

Craegmoor Healthcare Company Limited

Annual report

for the year ended 31 December 2003

Registered number: 3830455



Craegmoor Healthcare Company Limited

Annual report for the year ended 31 December 2003

	Page
Directors and advisors for the year ended 31 December 2003	1
Directors' report for the year ended 31 December 2003	2
Independent auditors' report to the members of Craegmoor Healthcare Company Limited.....	4
Profit and loss account for the year ended 31 December 2003	5
Balance sheet as at 31 December 2003	6
Notes to the financial statements for the year ended 31 December 2003	7

Craegmoor Healthcare Company Limited

Directors and advisors for the year ended 31 December 2003

Executive directors

P Hayes	(appointed on 1 September 2003)
J Newell	(appointed on 20 November 2003)
R Saville	(appointed on 1 December 2003)
AE Smith	(appointed on 19 April 2004)

Secretary

BLG (Professional Services) Limited
Beaufort House
15 St. Botolph Street
London
EC3A 7NJ

Registered office

Craegmoor House
Perdiswell Park
Worcester
WR3 7NW

Auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Solicitors

Barlow Lyde & Gilbert
Beaufort House
15 St. Botolph Street
London
EC3A 7NJ

Bankers

Barclays Bank plc
PO Box 544
54 Lombard Street
London
EC3V 9EX

Craegmoor Healthcare Company Limited

Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements for the year ended 31 December 2003.

Principal activity

The principal activity of the Company is the provision of administration and operational support to care providers.

Review of business and future developments

Both the level of business and the period end position were satisfactory despite an overall loss for the period. During the year the Company recognised a loss on the carrying value of investments of £15,466,000. This reflected the recognition of a loss on the carrying value of investments by the Company's subsidiary Craegmoor Holdings Limited and a corresponding reduction of the net assets of that company.

The Directors have received confirmation that Craegmoor Limited will continue to provide ongoing financial support for at least the next twelve months from the date of this report.

Results and dividends

The profit and loss account shows a loss for the year of £21,485,000 (2002: £3,152,000 loss). The directors do not recommend the payment of a dividend for the year ended 31 December 2003 (2002: £nil).

Directors and their interests

The directors who held office up to the date of this report are listed on page 1. In addition F Richardson resigned on 14 March 2003 and MA Stratford resigned on 20 May 2004.

MA Stratford and F Richardson were directors of the ultimate parent company in the United Kingdom, Craegmoor Limited, and their share interests are shown in the directors' report of that company.

J Newell, R Saville and P Hayes are directors of the ultimate parent company in the United Kingdom, Craegmoor Limited, and their share interests are shown in the directors' report of that company.

No director at 31 December 2003 had any interests in the share capital of Craegmoor Healthcare Company Limited.

Changes in fixed assets

The movements in tangible and intangible fixed assets during the period are set out in notes 8 to 10 of the financial statements.

Craegmoor Healthcare Company Limited

Directors' report for the year ended 31 December 2003 (continued)

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. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied. They also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

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

The Company has elected, in accordance with section 386 of the Companies Act UK 1985, to dispense with the obligation to appoint auditors annually. Accordingly, PricewaterhouseCoopers LLP will continue in office.

By order of the board



R Saville
Director
27 September 2004

Independent auditors' report to the members of Craegmoor Healthcare Company Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

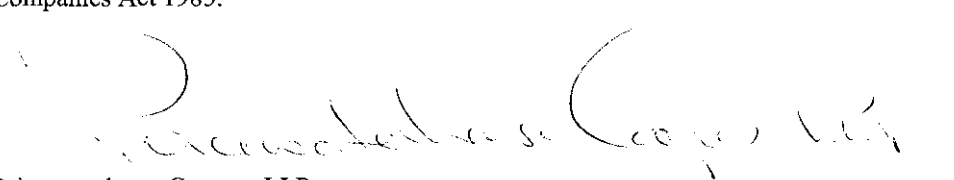
Basis of audit opinion

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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
27 September 2004

Craegmoor Healthcare Company Limited

Profit and loss account for the year ended 31 December 2003

		2003	2002
	Note	£'000	£'000
Turnover		-	-
Cost of sales		(4,110)	(2,924)
Gross loss		(4,110)	(2,924)
Administrative expenses		(5,414)	(3,607)
Other operating income		2,671	2,283
Operating loss	5	(6,853)	(4,248)
Net interest receivable/(payable)	6	45	(52)
Amounts written off investments		(15,466)	-
Loss on ordinary activities before taxation		(22,274)	(4,300)
Tax on loss on ordinary activities	7	789	1,148
Loss for the financial year	16	(21,485)	(3,152)

All activities relate to continuing operations.

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

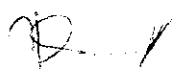
There is no difference between the gains or losses on ordinary activities before taxation and the gains or losses for the year stated above, and their historical cost equivalent.

Craegmoor Healthcare Company Limited

Balance sheet as at 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Intangible assets	8	6,266	6,641
Tangible assets	9	1,718	1,327
Investments	10	115,882	131,348
		123,866	139,316
Current assets			
Debtors: amounts falling due within one year	11	112,841	32,339
Debtors: amounts falling due after more than one year	12	249,744	-
Cash at bank and in hand		1	1
		362,586	32,340
Creditors: amounts falling due within one year	13	(143,210)	(44,178)
Net current assets/(liabilities)		219,376	(11,838)
Total assets less current liabilities		343,242	127,478
Creditors: amounts falling due after more than one year	14	(329,221)	(91,968)
Provisions for liabilities and charges	15	-	(4)
Net assets		14,021	35,506
Capital and reserves			
Called up share capital	16	-	-
Share premium account	17	35,206	35,206
Profit and loss account	17	(21,185)	300
Total equity shareholders' funds	18	14,021	35,506

The financial statements on pages 5 to 19 were approved by the board of directors on 27 September 2004 and were signed on its behalf by:



R Saville
Director

Craegmoor Healthcare Company Limited

Notes to the financial statements for the year ended 31 December 2003

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. A summary of the more important accounting policies, which have been consistently applied, is set out below:

Deferred taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised are not discounted.

Goodwill

Goodwill arising on the transfer of the trade of Craegmoor Group Limited has been capitalised and is being amortised over its estimated useful economic life estimated as 20 years.

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.

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

Equipment, furniture and fittings	- 10% to 25% straight line
Motor vehicles	- 25% straight line
Computer equipment	- 25% straight line

The change in the basis for depreciating 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'.

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

Investments

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

Pension costs

The group does not operate a pension scheme. Pension costs represent amounts paid to employees' private pension schemes.

Craegmoor Healthcare Company Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

1 Principal accounting policies (continued)

Cash flow statement

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

Consolidated accounts

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, an intermediate parent undertaking, which is incorporated in the United Kingdom. In accordance with section 228(ii), the Company will deliver to the registrar, copies of these group accounts.

Finance and operating leases

Costs in respect of operating leases are charged as incurred.

Leasing agreements which transfer to the Company 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 the remaining balance outstanding at each accounting period end. Assets held under finance leases are depreciated over the shorter of the lease terms, and the useful lives of equivalent owned assets.

2 Related party transactions

The company has taken advantage of the exemption granted under paragraph 3(c) of Financial Reporting Standard No. 8 and not disclosed any transaction with other group companies.

3 Directors' emoluments

J Newell, R Saville, P Hayes, MA Stratford and F Richardson were also directors of a number of fellow group companies during the year ended 31 December 2003 and it is not possible to make an accurate apportionment of their emoluments in respect of each of the group companies. Accordingly, no emoluments have been included above for these directors. The emoluments for J Newell, R Saville, P Hayes, MA Stratford and F Richardson are shown in the consolidated accounts of ultimate parent company Craegmoor Limited.

Craegmoor Healthcare Company Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

4 Employee information

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

	2003	2002
Administrative	Number	Number
Full time	76	59
Part time	4	2
	80	61

	2003	2002
Staff costs (for the above persons)	£'000	£'000
Wages and salaries	2,981	1,937
Social security costs	308	215
	3,289	2,152

5 Operating loss

	2003	2002
Operating loss is stated after charging:	£'000	£'000
Depreciation charge for the year:		
Tangible owned fixed assets	135	122
Tangible fixed assets held under finance leases	426	314
Operating lease charges – land and buildings	85	66
Amortisation of goodwill	375	375
Loss on disposal of tangible fixed assets	134	117
Auditors' remuneration:		
Audit	9	8
Non audit	1	-

6 Net interest receivable/(payable)

	2003	2002
	£'000	£'000
Interest receivable on other bank accounts	103	-
Interest payable on finance leases	(58)	(47)
Interest payable on bank overdraft	-	(5)
	45	(52)

Craegmoor Healthcare Company Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

7 Tax on loss on ordinary activities

	2003	2002
	£'000	£'000
Current taxation		
UK Corporation tax at 30% (2002: 30%)	(701)	(1,130)
Adjustment in respect of previous periods	(38)	-
Total current taxation	(739)	(1,130)
Deferred taxation		
Current year – origination and reversal of timing differences	(50)	(18)
Tax credit	(789)	(1,148)

Craegmoor Healthcare Company Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

7 Tax on loss on ordinary activities (continued)

The tax for the year differs from the standard rate of Corporation Tax in the UK (30%). The differences are explained below:

	2003	2002
	£'000	£'000
Loss on ordinary activities	(22,274)	(4,300)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	(6,682)	(1,290)
Effects of:		
Expenses not deductible for tax purposes	4,780	142
Capital allowances for the year in excess of depreciation	48	18
Benefit of tax losses not recognised	1,153	-
Adjustment to tax charge in respect of previous periods	(38)	-
Current tax credit	(739)	(1,130)

Deferred tax has not been recognised on an amount of tax losses carried forward due to the uncertainty of their recoverability. The total amount unrecognised is £1,153 000 in respect of losses totalling £3,844,000.

Craegmoor Healthcare Company Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

8 Intangible fixed assets

	Goodwill
	£'000
Cost	
At 1 January 2003 and 31 December 2003	7,500
Amortisation	
At 1 January 2003	859
Charge for the year	375
At 31 December 2003	1,234
Net book value	
At 31 December 2003	6,266
At 31 December 2002	6,641

Craegmoor Healthcare Company Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

9 Tangible fixed assets

	Furniture, fittings, equipment and computers	Motor vehicles	Total
	£'000	£'000	£'000
Cost			
At 1 January 2003	1,502	923	2,425
Additions	404	709	1,113
Disposals	(207)	(145)	(352)
At 31 December 2003	1,699	1,487	3,186
Depreciation			
At 1 January 2003	783	315	1,098
Charge for the year	297	264	561
Disposals	(93)	(98)	(191)
At 31 December 2003	987	481	1,468
Net book value			
At 31 December 2003	712	1,006	1,718
At 1 January 2003	719	608	1,327

The net book value of furniture, fittings, equipment and computers includes £294,000 (2002: £481,000) in respect of assets held under finance leases. The net book value of motor vehicles includes an amount of £984,000 (2002: £608,000) in respect of assets held under finance leases.

Craegmoor Healthcare Company Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

10 Fixed asset investments

	Gilts	Shares in subsidiary undertakings	Loans to group undertakings	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2003 and 31 December 2003	1	35,219	96,909	132,128
Impairment in value				
At 1 January 2003	-	-	780	780
Amounts written off investments	-	15,466	-	15,466
At 31 December 2003	-	15,466	780	16,246
Net book value				
At 31 December 2003	1	19,753	96,129	115,882
At 31 December 2002	1	35,219	96,129	131,348

Interests in group undertakings:

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held
Craegmoor Holdings Limited	England & Wales	Ordinary £1 shares	100

During the year the Company recognised a loss on the carrying value of investments of £15,466,000. This reflected the recognition of a loss on the carrying value of investments by the Company's subsidiary Craegmoor Holdings Limited and a corresponding reduction of the net assets of that company.

Craegmoor Healthcare Company Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

11 Debtors

	2003	2002
	£'000	£'000
Amounts falling due within one year		
Trade debtors	10	-
Amounts owed by group undertakings	112,175	32,045
Prepayments and accrued income	656	219
Other debtors	-	75
	112,841	32,339

Under the Issuer/Borrower facility Agreement dated 13 August 2003 loans were made by Craegmoor Funding (No.2) limited to various group companies. These funds were then lent on by these group companies to other group companies. The funds flowed via Craegmoor Healthcare Company Limited and accordingly an intercompany creditor due within one year balance is shown in respect of these loans together with a corresponding debtor within one year.

12 Debtors: amounts falling due after more than one year

	2003	2002
	£'000	£'000
Amounts owed by group undertakings	249,698	-
Deferred taxation	46	-
	249,744	-

The deferred taxation asset comprises timing differences related to accelerated capital allowances.

Under the Issuer/Borrower facility Agreement dated 13 August 2003 loans were made by Craegmoor Funding (No.2) limited to various group companies. The funds flowed to these companies via Craegmoor Healthcare Company Limited and accordingly an intercompany creditor due after more than one year balance is shown in respect of these loans together with a corresponding debtor due after more than one year.

Craegmoor Healthcare Company Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

13 Creditors: amounts falling due within one year

	2003	2002
	£'000	£'000
Bank overdrafts repayable on demand	1,753	83
Trade creditors	578	500
Amounts owed to group undertakings	136,610	40,608
Obligations under finance leases (note 13)	568	504
Corporation tax payable	-	25
Other taxation and social security	1,745	1,295
Other creditors	88	1,163
Accruals and deferred income	1,868	-
	143,210	44,178

Under the Issuer/Borrower facility Agreement dated 13 August 2003 loans were made by Craegmoor Funding (No.2) limited to various group companies. These funds were then lent on by these group companies to other group companies. The funds flowed via Craegmoor Healthcare Company Limited and accordingly an intercompany creditor due within one year balance is shown in respect of these loans together with a corresponding debtor within one year.

Craegmoor Healthcare Company Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

14 Creditors: amounts falling due after more than one year

	2003	2002
	£'000	£'000
Amounts owed to group undertakings	329,079	91,739
Obligations under finance leases	142	229
	329,221	91,968

Amounts owed to group undertakings include a loan payable to Craegmoor Funding (No.2) Limited under the Issuer/Borrower facility Agreement dated 13 August 2003. The amount of interest paid each year is equal to the total debt service cost incurred by Craegmoor Funding (No.2) Limited in relation to this loan. Craegmoor Funding (No.2) Limited is a fellow subsidiary of Craegmoor Limited. There are no defined repayment terms but the immediate parent has confirmed to the directors of the Company that it will not seek any repayments of this loan within 12 months after year-end.

In addition under the Issuer/Borrower facility Agreement dated 13 August 2003 loans payable to Craegmoor Funding (No.2) limited were made to various group companies. The funds flowed to these companies via Craegmoor Healthcare Company Limited and accordingly an intercompany creditor due after more than one year balance is shown in respect of these loans together with a corresponding debtor due after more than one year.

Included in amounts owed to group undertakings after more than one year in 2002 is £10,000 loaned to the Company by Craegmoor Funding PLC under the Issuer/Borrowers Facility Agreement dated 23 November 2000. Craegmoor Funding PLC is a fellow subsidiary of Craegmoor Limited. This amount was repaid during 2003 following a refinancing exercise undertaken by the Craegmoor Group.

	2003	2002
	£'000	£'000
Finance leases repayable as follows:		
In one year or less	568	504
Between one and two years	142	207
Between two and five years	-	22
	710	733

Obligations under finance leases are secured by charges over the assets to which they relate.

Craegmoor Healthcare Company Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

15 Provisions for liabilities and charges

	Deferred tax £'000
At 1 January 2002	4
Credited in profit and loss account	(4)
At 31 December 2003	-

	2003 £'000	2002 £'000
The amount (recognised)/provided for deferred taxation comprises:		
Timing differences relating to accelerated capital allowances	(4)	4

16 Called up share capital

	2003 £'000	2002 £'000
Authorised		
100 ordinary shares of £1 each	-	-
Allotted, called up and fully paid		
100 ordinary shares of £1 each	-	-

17 Reserves

	Profit and loss £'000	Share premium £'000
At 1 January 2003	300	35,206
Loss for the financial year	(21,485)	-
At 31 December 2003	(21,185)	35,206

Craegmoor Healthcare Company Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

18 Reconciliation of movements in shareholders' funds

	2003	2002
	£'000	£'000
Loss for the financial year	(21,485)	(3,152)
Net reduction in shareholders' funds	(21,485)	(3,152)
Opening equity shareholders' funds	35,506	38,658
Closing equity shareholders' funds	14,021	35,506

19 Capital and other financial commitments

The company had no capital commitments at 31 December 2003 (2002: £nil).

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

	Land and buildings	
	2003	2002
	£'000	£'000
Operating leases which expire:		
In two to five years	-	67
In more than five years	129	-

20 Contingent liabilities

During the year the Craegmoor Group completed a refinancing project and as a result the previous charging and guarantee arrangements with Craegmoor Funding PLC ceased. These have been replaced with a new charge over the assets of the Company and a cross guarantee in respect of the external loan undertaken by Craegmoor Funding (No. 2) Limited.

21 Immediate and ultimate parent undertaking

The directors regard Craegmoor Group Limited, a company registered in England and Wales, as the immediate parent company of Craegmoor Healthcare Company Limited and Craegmoor Limited, a company registered in England and Wales, as the ultimate parent company in the United Kingdom. The parent companies of the largest and smallest groups in which Craegmoor Healthcare Company Limited is consolidated are Craegmoor Limited and Craegmoor Investments Limited respectively. Copies of Craegmoor Limited's consolidated financial statements may be obtained from its registered office, Craegmoor House, Perdiswell Park, Worcester, WR3 7NW.