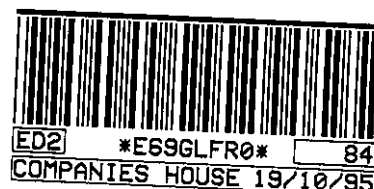


**Report and financial statements
for the nine months ended 31 December 1994**

	Pages
Directors and advisers	1
Directors' report	2-3
Report of the auditors	4
Profit and loss account	5
Statement of total recognised gains and losses	5
Note of historical cost profits and losses	6
Balance sheet	7
Notes to the financial statements	8-14



Directors and advisers

Executive directors

J B McAllister
R L Hayfield
M A Stratford

Non-executive directors

E J McKinley
B J Hanson

Secretary and registered office

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

Registered Auditors

Coopers & Lybrand
35 Newhall Street
Birmingham B3 3DX

Solicitors

Holt & Sellars
Hillcairnie
St Andrew's Road
Droitwich
Hereford & Worcester
WR9 8DJ

Bankers

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

**Directors' report
for the nine months ended 31 December 1994**

The directors present their report and the audited financial statements for the nine months ended 31 December 1994.

Principal activity

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

Parent company

The company was acquired by Craegmoor Healthcare Company Limited on 30 June 1994. The accounting reference date of the company was changed to 31 December to coincide with that of its parent company.

Review of business

Both the level of business and the period 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 in respect of the period ended 31 December 1994 (year ended 31 March 1994: £Nil). The profit for the period of £157,825 (year ended 31 March 1994: £1,317) will be transferred to reserves.

Directors

The directors of the company during the period ended 31 December 1994 are listed below.

	Appointment date	Resignation date
J B McAllister	30.6.94	
R L Hayfield	30.6.94	
M A Stratford	30.6.94	
H A Hirji		30.6.94
S N Hirji		30.6.94
E J McKinley	12.7.94	
B J Hanson	12.7.94	

**Directors' report
for the nine months ended 31 December 1994****Directors' interests**

None of the directors held any interests in the shares of the company at 31 December 1994. J B McAllister, R L Hayfield and M A Stratford are also directors of the parent company, Craegmoor Healthcare Company Limited, and their share interests are shown in the directors' report of that company. None of the other directors held any interests in the shares of the parent company at 31 December 1994 or at their date of appointment to the board.

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 period.

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 period ended 31 December 1994. The directors also confirm that applicable accounting standards have been followed and 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 previous owners gifted to the company the freehold land and buildings and associated fixtures and fittings used in the business. Previously, these were leased by the company. The directors then obtained professional valuations of these assets and have included them in the financial statements at their revalued amounts.

Other movements in fixed assets during the period, are set out in note 9 to the financial statements.

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
24 July 1995

Report of the auditors to the members of London Parkcare Limited

We have audited the financial statements on pages 5 to 14.

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 1994 and of its profit and total recognised gains for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Birmingham

17 August 1995

Profit and loss account for the period ended 31 December 1994

	Notes	Nine months ended 31 December 1994 £	Year ended 31 March 1994 £
Turnover - continuing operations	2	759,607	507,171
Cost of sales - continuing operations		(315,793)	(221,420)
Gross profit		443,814	285,751
Administrative expenses - continuing operations		(210,782)	(283,249)
Operating profit - continuing operations		233,032	2,502
Interest receivable and similar income	5	4,003	658
Interest payable and similar charges	6	(358)	(893)
Profit on ordinary activities before taxation	7	236,677	2,267
Tax on profit on ordinary activities	8	(78,852)	(950)
Retained profit for the period	14	157,825	1,317

Statement of total recognised gains and losses

	Nine months ended 31 December 1994 £	Year ended 31 March 1994 £
Profit for the financial period	157,825	1,317
Unrealised surplus on revaluation of property and assets	3,064,000	-
Total recognised gains and losses relating to the period	3,221,825	1,317

Note of historical cost profits and losses

	Nine months ended 31 December 1994 £	Year ended 31 March 1994 £
Reported profit on ordinary activities before taxation	236,677	2,267
Difference between historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount.	12,089	-
Historical cost profit on ordinary activities before taxation	<u>248,766</u>	<u>2,267</u>
Historical cost profit for the period after taxation	<u>169,914</u>	<u>2,267</u>

The notes to the financial statements are set out on pages 8 to 14.

The auditors' report appears on page 4.

**Balance sheet
at 31 December 1994**

	Notes	31 December 1994 £	31 March 1994 £
Fixed assets			
Tangible assets	9	<u>3,051,911</u>	<u>-</u>
Current assets			
Debtors	10	40,836	2,928
Cash at bank and in hand		<u>337,420</u>	<u>35,184</u>
		378,256	38,112
Creditors: amounts falling due within one year	11	<u>(181,323)</u>	<u>(38,328)</u>
Net current assets/(liabilities)		196,933	(216)
Provisions for liabilities and charges	12	<u>(27,235)</u>	<u>-</u>
Net assets/(liabilities)		<u>3,221,609</u>	<u>(216)</u>
Capital and reserves			
Called up share capital	13	100	100
Revaluation reserve	14	3,064,000	-
Profit and loss account	14	<u>157,509</u>	<u>(316)</u>
Equity shareholders' funds		<u>3,221,609</u>	<u>(216)</u>

The financial statements on pages 5 to 14 were approved by the board of directors on 24 July 1995 and were signed on its behalf by:

M A Stratford
Director



The notes to the financial statements are set out on pages 8 to 14.

The auditors' report appears on page 4.

Notes to the financial statements for the period ended 31 December 1994

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 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

Land and buildings and fixtures and fittings are stated at valuations made by independent professionally qualified valuers on an existing use open market value basis.

Full valuations of the freehold land and buildings will be made by professionally qualified valuers every three years and in the intervening years these will be updated by the directors with the assistance of independent professional advice as required. No depreciation is provided on freehold properties as they are maintained in a state of good repair, the cost of maintenance being charged to the profit and loss account. Consequently, the directors consider their residual values are at least equal to their net book values. Any depreciation required by the Companies Act 1985 and SSAP 12 would not be material.

Depreciation is calculated on fixtures and fittings so as to write off the valuation less estimated residual value, on the following basis:

Fixtures and fittings	- 20% reducing balance
-----------------------	------------------------

Operating leases

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

Turnover

Turnover, which excludes value added tax, represents fee income charged for the period.

1 Principal accounting policies (continued)

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 Craegmoor Healthcare Company Limited. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

2 Turnover

Turnover consists entirely of fee income earned in the United Kingdom.

3 Directors' emoluments

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

4 Employee information

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

	Nine months ended 31 December 1994 Number	Year ended 31 March 1994 Number
Nursing, ancillary and administrative staff	42	32
Staff costs (for above persons)	£	£
Wages and salaries	252,018	138,334
Social security costs	24,925	52,561
	276,943	190,895

5 Interest receivable and similar income

	Nine months ended 31 December 1994 £	Year ended 31 March 1994 £
Bank interest received	<u>4,003</u>	<u>658</u>

6 Interest payable and similar charges

	Nine months ended 31 December 1994 £	Year ended 31 March 1994 £
On bank loans, overdrafts and other loans repayable within 5 years, not by instalments	<u>358</u>	<u>893</u>

7 Profit on ordinary activities before taxation

	Nine months ended 31 December 1994 £	Year ended 31 March 1994 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the period:		
Tangible owned fixed assets	12,089	-
Auditors' remuneration for:		
Audit	2,500	2,000
Other services to the company	3,500	-
Hire of other assets - operating leases	<u>80,548</u>	<u>245,000</u>

8 Tax on profit on ordinary activities

	Nine months ended 31 December 1994 £	Year ended 31 March 1994 £
United Kingdom corporation tax at 33% (year ended 31 March 1994: 25%):		
Current	52,000	950
Deferred	27,235	-
Overprovision in respect of prior years:		
Current	(383)	-
	<u>78,852</u>	<u>950</u>

9 Tangible fixed assets

	Freehold land & buildings £	Fixtures & fittings £	Total £
Valuation			
At 1 April 1994	-	-	-
Revaluation	2,943,112	120,888	3,064,000
	<u>2,943,112</u>	<u>120,888</u>	<u>3,064,000</u>
At 31 December 1994	<u>2,943,112</u>	<u>120,888</u>	<u>3,064,000</u>
Depreciation			
At 1 April 1994	-	-	-
Charge for the period	-	12,089	12,089
	<u>-</u>	<u>12,089</u>	<u>12,089</u>
At 31 December 1994	<u>-</u>	<u>12,089</u>	<u>12,089</u>
Net book value			
At 31 December 1994	<u>2,943,112</u>	<u>108,799</u>	<u>3,051,911</u>
At 31 March 1994	<u>-</u>	<u>-</u>	<u>-</u>

The freehold land and buildings were gifted by the previous owners to the company at nil cost. The land and buildings were revalued at open market value for existing use by Grimley J R Eve, a firm of independent property consultants, in May 1994. The land and buildings were then transferred to the company by Mr and Mrs H Hirji on 10 June 1994 prior to the acquisition of the company by Craegmoor Healthcare Company Limited.

The fixtures and fittings have been valued by the Directors, having taken appropriate professional advice, at a fair value attributed to these assets as part of the acquisition.

10 Debtors

	31 December 1994 £	31 March 1994 £
Amounts falling due within one year		
Trade debtors	35,234	2,928
Other debtors	2,704	-
Prepayments and accrued income	2,898	-
	<u>40,836</u>	<u>2,928</u>

11 Creditors: amounts falling due within one year

	31 December 1994 £	31 March 1994 £
Bank loans and overdrafts	-	19,210
Trade creditors	22,140	-
Amounts owed to parent company and fellow subsidiary undertakings	93,728	-
Corporation tax	52,000	950
Accruals and deferred income	13,455	2,000
Directors' current accounts	-	16,168
	<u>181,323</u>	<u>38,328</u>

12 Provisions for liabilities and charges

	Deferred taxation (see below) £
At 1 April 1994	-
Transfer from profit and loss account	27,235
At 31 December 1994	<u>27,235</u>

12 Provisions for liabilities and charges (continued)

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

	Amount provided		Amount unprovided	
	31 December 1994 £	31 March 1994 £	31 December 1994 £	31 March 1994 £
Tax effect of timing differences because of:				
Excess capital allowances over depreciation	27,730	-	-	-
Other	(495)	-	-	-
Revaluation surplus	-	-	441,000	-
	<u>27,235</u>	<u>-</u>	<u>441,000</u>	<u>-</u>

13 Called up share capital

	31 December 1994 £	31 March 1994 £
Authorised		
5,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

14 Reserves

	Revaluation reserve £	Profit and loss account £
At 1 April 1994	-	(316)
Revaluation surplus on fixed assets	3,064,000	-
Retained profit for the period	-	157,825
At 31 December 1994	<u>3,064,000</u>	<u>157,509</u>

15 Reconciliation of movements in shareholders' funds

	31 December 1994 £	31 March 1994 £
Opening shareholders' funds	(216)	100
Profit/(loss) for the financial year	157,825	(316)
	<u>157,609</u>	<u>(216)</u>
Other recognised gains relating to the year	3,064,000	-
	<u>3,221,609</u>	<u>(216)</u>
Closing shareholders' funds		

16 Capital commitments

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

17 Contingent liability

The company along with its fellow subsidiaries has jointly and severally guaranteed the bank loans of the parent undertaking which amounted to £12,055,000 at 31 December 1994 (1993: £Nil). As at 31 December 1994 the net assets of the group were £4,405,581.

18 Financial commitments

At 31 December 1994 the company had annual commitments under non-cancellable operating leases as follows:

	31 December 1994 Land and buildings £	31 March 1994 Land and buildings £
After five years	-	150,000

19 Ultimate parent company

The directors regard Craegmoor Healthcare Company Limited, a company registered in England & 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, 'Hillcairnie', St Andrew's Road, Droitwich, Hereford & 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.