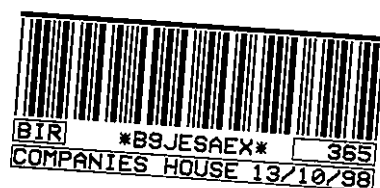


London Parkcare Company Limited

Report for the year ended 31 December 1997

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London Parkcare Company Limited

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Directors and advisers

Executive directors

J B McAllister
M A Stratford

Registered auditors

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

Non-executive directors

E J McKinley
J S Young

Solicitors

Simon Bishop & Partners
"Hillcairnle"
St Andrew's Road
Droitwich
Hereford & Worcester
WR9 8DJ

Secretary and registered office

S J Bishop
"Hillcairnle"
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

London Parkcare Company Limited

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Directors' report for the year ended 31 December 1997

The directors present their report and the audited financial statements for the year ended 31 December 1997.

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 1997 (1996: £Nil). The profit for the year of £301,990 (1996: £324,918) has been transferred to reserves.

Directors

The directors of the company during the year ended 31 December 1997 are listed on page 1.

London Parkcare Company Limited

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Directors' report for the year ended 31 December 1997

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 1997. 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

S J Bishop
Company secretary
30 April 1998

Report of the auditors to the members of London Parkcare Limited

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We have audited the financial statements on pages 5 to 16.

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.

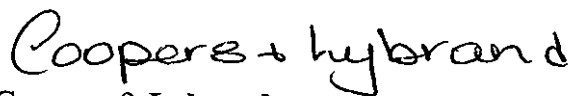
Basis of opinion

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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Birmingham
30 April 1998

London Parkcare Company Limited

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Profit and loss account for the year ended 31 December 1997

	Notes	Year ended 31 December 1997 £	Year ended 31 December 1996 £
Turnover - continuing operations	2	1,103,846	1,097,798
Cost of sales - continuing operations		(518,237)	(488,763)
Gross profit - continuing operations		585,609	609,035
Administrative expenses - continuing operations		(153,481)	(126,242)
Operating profit - continuing operations		432,128	482,793
Interest receivable and similar income	5	17,027	17,783
Interest payable and similar charges	6	(165)	(2,761)
Profit on ordinary activities before taxation	7	448,990	497,815
Tax on profit on ordinary activities	8	(147,000)	(172,897)
Retained profit for the year	15	301,990	324,918

The company has no recognised gains or losses other than the profits above and therefore no separate statement of total recognised gains or losses has been presented.

London Parkcare Company Limited

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Note of historical cost profits and losses

	Year ended 31 December 1997	Year ended 31 December 1996
	£	£
Reported profits on ordinary activities before taxation	448,990	497,815
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount.	64,540	66,381
Historical cost profit on ordinary activities before taxation	513,530	564,196
Historical cost retained profit for the year after taxation	336,530	391,299

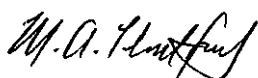
London Parkcare Company Limited

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Balance sheet at 31 December 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	9	2,900,967	2,951,344
Current assets			
Stocks	10	2,032	2,032
Debtors	11	1,244,362	907,980
Cash at bank and in hand		335,467	306,011
		<hr/>	<hr/>
		1,581,861	1,216,023
Creditors: amounts falling due within one year	12	(372,213)	(358,742)
		<hr/>	<hr/>
Net current assets		1,209,648	857,281
		<hr/>	<hr/>
Net assets		4,110,615	3,808,625
		<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	1,046,515	744,525
		<hr/>	<hr/>
Equity shareholders' funds	16	4,110,615	3,808,625
		<hr/>	<hr/>

The financial statements on pages 5 to 16 were approved by the board of directors on 30 April 1998 and were signed on its behalf by:



M A Stratford
Director

London Parkcare Company Limited

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Notes to the financial statements for the year ended 31 December 1997

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 noted below, 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 five years and in the intervening years these valuations are updated by the directors with the assistance of independent professional advice as required.

The interval for obtaining full valuations from professionally qualified valuers has been increased from three years to five years. The Directors consider this revised policy to be more appropriate to the circumstances of the Company.

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

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.

London Parkcare Company Limited

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1 Principal accounting policies (continued)

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 1997 were £Nil (year ended 31 December 1996: £Nil).

4 Employee information

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

	1997 Number	1996 Number
Nursing, ancillary and administrative staff	50	47
	<hr/>	<hr/>
	£	£
Staff costs (for the above persons)		
Wages and salaries	433,179	401,971
Social security costs	30,170	34,186
	<hr/>	<hr/>
	463,349	436,157
	<hr/>	<hr/>

London Parkcare Company Limited

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5 Interest receivable and similar income

	1997 £	1996 £
Bank interest received	17,027	17,783
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	1997 £	1996 £
Interest on overdue taxation	12	2,746
On bank overdraft repayable within 5 years, not by instalments	153	15
	<u> </u>	<u> </u>
	165	2,761
	<u> </u>	<u> </u>

7 Profit on ordinary activities before taxation

	1997 £	1996 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	68,808	67,570
Auditors' remuneration for:		
Audit	4,700	4,500
Other services to the company	-	-
Other hire of assets	9,831	5,600
	<u> </u>	<u> </u>

8 Tax on profit on ordinary activities

	Year ended 31 December 1997 £	Year ended 31 December 1996 £
United Kingdom corporation tax at 31.5% (1995: 33%):		
Current	145,690	136,346
Group relief	1,310	21,654
Deferred	-	(27,235)
Underprovision in respect of prior years:		
Current	-	42,132
	<hr/>	<hr/>
	147,000	172,897
	<hr/>	<hr/>

London Parkcare Company Limited

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9 Tangible fixed assets

	Freehold land and buildings	Furniture and fittings	Total
	£	£	£
Cost or valuation			
As at 1 January 1997	2,952,933	151,927	3,104,860
Additions	3,281	15,150	18,431
	<hr/>	<hr/>	<hr/>
As at 31 December 1997	2,956,214	167,077	3,123,291
	<hr/>	<hr/>	<hr/>
Depreciation			
As at 1 January 1997	105,954	47,562	153,516
Charge for year	53,148	15,660	68,808
	<hr/>	<hr/>	<hr/>
As at 31 December 1997	159,102	63,222	222,324
	<hr/>	<hr/>	<hr/>
Net book value at 31 December 1997	2,797,112	103,855	2,900,967
	<hr/>	<hr/>	<hr/>
Net book value at 31 December 1996	2,846,979	104,365	2,951,344
	<hr/>	<hr/>	<hr/>

Cost or valuation at 31 December 1997

	£	£	£
Valuation in 1994	2,943,112	120,888	3,064,000
Cost	13,102	46,189	59,291
	<hr/>	<hr/>	<hr/>
	2,956,214	167,077	3,123,291
	<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.

London Parkcare Company Limited

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9 Tangible fixed assets (continued)

	Freehold land and buildings		Furniture & Fittings	
	1997	1996	1997	1996
	£	£	£	£
Cost	13,102	9,821	46,189	31,039
Aggregate depreciation based on cost	(177)	-	(6,855)	(2,587)
Net book value based on cost	12,925	9,821	39,334	28,452

10 Stock

	1997	1996
	£	£
Consumables	2,032	2,032

11 Debtors

	1997	1996
	£	£
Amounts falling due within one year		
Trade debtors	150,377	242,157
Amounts owed by immediate parent company	1,082,320	660,136
Other debtors	4,073	2,516
Prepayments and accrued income	7,592	3,171
	1,244,362	907,980

12 Creditors: amounts falling due within one year

	1997	1996
	£	£
Bank overdraft	10,645	-
Trade creditors	17,056	29,841
Corporation tax	319,035	307,267
Accruals and deferred income	25,477	21,634
	<u>372,213</u>	<u>358,742</u>

14 Deferred taxation

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

	Amount provided		Amount unprovided	
	1997	1996	1997	1996
	£	£	£	£
Tax effect at 33% of timing differences due to:				
Excess capital allowances over depreciation	-	-	87,576	49,975
Revaluation surplus	-	-	337,000	379,000
	<u>-</u>	<u>-</u>	<u>424,576</u>	<u>428,975</u>

14 Called up share capital

	1997	1996
	£	£
Authorised		
5,000 ordinary shares of £1 each	5,000	5,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

15 Profit and loss account

	£
At 1 January 1997	744,525
Retained profit for the year	301,990
	<hr/>
At 31 December 1997	1,046,515
	<hr/>

16 Reconciliation of movement in shareholders' funds

	1997	1996
	£	£
Opening shareholders' funds	3,808,625	3,483,707
Profit for the financial year	301,990	324,918
	<hr/>	<hr/>
Closing shareholders' funds	4,110,615	3,808,625
	<hr/>	<hr/>

17 Capital commitments

There were no capital commitments at 31 December 1997 (1996: £Nil).

18 Contingent liability

There is a fixed and floating charge over the property, undertaking and assets of the company in respect of a loan from Craegmoor Finance PLC to Parkcare Homes Limited under the Parkcare/Issuer Loan Agreement dated 20 December 1996. Craegmoor Finance PLC and Parkcare Homes Limited are fellow subsidiaries of the company.

19 Related party transactions

The company has taken advantage of the exemption granted under Paragraph 3(c) of FRS8 and not disclosed any transactions with group companies.

20 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, "Hillcairnie", 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.