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Directors' Report and Accounts

HCA UK Hospitals Limited

31 December 1987



 Ernst & Whinney

HCA UK HOSPITALS LIMITED

DIRECTORS' REPORT

Directors: R C Marston (USA)
A J T Pilgrim
C W Neumann (USA)

Joint Secretaries B S Porter
N D Tullis

Registered Office: Aldwych House, Aldwych, London WC2 4PX

The directors present their report and the audited accounts for the year ended 31 December 1987.

PRINCIPAL ACTIVITIES

The principal activity of the company was the operation of eight private medical and surgical hospitals located in England.

REVIEW OF BUSINESS DEVELOPMENTS

During the year, a new hospital, Cambridge Lea in Cambridge was commissioned.

RESULTS AND DIVIDENDS

The profit for the year amounts to £305,166 and is dealt with as shown in the profit and loss account. No dividend is recommended.

DIRECTORS

The directors of the company during the year ended 31 December 1987 were those listed above.

DIRECTORS' INTERESTS

The directors have no interest in the shares of the company.

FIXED ASSETS

Movements in fixed assets during the year are shown in note 8.

DISABLED PERSONS

It is the company's policy to give full consideration to suitable applications for employment by disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the company who become disabled to continue in their employment or to be trained for other positions in the company.

Ernst & Whinney



REPORT OF THE AUDITORS TO THE MEMBERS OF HCA UK HOSPITALS LIMITED

We have audited the accounts set out on pages 4 to 12 in accordance with approved auditing standards. The accounts have been prepared under the historical cost convention.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1987 and of the profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

Ernst & Whinney
London

14 April 1988

HCA UK HOSPITALS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1987

	Note	1987 £	1986 £
TURNOVER	3	14,985,773	11,481,900
Cost of sales		<u>(11,471,872)</u>	<u>(8,386,456)</u>
GROSS PROFIT		3,513,901	3,095,444
Administrative expenses		<u>(2,591,851)</u>	<u>(3,745,034)</u>
NET OPERATING PROFIT/(LOSS)	4	922,050	(649,590)
Interest payable and similar charges	6	<u>(616,884)</u>	<u>(899,437)</u>
PROFIT/(LOSS) BEFORE TAXATION		305,166	(1,549,027)
Taxation	7	<u>-</u>	<u>-</u>
PROFIT/(LOSS) FOR THE YEAR		<u>£305,166</u>	<u>£(1,549,027)</u>
STATEMENT OF RETAINED LOSSES			
Balance at 31 December 1986		(3,728,720)	(2,179,693)
Profit/(loss) for the year		<u>305,166</u>	<u>(1,549,027)</u>
Balance at 31 December 1987		<u>£(3,423,554)</u>	<u>£(3,728,720)</u>

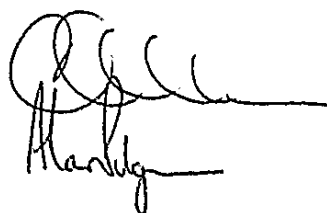
HCA UK HOSPITALS LIMITED

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BALANCE SHEET - 31 DECEMBER 1987

	Note	1987 £	1986 £
FIXED ASSETS			
Tangible assets	8	12,499,606	11,818,320
CURRENT ASSETS			
Stocks	9	470,616	413,762
Debtors	10	10,862,377	6,376,761
Cash at bank and in hand		261,593	2,172
		<u>11,594,586</u>	<u>6,792,695</u>
CREDITORS - amounts falling due within one year	11	<u>(1,414,612)</u>	<u>(1,342,601)</u>
NET CURRENT ASSETS		<u>10,179,974</u>	<u>5,450,094</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		22,679,580	17,268,414
CREDITORS - amounts falling due after more than one year	12	<u>(25,477,509)</u>	<u>(20,371,509)</u>
		<u>£(2,797,929)</u>	<u>£(3,103,095)</u>
CAPITAL AND RESERVES			
Called up share capital	14	625,625	625,625
Profit and loss account		(3,423,554)	(3,728,720)

Ernst & Whinney


) Directors
)
)

14 April 1988

£(2,797,929) £(3,103,095)

HCA UK HOSPITALS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1987

	1987 £	1986 £
SOURCE OF FUNDS		
FROM OPERATIONS		
Profit/(loss) before taxation	305,166	(1,549,027)
Items not involving the movement of funds:		
Depreciation of tangible fixed assets	872,697	800,403
Gain on disposal of tangible fixed assets	(200)	-
Write down of project	-	4,550
Total absorbed by operations	1,177,663	(74,074)
OTHER SOURCES		
Increase in loans from parent company	5,106,000	7,204,000
Sale proceeds on disposal of tangible fixed assets	200	3,423
Transfer of fixed assets to parent company	6,844	-
Total sources of funds	6,290,707	6,463,349
FUNDS APPLIED		
Assets transferred from group companies	715,285	1,293,166
Purchase of tangible fixed assets	845,542	590,303
	1,560,827	1,883,469
INCREASE IN WORKING CAPITAL	£4,729,880	£4,579,880
Arising from movements in:		
Stocks	56,854	92,834
Debtors	4,485,616	4,024,702
Creditors	(72,011)	1,085,288
	4,470,459	5,202,824
Net liquid funds - cash at bank and in hand	259,421	(622,944)
	£4,729,880	£4,579,880

HCA UK HOSPITALS LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1987

1 FUNDAMENTAL ACCOUNTING CONCEPT

The accounts have been prepared under the going concern concept because the parent company has agreed to provide adequate funds for the company to meet its liabilities as they fall due.

2 ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention.

(b) Depreciation of tangible fixed assets

Freehold land and construction in progress are not depreciated. The cost or valuation of other tangible fixed assets is written off by equal monthly instalments over their expected useful lives as follows:

Freehold buildings and long leasehold	40 years
Equipment and furniture	10 years
Motor vehicles	4 years

(c) Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences which are not expected to continue in the future.

(d) Pension benefits

Pension benefits are funded over the employees' periods of service. The company's contributions are based on the most recent actuarial valuation of the fund, provision being made for any unfunded obligations as a result of pension uplifts.

(e) Stocks

Stocks are valued at the lower of cost and net realisable value after taking into account slow moving or obsolete items.

(f) Capitalised interest

Interest paid in respect of the funding of construction work to the date of opening is capitalised within freehold land and buildings.

3 TURNOVER

Turnover comprises the invoice value of services supplied by the company in relation to healthcare in the United Kingdom.

HCA UK HOSPITALS LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1987

4 NET OPERATING PROFIT/(LOSS) is stated after charging:

	1987 £	1986 £
Depreciation of tangible fixed assets	872,699	800,403
Auditors' remuneration (paid by parent company)	-	-
Rental of hospital premises	1,225,983	2,211,202
Hire of plant and equipment	57,693	75,616
	<u> </u>	<u> </u>

5 STAFF COSTS

	1987 £	1986 £
Wages and salaries	4,377,057	3,471,720
Social security costs and other pension costs	550,345	448,289
	<u> </u>	<u> </u>
	£4,927,402	£3,920,009

As in the previous year no director received any remuneration from the company.

6 INTEREST PAYABLE AND OTHER CHARGES

	1987 £	1986 £
Inter-company loan - repayable within 5 years	639,309	909,219
Less: capitalised interest	(22,425)	(9,782)
	<u> </u>	<u> </u>
	£616,884	£899,437

7 TAXATION

There is no charge to UK corporation tax arising on the profit for the year due to the availability of tax losses (approximately £5.6m).

HCA UK HOSPITALS LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1987

8 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Long Leasehold £	Equipment & furniture £	Construction in progress £	Total £
Cost					
At 1 January 1987	5,858,269	2,527,170	5,644,879	102,503	14,132,821
Additions	3,612	6,522	253,455	581,953	845,542
Disposals	-	-	(3,420)	-	(3,420)
Transfer - from group companies	-	-	715,285	-	715,285
Transfer - to parent company	-	-	(13,173)	-	(13,173)
At 31 December 1987	<u>5,861,881</u>	<u>2,533,692</u>	<u>6,597,026</u>	<u>684,456</u>	<u>15,677,055</u>
Depreciation					
At 1 January 1987	529,402	198,462	1,586,637	-	2,314,501
Charge	138,583	54,623	679,491	-	872,697
Disposals	-	-	(3,420)	-	(3,420)
Transfer - to parent company	-	-	(6,329)	-	(6,329)
At 31 December 1987	<u>667,985</u>	<u>253,085</u>	<u>2,256,379</u>	<u>-</u>	<u>3,177,449</u>
Net book amounts					
At 31 December 1987	<u>£5,193,896</u>	<u>£2,280,607</u>	<u>£4,340,647</u>	<u>£684,456</u>	<u>£12,499,606</u>
At 31 December 1986	<u>£5,328,867</u>	<u>£2,328,708</u>	<u>£4,058,242</u>	<u>£102,503</u>	<u>£11,818,320</u>

Included in freehold land and buildings and construction in progress
is £370,058 (1986 - £347,633) in respect of capitalised interest.

9 STOCKS

	1987	1986
Stock of consumable stores	<u>£470,616</u>	<u>£413,762</u>

NOTES ON THE ACCOUNTS - 31 DECEMBER 1987

10 DEBTORS

	1987 £	1986 £
Trade debtors	1,445,945	1,258,349
Amount owed by parent company	2,194,714	155,100
Amounts owed by group companies	7,151,897	4,862,085
Other debtors	19,063	44,967
Prepayments and accrued income	50,758	56,260
	<u>£10,862,377</u>	<u>£6,376,761</u>

Of the amounts owed by group companies, £398,771 is due after more than one year.

11 CREDITORS - amounts falling due within one year

	1987 £	1986 £
Trade creditors	253,067	279,614
Bank overdraft	-	30,678
Amounts due to group companies	85,064	339,553
Other creditors including taxation and social security	1,031,274	609,132
Accruals and deferred income	45,207	83,624
	<u>£1,414,612</u>	<u>£1,342,601</u>

12 CREDITORS - amounts falling due after more than one year

	1987 £	1986 £
Amounts due to group company	943,359	943,359
Loans due to parent company	24,534,150	19,428,150
	<u>£25,477,509</u>	<u>£20,371,509</u>

Loans due to the parent company bear interest at monthly average market rates, calculated on the average capital employed by HCA UK Hospitals Limited. Amounts due to group company bear no interest. The loans and amounts are regarded as long term although they are repayable on demand.

HCA UK HOSPITALS LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1987

13 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

The major components of the provision for deferred taxation and the amounts not provided are as follows:

	Provided		Not provided	
	1987	1986	1987	1986
	£	£	£	£
Accelerated capital allowances	-	-	1,922,818	1,971,421
Taxation losses available	-	-	(1,981,503)	(2,213,491)
	<u>-</u>	<u>-</u>	<u>£(58,685)</u>	<u>£(242,070)</u>

14 CALLED UP SHARE CAPITAL

	1987	1986
Authorised Ordinary shares of £1 each	<u>£1,100,000</u>	<u>£1,100,000</u>
Allotted and fully paid Ordinary shares of £1 each	<u>£625,625</u>	<u>£625,625</u>

15 COMMITMENTS

At 31 December 1987 the following future capital expenditure had been authorised:

	1987	1986
	£	£
Contracted	80,000	-
Not contracted	<u>750,000</u>	<u>-</u>
	<u>£830,000</u>	<u>-</u>

HCA UK HOSPITALS LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1987

16 EMPLOYEES

The average number of employees in each week in the year was 645 (1986 - 341) analysed as follows:

	Number of employees	
	1987	1986
Medical	366	363
Non-medical	279	278
	<u>645</u>	<u>641</u>

17 ULTIMATE HOLDING COMPANY

The ultimate holding company is Hospital Corporation of America, a company incorporated in the USA.