


Directors' Report and Accounts

1461499

HCA UK Hospitals Ltd

31 December 1988

 Ernst & Whinney

DIRECTORS' REPORT

Directors: R C Marston (USA)
A J T Pilgrim
C W Neumann (USA)
G W Lee (appointed 1 October 1988)

Joint Secretaries: B S Porter
N D Tullis (resigned 28 August 1988)
G W Lee (appointed 28 August 1988)

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

The directors present their report and the audited accounts for the year ended 31 December 1988.

PRINCIPAL ACTIVITIES

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

REVIEW OF BUSINESS DEVELOPMENTS

During the year, a new hospital, 'North Cheshire' in Warrington was commissioned. Fulford Grange hospital at Leeds was sold.

RESULTS AND DIVIDENDS

The profit for the year amounts to £1,022,582 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 1988 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 9.

HCA UK HOSPITALS LIMITED

DIRECTORS' REPORT (continued)

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.

AUDITORS

Ernst & Whinney have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the annual general meeting.

By order of the board



Secretary

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 1988 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

26 MAY 1989



HCA UK HOSPITALS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1988

	Note	1988 £	1987 £
TURNOVER	3	19,157,280	14,985,773
Cost of sales		(14,577,265)	(11,471,872)
GROSS PROFIT		<u>4,580,015</u>	<u>3,513,901</u>
Administrative expenses		(2,478,345)	(2,588,851)
NET OPERATING PROFIT	4	2,101,670	922,050
Interest receivable		2,033	-
Interest payable and similar charges	6	(939,044)	(616,884)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,164,659</u>	<u>305,166</u>
Taxation	7	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>1,164,659</u>	<u>305,166</u>
Extraordinary item	8	(142,077)	-
PROFIT FOR THE YEAR		<u>£1,022,582</u>	<u>£305,166</u>
STATEMENT OF RETAINED LOSSES			
Balance at 31 December 1987		(3,423,554)	(3,728,720)
Profit for the year		<u>1,022,582</u>	<u>305,166</u>
Balance at 31 December 1988		<u>£(2,400,972)</u>	<u>£(3,423,554)</u>

HCA UK HOSPITALS LIMITED

BALANCE SHEET - 31 DECEMBER 1988

	Note	1988 £	1987 £
FIXED ASSETS			
Tangible assets	9	12,264,193	12,499,606
CURRENT ASSETS			
Stocks	10	514,637	470,616
Debtors	11	21,184,804	10,862,377
Cash at bank and in hand		1,225,600	261,593
		<u>22,925,041</u>	<u>11,594,586</u>
CREDITORS - amounts falling due within one year	12	<u>(4,433,831)</u>	<u>(1,414,612)</u>
NET CURRENT ASSETS		<u>18,491,210</u>	<u>10,179,974</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>30,755,403</u>	<u>22,679,580</u>
CREDITORS - amounts falling due after more than one year	13	<u>(32,530,750)</u>	<u>(25,477,509)</u>
		<u>£(1,775,347)</u>	<u>£(2,797,929)</u>
CAPITAL AND RESERVES			
Called-up share capital	15	625,625	625,625
Profit and loss account		(2,400,972)	(3,423,554)
  John May 1989			
		<u>£(1,775,347)</u>	<u>£(2,797,929)</u>

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) Directors
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HCA UK HOSPITALS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1988

	1988 £	1987 £
SOURCE OF FUNDS		
FROM OPERATIONS		
Profit on ordinary activities before taxation	1,164,659	305,166
Items not involving the movement of funds:		
Depreciation of tangible fixed assets	955,188	872,697
Loss/(gain) on disposal of tangible fixed assets	51,649	(200)
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Total absorbed by operations	2,171,496	1,177,663
OTHER SOURCES		
Increase in loans from parent company	7,053,241	5,106,000
Sale proceeds on disposal of tangible fixed assets	1,103,465	200
Transfer of fixed assets to parent company	-	6,844
	<hr/>	<hr/>
Total sources of funds	10,328,202	6,290,707
FUNDS APPLIED		
Assets transferred from group companies	644,548	715,285
Purchase of tangible fixed assets	1,372,418	845,542
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	2,016,966	1,560,827
	<hr/>	<hr/>
INCREASE IN WORKING CAPITAL	£8,311,236	£4,729,880
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Arising from movements in:		
Stocks	44,021	56,854
Debtors	10,322,427	4,485,616
Creditors	(3,019,219)	(72,011)
	<hr/>	<hr/>
	7,347,229	4,470,459
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Net liquid funds - cash at bank and in hand	964,007	259,421
	<hr/>	<hr/>
	£8,311,236	£4,729,880
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NOTES ON THE ACCOUNTS - 31 DECEMBER 1988

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 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 1988

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

	1988 £	1987 £
Depreciation of tangible fixed assets	955,188	872,699
Auditors' remuneration (paid by parent company)	-	-
Rental of hospital premises	1,294,010	1,225,983
Hire of plant and equipment	60,860	57,693
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5 STAFF COSTS

	1988 £	1987 £
Wages and salaries	5,454,167	4,377,057
Social security costs and other pension costs	686,310	550,345
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	£6,140,477	£4,927,402
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As in the previous year no director received any remuneration from the company.

6 INTEREST PAYABLE AND OTHER CHARGES

	1988 £	1987 £
Inter-company loan - repayable within 5 years	955,712	639,309
Less: capitalised interest	(16,668)	(22,425)
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	£939,044	£616,884
	<hr/>	<hr/>

7 TAXATION

There is no charge to UK Corporation Tax in respect of the profit for the year due to the availability of tax losses.

8 EXTRAORDINARY ITEM

This represents the loss on disposal of Fulford Grange hospital during the year.

HCA UK HOSPITALS LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1988

9 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Long leasehold £	Equipment & furniture £	Construction in progress £	Total £
Cost					
At 1 January 1988	5,861,881	2,533,692	6,597,026	684,456	15,677,055
Additions	-	1,265	561,231	809,922	1,372,418
Transfers - between group companies	-	-	600,481	40,226	640,707
Transfers - between categories	493,340	104,939	89,162	(687,441)	-
Disposals	(1,314,884)	-	(370,769)	(53,374)	(1,739,027)
At 31 December 1988	5,040,337	2,639,896	7,477,131	793,789	15,951,153
Depreciation					
At 1 January 1988	667,985	253,085	2,256,379	-	3,177,449
Charge	137,498	56,003	761,687	-	955,188
Disposals	(187,071)	-	(254,582)	-	(441,653)
Transfers - between group companies	-	-	(4,024)	-	(4,024)
At 31 December 1988	618,412	309,088	2,759,460	-	3,686,960
Net book amounts					
At 31 December 1988	£4,421,925	£2,330,808	£4,717,671	£793,789	£12,264,193
Net book amounts					
At 31 December 1987	£5,193,896	£2,280,607	£4,340,647	£684,456	£12,499,606

Included in freehold land and buildings and construction in progress is £623,660 (1987 - £370,058) in respect of capitalised interest.

10 STOCKS

	1988	1987
Stock of consumable stores	£514,637	£470,616

HCA UK HOSPITALS LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1988

11 DEBTORS

	1988 £	1987 £
Trade debtors	2,042,453	1,445,945
Amount owed by parent company	-	2,194,714
Amount owed by group companies	19,034,905	7,151,897
Other debtors	48,152	19,063
Prepayments and accrued income	59,294	50,758
	<u>£21,184,804</u>	<u>£10,862,377</u>

12 CREDITORS - amounts falling due
within one year

	1988 £	1987 £
Trade creditors	536,898	253,067
Amount due to parent company	1,183,372	-
Amounts due to group companies	1,485,651	85,064
Other creditors including taxation and social security	1,156,486	1,031,274
Accruals and deferred income	71,424	45,207
	<u>£4,433,831</u>	<u>£1,414,612</u>

13 CREDITORS - amounts falling due after
more than one year

	1988 £	1987 £
Amounts due to group company	-	943,359
Loans due to parent company	32,530,750	24,534,150
	<u>£32,530,750</u>	<u>£25,477,509</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. The loans are regarded as long term although they are repayable on demand.

HCA UK HOSPITALS LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1988

14 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

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

	1988 £	1987 £	1988 £	1987 £
Accelerated capital allowances	-	-	1,717,965	1,922,818
Taxation losses available	-	-	(1,771,497)	(1,981,503)
	<u>-</u>	<u>-</u>	<u>£(53,532)</u>	<u>£(58,685)</u>

15 CALLED-UP SHARE CAPITAL

	1988	1987
Authorised Ordinary shares of £1 each	£1,100,000	£1,100,000
Allotted and fully paid Ordinary shares of £1 each	<u>£625,625</u>	<u>£625,625</u>

16 COMMITMENTS

At 31 December 1988 the following future capital expenditure had been authorised:

	1988 £	1987 £
Contracted	421,000	80,000
Not contracted	103,000	750,000
	<u>£524,000</u>	<u>£830,000</u>

HCA UK HOSPITALS LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1988

17 EMPLOYEES

The average number of employees during the year was 560 (1987 - 645) analysed as follows:

	Number of employees	
	1988	1987
Medical	317	366
Non-medical	243	279
	—	—
	560	645
	—	—

18 ULTIMATE HOLDING COMPANY

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