*

8 Tangible fixed assets

	Freehold land and buildings £000	Assets in course of construction £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost or valuation					
At beginning of the period	13,585	794	111	14	14,504
Additions	12,692	-	196	-	12,888
Transfers between items	(1,176)	(794)	1,970	-	-
At end of the period	25,101	-	2,277	14	27,392
Depreciation					
At beginning of the period	-	-	96	5	101
Charge for the period	154	-	306	1	461
At end of the period	154	-	402	6	562
Net book value					
Cost	13,505	-	1,875	8	15,388
Valuation	11,442	-	-	-	11,442
At 31 December 1999	**24,947**	-	**1,875**	**8**	**26,830**
At 31 May 1999	13,585	794	15	9	14,403

The Company's land and buildings were valued externally at 31 May 1999 on an open market value for existing use basis by Conrad Ritblat, an independent firm employing qualified surveyors specialising in nursing and rest home surveys and valuations. The valuations were carried out in accordance with the Royal Institution of Chartered Surveys Statements of Asset Valuation Practice and Guidance Notes.

Subsequent additions to land and buildings are recorded at cost to the company.

The gross book value of land and buildings includes £18,825,000 *(31 May 1999: £10,200,000)* of depreciable assets.

The historical net book value of land and buildings is given below:

	31 Dec 1999 £000	31 May 1999 £000
Historical cost of land and buildings	**15,572**	4,056
Aggregate depreciation thereon	**(194)**	(120)
Historical cost net book value	**15,378**	3,936

Notes *(continued)*

9 Stocks

	31 Dec 1999 £000	31 May 1999 £000
Consumable supplies	**10**	7

10 Debtors

	31 Dec 1999 £000	31 May 1999 £000
Trade debtors	**1,625**	1,111
Amounts owed by group undertakings	**502**	511
Other debtors	**28**	71
Prepayments and accrued income	**10**	4
	2,165	1,697

11 Creditors: amounts falling due within one year

	31 Dec 1999 £000	31 May 1999 £000
Obligations under finance leases (see note 12)	**4**	-
Trade creditors	**411**	215
Amounts owed to group undertakings	**6,355**	6,371
Corporation tax	**169**	172
Other taxes and social security	**135**	108
Other creditors	**366**	271
Accruals and deferred income	**291**	209
	7,731	7,346

Notes *(continued)*

12 Creditors: amounts falling due after more than one year

	31 Dec 1999	31 May 1999
	£000	£000
Other loans	**-**	100
Obligations under finance leases	**12**	-
	12	100

Analysis of debt:	**31 Dec 1999**	31 May 1999
	£000	£000
Debt can be analysed as falling due:		
Between one and two years	**-**	100

Obligations under finance leases are payable as follows:

	31 Dec 1999	31 May 1999
	£000	£000
Within one year or less	**4**	-
Within one to two years	**4**	-
Within two to five years	**4**	-
	12	-

13 Called up share capital

	31 Dec 1999	31 May 1999
	£	£
Authorised		
1,500,000,000 *(31 May 1999: 100,000)* "A" Ordinary shares of 1 pence each	**15,000,000**	1,000
15,000 *(31 May 1999: 15,000)* "B" shares of 1 pence each	**150**	150
	15,000,150	1,150
Allotted, called up and fully paid		
1,190,085,000 *(31 May 1999: 85,000)* "A" Ordinary shares of 1 pence each	**11,900,850**	850
15,000 *(31 May 1999: 15,000)* "B" shares of 1 pence each	**150**	150
	11,901,000	1,000

The "A" Ordinary shares have no right to dividends other than those recommended by the directors, have no redemption rights and have an unlimited right to share in the surplus remaining on a winding up after all liabilities have been satisfied.

Notes *(continued)*

13 Called up share capital *(continued)*

The "A" and "B" Ordinary shares have one vote per share, except with regard to the appointment and removal of directors.

A majority of "A" shareholders may appoint up to six directors and remove any such directors and appoint other directors in their place.

Each "B" shareholder may appoint one director and remove any such director and appoint another director in their place.

Within the meaning of FRS4 'Capital Instruments' the "A" and "B" Ordinary shares are classified as "equity" shares.

14 Reserves

	Revaluation reserve	Profit and loss account
	£000	£000
At beginning of the period	9,649	(885)
Retained profit for the period	-	1,209
At end of the period	9,649	324

15 Contingent liabilities

The company has entered into banking facilities set-off agreements in respect of which guarantees have been given. The aggregate amount outstanding under the agreements was £nil at 31 December 1999.

Notes *(continued)*

16 Commitments

(a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	31 Dec 1999	31 May 1999
	£000	£000
Contracted	-	832

(b) Annual commitments under non-cancellable operating leases are as follows:

	31 Dec 1999		31 May 1999	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Operating leases which expire:				
Within one year	-	-	5	-

17 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £41,000 *(31 May 1999: £46,000)*.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

18 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Westminster Health Care Holdings Limited which is incorporated in England.

The largest group in which the results of the company are consolidated is that headed by Westminster Health Care Holdings Limited. No other group accounts include the results of the company.