

Westminster Health Care (NH) Limited

Directors' report and financial statements

Year ended 31 December 2002

Registered number 3486535



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Officers and professional advisers

DIRECTORS

A G Heywood
J G Scott
T Street

SECRETARY

J Hather

REGISTERED OFFICE

Westminster House
Randalls Way
Leatherhead
Surrey
KT22 7TZ

BANKERS

Barclays Bank PLC
31 High Row
Darlington

SOLICITORS

Lovells
65 Holburn Viaduct
London
EC1A 2DY

AUDITORS

Deloitte & Touche LLP
Edinburgh

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The company's principal activity continues to be the operation of nursing homes providing long term care to the elderly.

Business review

The results for the year are set out in the profit and loss account on page 6.

The company's customers are either privately funded or are wholly or mainly funded by the public sector. During the year the company has put significant effort into negotiating fees with local authorities and other public sector purchasing agencies. This led to the average fee of these residents moving closer to the economic cost of care.

Wages budgets continue to be under pressure, due to low levels of unemployment, the historically poor wage levels in the sector and due to success of our training schemes. These training schemes cover broad areas of the services required by our employees, some of which are required by regulation. Successful completion enables our employees to take on more responsibility and derive improvements in their hourly rates.

In order to complement our UK employment we also recruit nurses and senior carers from overseas.

Dividends

No dividends were paid during the year (2001: £1,075,000).

Future prospects

The directors expect the general level of activity in the healthcare sector to increase and believe that the company is well positioned to take advantage of opportunities for additional growth.

Plans are also in place to develop both higher acuity services, which will derive higher revenue streams, and to add beds through extensions to existing homes where market conditions are beneficial.

Directors and directors' interests

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

A G Heywood

Dr C B Patel (resigned 30 April 2002)

J D Weight (resigned 30 April 2002)

J G Scott (appointed 30 April 2002)

T Street (appointed 1 July 2002)

There are no directors' interests requiring disclosure under the Companies Act 1985. Details of directors' interests in the ultimate parent undertaking, Westminster Health Care Holdings Limited (formerly Houghton Holdings Limited), are disclosed in that company's financial statements.

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. 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 and 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

On 7 January 2003 KPMG plc resigned as auditors to the company and Deloitte & Touche were appointed to fill the casual vacancy.

On 1 August 2003, Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989.

By order of the board

A handwritten signature in black ink, appearing to be 'J Hather', written over a circular stamp or seal.

J Hather
Secretary

August 2003

Statement of directors' responsibilities

United Kingdom 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 as at the end of the financial year and of the profit or loss for that year. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Westminster Health Care (NH) Limited

We have audited the financial statements of Westminster Health Care (NH) Limited which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 1985. 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.

We read the directors' 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 opinion

We conducted our audit in accordance with United Kingdom 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 affairs of the company as at 31 December 2002 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

*Chartered Accountants and Registered Auditors
Edinburgh*

29 August 2003

Profit and loss account*Year ended 31 December 2002*

	<i>Note</i>	2002 £000	2001 £000
Turnover: continuing operations		10,844	10,104
Cost of sales		(10,306)	(9,452)
		<hr/>	<hr/>
Operating profit: continuing operations		538	652
Profit on disposal of fixed assets		1	-
		<hr/>	<hr/>
Profit on ordinary activities before interest and taxation		539	652
Interest payable and similar charges		(2)	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>3</i>	537	652
Tax on profit on ordinary activities	<i>6</i>	(173)	(130)
		<hr/>	<hr/>
Profit for the financial year		364	522
Dividends paid - equity		-	(1,075)
		<hr/>	<hr/>
Retained profit/(loss) for the financial year	<i>13</i>	364	(553)
		<hr/>	<hr/>

There is no difference between the results as stated above and the results on a historical cost basis.

There were no recognised gains and losses other than those shown in the profit and loss account for the current and preceding financial years and, accordingly, no Statement of Total Recognised Gains and Losses is shown.

Balance sheet
at 31 December 2002

	<i>Note</i>	2002 £000	2001 £000
Fixed assets			
Tangible assets	7	1,147	897
Current assets			
Debtors	8	583	275
Cash at bank and in hand		11,150	10,811
		<hr/>	<hr/>
		11,733	11,086
Creditors: amounts falling due within one year	9	(12,051)	(11,602)
		<hr/>	<hr/>
Net current liabilities		(318)	(516)
		<hr/>	<hr/>
Total assets less current liabilities		829	381
Creditors: amounts falling due after more than one year	10	(59)	(2)
Provisions for liabilities and charges	11	(84)	(57)
		<hr/>	<hr/>
Net assets		686	322
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	686	322
		<hr/>	<hr/>
Equity shareholders' funds		686	322
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 2nd August 2003 and were signed on its behalf by:



J G Scott
Director

Reconciliation of movements in shareholders' funds*Year ended 31 December 2002*

	2002 £000	2001 £000
Profit for the financial year	364	522
Dividends paid - equity	-	(1,075)
	<hr/>	<hr/>
Net addition to/(reduction in) shareholders' funds	364	(553)
Shareholders' funds at beginning of year	322	875
	<hr/>	<hr/>
Shareholders' funds at end of year	686	322
	<hr/>	<hr/>

Notes to the accounts

1 Accounting policies

The financial statements are prepared in accordance with applicable accounting standards and the historic cost convention. The principal accounting policies adopted by the directors are described below:

Cash flow statement

Under Financial Reporting Standard 1 (Revised) the company is exempt from the requirement to produce a cash flow statement as the ultimate parent undertaking, Westminster Health Care Holdings Limited, includes the company in its own published consolidated financial statements.

Fixed assets and depreciation

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

Short leasehold properties	-	over the period of the lease
Fixtures and fittings	-	3 to 10 years

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.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Group relief

Payment is generally made for group relief at a rate of 30% at the time of first estimating the tax provision. To the extent that amendments are subsequently made to the group relief plan, there is generally no payment or receipt in respect of the change.

Turnover

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

Notes to the accounts (continued)**2 Segmental information**

The company's turnover, profit before taxation and net assets arise primarily from its principal activity operating nursing homes in the United Kingdom.

3 Profit on ordinary activities before taxation

	2002 £000	2001 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation and other amounts written off tangible fixed assets	206	113
Hire of other assets - operating leases	1,650	1,650
	<u>1,856</u>	<u>1,763</u>

The remuneration of the auditors in respect of services provided to the company in the current and prior financial years was borne by another group company.

4 Remuneration of directors

The directors received no emoluments for services to the company during the year (2001: £nil).

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:

	No. 2002	No. 2001
Nursing staff	456	462
Non-nursing staff	187	187
	<u>643</u>	<u>649</u>

The aggregate payroll costs of these persons were as follows:

	2002 £000	2001 £000
Wages and salaries	5,503	4,974
Social security costs	370	376
Other pension costs (Note 15)	19	17
	<u>5,892</u>	<u>5,367</u>

Notes to the accounts (*continued*)**6 Tax on profit on ordinary activities**

	2002 £000	2001 £000
<i>Current taxation</i>		
Group relief payable	(146)	(162)
Adjustments in respect of previous periods	-	66
<i>Total current taxation</i>	<u>(146)</u>	<u>(96)</u>
<i>Deferred taxation</i>		
Timing differences, origination and reversal	(17)	(36)
Adjustments in respect of prior years	(10)	2
<i>Total deferred taxation</i>	<u>(27)</u>	<u>(34)</u>
Tax on profit on ordinary activities	<u>(173)</u>	<u>(130)</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2001 : 30%). The actual tax charge for the current and the previous years differs from the standard rate for the reasons set out in the following reconciliation:

	2002 £000	2001 £000
Profit on ordinary activities before tax	<u>537</u>	<u>652</u>
Tax on profit on ordinary activities at standard rate	(161)	(196)
<i>Factors affecting charge for the year:</i>		
Non-qualifying depreciation	(2)	(2)
Timing differences	19	36
Disallowable items	(2)	-
Adjustments in respect of previous periods	-	66
Total actual amount of current tax	<u>(146)</u>	<u>(96)</u>

Notes to the accounts (continued)**7 Tangible fixed assets**

	Short leasehold properties £000	Fixtures and fittings £000	Total £000
<i>Cost</i>			
At beginning of the year	43	1,131	1,174
Additions	-	456	456
Disposals	-	(19)	(19)
At end of the year	43	1,568	1,611
<i>Depreciation</i>			
At beginning of the year	17	260	277
Charge for the year	7	199	206
On disposals	-	(19)	(19)
At end of the year	24	440	464
<i>Net book value</i>			
At 31 December 2002	19	1,128	1,147
At 31 December 2001	26	871	897

8 Debtors

	2002 £000	2001 £000
Trade debtors	499	221
Amounts due from group undertakings	1	-
Other debtors	8	-
Prepayments and accrued income	75	54
	583	275

Notes to the accounts (continued)**9 Creditors: amounts falling due within one year**

	2002 £000	2001 £000
Trade creditors	230	134
Amounts due to group undertakings	10,818	10,774
Group relief payable	146	162
Other taxes and social security	116	91
Obligations under finance lease contracts	13	1
Other creditors	421	372
Accruals and deferred income	307	68
	<u>12,051</u>	<u>11,602</u>

10 Creditors: amounts falling due after more than one year

	2002 £000	2001 £000
Obligations under finance lease contracts	59	2
	<u>59</u>	<u>2</u>

Obligations under finance leases are payable as follows:

	2002 £000	2001 £000
Within one year or less	13	1
Within one to two years	54	2
Within two to five years	5	-
	<u>72</u>	<u>3</u>

11 Provisions for liabilities and charges

	£000
<i>Deferred tax</i>	
At beginning of the year	57
Charge for the period	27
	<u>84</u>
At end of the year	84

Deferred tax has been provided in full as follows:

	2002 £000	2001 £000
Difference between accumulated depreciation and capital allowances	84	57
	<u>84</u>	<u>57</u>

Notes to the accounts (continued)**12 Called up share capital**

	2002 £	2001 £
<i>Authorised</i>		
1,000 (2001: 1,000) Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
1 (2001: 1) Ordinary shares of £1 each	1	1
	<hr/>	<hr/>

13 Reserves

	Profit and loss account £000
At beginning of the year	322
Retained profit for the financial year	364
	<hr/>
At end of the year	686
	<hr/>

14 Commitments and contingencies

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

	2002 Land and buildings £000	2001 Land and Buildings £000
Operating leases which expire: over five years	1,650	1,650
	<hr/>	<hr/>

15 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 £19,066 (2001: £17,000).

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

Notes to the accounts (*continued*)

16 Guarantees

The company, together with certain other group undertakings, has entered into a banking facility set-off agreement, in respect of which guarantees have been given. The aggregate amount outstanding under the agreement was £nil (2001: £1.6 million).

17 Immediate and ultimate parent undertaking

The immediate parent undertaking is Westminster Investments (UK).

As a result of an MBO during the year, the ultimate parent undertaking changed from Westminster Health Care Holdings Limited to Houghton Holdings Limited. Shortly after the MBO, Houghton Holdings Limited changed its name to Westminster Health Care Holdings Limited.

The ultimate parent undertaking is Westminster Health Care Holdings Limited (formerly Houghton Holdings Limited). Copies of Westminster Health Care Holdings Limited consolidated financial statements can be obtained from the Company Secretary at Westminster House, Randalls Way, Leatherhead, Surrey KT22 7TZ.

18 Related party transactions

The company has taken advantage of the exemptions available under FRS8 in not disclosing transactions with fellow group companies.