

**Report and financial statements
for the year ended 31 December 1995**

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Directors and advisers

Executive directors

R L Hayfield
M A Stratford
J B McAllister

Registered auditors

Coopers & Lybrand
Temple Court
35 Bull Street
Birmingham
B4 6JT

Non-executive directors

E J McKinley
J S Young

Solicitors

Simon Bishop and Partners
"Hillcairnie"
St Andrew's Road
Droitwich
Hereford and Worcester
WR9 8DJ

Secretary and registered office

S J Bishop
"Hillcairnie"
St Andrew's Road
Droitwich
Hereford and Worcester
WR9 8DJ

Bankers

National Westminster Bank
Cheltenham & Gloucester Business Centre
68-70 Suffolk Road
Cheltenham
Gloucestershire
GL50 2ED

**Directors' report
for the year ended 31 December 1995**

The directors present their report and the audited financial statements for the year ended 31 December 1995.

Principal activity

The principal activity of the company continues to be the operation of a nursing home.

Parent company

The company is a wholly owned subsidiary of Craegmoor Healthcare Company Limited.

Review of business

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend for the year ended 31 December 1995 (nine months ended 31 December 1994: £Nil), and that the profit for the year of £262,098 (nine months ended 31 December 1994: £157,825) be transferred to reserves.

Directors

The directors of the company during the year ended 31 December 1995 were:

R L Hayfield
M A Stratford
J B McAllister
E J McKinley
B J Hanson

Since the year end B J Hanson has resigned as a director and J S Young has been appointed in his place. The effective date of these changes was 30 April 1996.

**Directors' report
for the year ended 31 December 1995****Directors' interests**

All of the directors are directors of the immediate parent company, Craegmoor Healthcare Company Limited, and their share interests are shown in the directors' report of that company.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that 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 of the company for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1995. The directors also confirm that the financial statements have been prepared on the going concern basis.

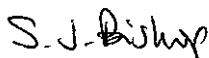
The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 9 to the financial statements. The directors consider there to be no significant difference between the market value of the company's freehold land and buildings and their book value.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

S J Bishop
Company secretary
19 August 1996

Report of the auditors to the members of London Parkcare Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 at 31 December 1995 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Birmingham

22 August 1996

Profit and loss account for the year ended 31 December 1995

	Notes	Year ended 31 December 1995 £	Nine months ended 31 December 1994 £
Turnover - continuing operations	2	1,011,975	759,607
Cost of sales - continuing operations		(466,605)	(315,793)
Gross profit		545,370	443,814
Administrative expenses - continuing operations		(192,848)	(210,782)
Operating profit - continuing operations		352,522	233,032
Interest receivable and similar income	5	15,909	4,003
Interest payable and similar costs	6	-	(358)
Profit on ordinary activities before taxation	7	368,431	236,677
Tax on profit on ordinary activities	8	(106,333)	(78,852)
Retained profit for the year	15	262,098	157,825

Statement of total recognised gains and losses

	Notes	Year ended 31 December 1995 £	Nine months ended 31 December 1994 £
Profit for the financial year		262,098	157,825
Unrealised surplus on revaluation of freehold land and buildings	16	-	3,064,000
Total gains and losses recognised since last annual report		262,098	3,221,825

Note of historical cost profits and losses

	Year ended 31 December 1995 £	Nine months ended 31 December 1994 £
Reported profits on ordinary activities before taxation	368,431	236,677
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount.	72,459	12,089
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	440,890	248,766
	<hr/>	<hr/>
Historical cost profit for the year after taxation	334,557	169,914
	<hr/>	<hr/>

Balance sheet **at 31 December 1995**

	Notes	1995 £	1994 £
Fixed assets			
Tangible assets	9	2,987,377	3,051,911
Current assets			
Stocks	10	2,032	-
Debtors	11	450,688	40,836
Cash at bank and in hand		280,257	337,420
		<hr/>	<hr/>
		732,977	378,256
Creditors: amounts falling due within one year	12	(209,412)	(181,323)
		<hr/>	<hr/>
Net current assets		523,565	196,933
		<hr/>	<hr/>
Total assets less current liabilities		3,510,942	3,248,844
Provisions for liabilities and charges	13	(27,235)	(27,235)
		<hr/>	<hr/>
Net assets		3,483,707	3,221,609
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	14	100	100
Revaluation reserve		3,064,000	3,064,000
Profit and loss account	15	419,607	157,509
		<hr/>	<hr/>
Equity shareholders' funds	16	3,483,707	3,221,609
		<hr/>	<hr/>

The financial statements on pages 5 to 15 were approved by the board of directors on 19 August 1996 and were signed on its behalf by:



M A Stratford
Director

Notes to the financial statements for the year ended 31 December 1995

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, except as indicated, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Land and buildings are stated at valuations made by directors based on valuations made by independent professionally qualified valuers on an existing use open market value basis. Land and buildings are revalued by professionally qualified valuers every three years and in the intervening years these valuations are updated by the directors with the assistance of independent professional advice as required.

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

Freehold land	nil
Freehold buildings	2% straight line method
Furniture, fittings and equipment	15% reducing balance method

In previous years the company applied an effective rate of nil depreciation to its freehold buildings on the basis that these properties were being maintained to a high standard and that therefore any resulting depreciation would be immaterial. This practice was in line with that adopted widely in the sector.

From 1 January 1995, the directors have decided to change the depreciation rate on freehold buildings to 2% to accord with what has now become best practice in the sector.

Under UK Generally Accepted Accounting Principles this does not represent a change in accounting policy and, accordingly, the comparative figures have not been restated. The effect of this change is to reduce the reported profits for the year by £52,976 (1994 if applied: £26,489).

The company changed the rate of depreciation for furniture and fittings from 20% reducing balance to 15% reducing balance. In the directors' opinion this rate of depreciation more

1 Principal accounting policies (continued)

accurately reflects the remaining useful lives of these assets. The effect of this change on the reported profits for the year is considered to be immaterial

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Stocks

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

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability will crystallise.

Cash flow statement

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

2 Turnover

Turnover which excludes value added tax consists entirely of fee income charged for the year in the United Kingdom.

3 Directors' emoluments

Directors' emoluments for the year ended 31 December 1995 were £Nil (nine months ended 31 December 1994: £Nil).

London Parkcare Limited

4 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

	Year ended 31 December 1995 Number	Nine months ended 31 December 1994 Number
Nursing, ancillary and administrative staff	52	42
	£	£
Staff costs (for the above persons)	388,924	252,018
Wages and salaries	20,523	24,925
Social security costs		
	409,447	276,943

5 Interest receivable and similar income

	Year ended 31 December 1995 £	Nine months ended 31 December 1994 £
Bank interest received	15,909	4,003

6 Interest payable and similar charges

	Year ended 31 December 1995 £	Nine months ended 31 December 1994 £
On bank overdraft repayable within 5 years, not by instalments	-	358

7 Profit on ordinary activities before taxation

	Year ended 31 December 1995 £	Nine months ended 31 December 1994 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	73,857	12,089
Auditors' remuneration for:		
Audit	2,500	2,500
Other services to the company	1,468	3,500
Hire of assets - operating leases	-	80,548
Other hire of assets	550	-
	<u>73,857</u>	<u>12,089</u>

8 Tax on profit on ordinary activities

	Year ended 31 December 1995 £	Nine months ended 31 December 1994 £
United Kingdom corporation tax at 33% (1994: 33%):		
Current	10,714	52,000
Group relief	95,619	-
Deferred	-	27,235
Overprovision in respect of prior years:		
Current	-	(383)
	<u>106,333</u>	<u>78,852</u>

9 Tangible fixed assets

	Freehold land and buildings £	Furniture and fittings £	Total £
Cost or valuation			
At 1 January 1995	2,943,112	120,888	3,064,000
Additions	-	9,323	9,323
	<hr/>	<hr/>	<hr/>
At 31 December 1995	2,943,112	130,211	3,073,323
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 1995	-	12,089	12,089
Charge for year	52,976	20,881	73,857
	<hr/>	<hr/>	<hr/>
At 31 December 1995	52,976	32,970	85,946
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 1995	2,890,136	97,241	2,987,377
	<hr/>	<hr/>	<hr/>
At 31 December 1994	2,943,112	108,799	3,051,911
	<hr/>	<hr/>	<hr/>
Cost or valuation at 31 December 1995 is represented by			
Valuation in 1994	2,943,112	120,888	3,064,000
Cost	-	9,323	9,323
	<hr/>	<hr/>	<hr/>
	2,943,112	130,221	3,073,323
	<hr/>	<hr/>	<hr/>

The freehold land and buildings were gifted by the previous owners to the company at nil cost. The freehold land and buildings and certain furniture and fittings were revalued in 1994 by the directors based on professional valuations using an open market value for existing use basis.

If freehold land and buildings and furniture and fittings had not been revalued they would have been included at the following amounts:

	Freehold land and buildings		Furniture & Fittings	
	1995	1994	1995	1994
	£	£	£	£
Cost	Nil	Nil	9,323	Nil
Aggregate depreciation based on cost	Nil	Nil	(1,398)	Nil
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value based on cost	Nil	Nil	7,925	Nil
	<hr/>	<hr/>	<hr/>	<hr/>

London Parkcare Limited

11 Debtors

	1995 £	1994 £
Amounts falling due within one year	42,503	35,234
Trade debtors	401,250	-
Amounts owed by immediate parent company	3,552	2,704
Other debtors	3,383	2,898
Prepayments and accrued income		
	<u>450,688</u>	<u>40,836</u>

12 Creditors: amounts falling due within one year

	1995 £	1994 £
Trade creditors	19,892	22,140
Amounts owed to parent company and fellow subsidiary undertakings	-	93,728
Corporation tax	158,333	52,000
Accruals and deferred income	31,187	13,455
	<u>209,412</u>	<u>181,323</u>

London Parkcare Limited

13 Provisions for liabilities and charges

Deferred
taxation
£

27,235

At 1 January 1995 and 31 December 1995

Deferred taxation provided in the financial statements and the amount unprovided of the total potential liability, are as follows:

	Amount provided		Amount unprovided	
	1995	1994	1995	1994
	£	£	£	£
Tax effect of timing differences because of:				
Excess capital allowances over depreciation	27,235	27,730	27,597	-
Other	-	(495)	-	-
Revaluation surplus	-	-	406,000	441,000
	<u>27,235</u>	<u>27,235</u>	<u>433,597</u>	<u>441,000</u>

14 Called up share capital

	1995	1994
	£	£
Authorised		
5,000 ordinary shares of £1 each	5,000	5,000
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100

15 Profit and loss account

	£
At 1 January 1995	157,509
Retained profit for the year	262,098
	<u>419,607</u>
At 31 December 1995	

16 Reconciliation of movement in shareholders' funds

	1995 £	1994 £
Opening shareholders' funds	3,221,609	(216)
Profit for the financial year	262,098	157,825
	<hr/>	<hr/>
	3,483,707	157,609
Other recognised gains relating to the year	-	3,064,000
	<hr/>	<hr/>
Closing shareholders' funds	3,483,707	3,221,609
	<hr/>	<hr/>

17 Capital commitments

There were no capital commitments at 31 December 1995 (1994: £Nil).

18 Contingent liability

The company along with its fellow subsidiaries has jointly and severally guaranteed the bank loans of the parent undertaking which amounted to £33,625,229 at 31 December 1995 (1994: £12,055,000). As at 31 December 1995 the net assets of the group were £20,301,968 (1994: £4,405,581).

19 Immediate and ultimate parent companies

The directors regard Craegmoor Healthcare Company Limited, a company registered in England and Wales, as the immediate parent company. Copies of the immediate parent company's consolidated financial statements may be obtained from The Secretary, Craegmoor Healthcare Company Limited, "Hillcainie", St Andrew's Road, Droitwich, Hereford and Worcester WR9 8DJ. The directors regard Warburg Pincus LP, a limited partnership incorporated in the United States of America, as the ultimate parent company. Copies of the ultimate parent company's financial statements are not available to the public.