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WESTMINSTER HEALTH CARE LIMITED

FINANCIAL STATEMENTS

31 MAY 1990



KPMG PEAT MARWICK McLINTOCK  
1 Puddle Dock, Blackfriars, London EC4V 3PD

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WESTMINSTER HEALTH CARE LIMITED

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WESTMINSTER HEALTH CARE LIMITEDDIRECTORS' REPORT

The directors have pleasure in submitting their report and financial statements for the year ended 31 May 1990.

Activities

The company's sole activity continues to be the ownership, operation and development of nursing and residential homes providing long term care for the elderly. The results for the year are in accordance with directors' expectations. The directors are satisfied that the net current liabilities position shown in the balance sheet is acceptable given the unutilised long term borrowing facilities. The directors foresee no material change in the nature of the company's activities.

Results

The results for the year are given in the profit and loss account on page 5.

Dividends

The directors do not propose the payment of a dividend (1989:£nil).

Fixed assets

Information relating to changes in tangible fixed assets is given in note 8 to the financial statements.

Directors

The directors during the year were as follows:

M Andersons	
MM Bradford	
B Busby	
PR Carter	
H Hardy	as alternate to ME Powers
TP McMullen	as alternate to M Andersons
ME Powers	
M Wilensky	as alternate to B Busby (retired 10 July 1990)

In accordance with the Articles of Association, no directors retire by rotation.

The directors who held office at the end of the financial year had the following interests in the shares of the company:

	<u>Class of share</u>	<u>At end of year</u>	<u>At beginning of year</u>
PR Carter and MM Bradford	Ordinary	100,000	100,000

At 31 May 1990, 90,000 Ordinary shares were held beneficially and 10,000 shares non beneficially.

WESTMINSTER HEALTH CARE LIMITEDDIRECTORS' REPORT (continued)Directors - continued

The directors who held office at the end of the financial year had the following interests in the shares of National Medical Enterprises Inc, the ultimate holding company:

	As at 31 May 1990		As at 31st May 1989	
	<u>Beneficial</u>	<u>Non beneficial</u>	<u>Beneficial</u>	<u>Non beneficial</u>
M. Andersons	52,500	-	52,500	-
B. Busby	182,722	-	175,400	-
T.P. McMullen	22	-	22	-
M.E. Powers	50,900	-	65,500	-

In addition to the interests set out above P.R. Carter holds 65,000 convertible subordinated debenture options in National Enterprises Inc. exercisable at a price of US\$31.66. The right to exercise the options vests at the rate of 25% per annum, commencing on 29 March 1991 and expires on 3 April 1993, on which date, the cost of any unexercised options will be refunded.

Policy on employment of disabled persons

The company is committed to developing and maintaining sympathetic measures for the integration of disabled persons into the work force where it is possible and safe to do so.

Policy on employee involvement

The company will continue to develop and promote arrangements which will encourage employee involvement.

Auditors

On 1 January 1990 our auditors changed the name under which they practise to KPMG Peat Marwick McLintock, and accordingly have signed their report in their new name. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

*[Signature]*  
Secretary

Trafalgar House  
11 Waterloo Place  
London SW1Y 4AU

27 September, 1990

AUDITORS' REPORT TO THE MEMBERS OF  
WESTMINSTER HEALTH CARE LIMITED

We have audited the financial statements on pages 4 to 12 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 May 1990 and of the loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Kent & Co. Chartered Accountants*

Chartered Accountants

27 September, 1990

WESTMINSTER HEALTH CARE LIMITEDACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

The effects of events relating to the year ended 31 May 1990 which occurred before 27 September 1990, the date of approval of the financial statements by the board of directors, have been included in the financial statements to the extent required to show a true and fair view of the state of affairs at 31 May 1990 and of the results for the year ended on that date.

Turnover

Turnover comprises charges to patients and residents of the company's nursing and residential homes.

Depreciation

Depreciation is provided to write off the cost less residual value of fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	50 years
Fixtures and fittings and equipment	-	5 - 10 years
Motor vehicles	-	4 years

No depreciation is provided on freehold land.

The cost of Land and buildings includes interest on the capital employed in nursing home developments and development costs associated with initiating and monitoring the construction of nursing homes.

Pre-opening costs

Certain operating expenses incurred prior to opening and until the nursing homes attain a 75% occupancy are deferred and amortised over a five year period beginning on the first anniversary of opening.

Stocks

Stocks comprise of consumable materials which are valued at the lower of cost and net realisable value.

Taxation

Taxation is computed on profits for the year taking into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. No provision for deferred taxation is made if there is reasonable evidence that such deferred taxation will not be payable in the foreseeable future.

Operating leases

Operating lease charges are expensed in the profit and loss account in the period in which they are incurred.

WESTMINSTER HEALTH CARE LIMITEDPROFIT AND LOSS ACCOUNTFor the year ended 31 May 1990

	<u>Notes</u>	<u>1990</u> £	<u>1989</u> £
Turnover	1	9,557,280	6,019,352
Cost of sales		<u>(7,038,578)</u>	<u>(4,497,818)</u>
Gross profit		2,518,702	1,521,534
Administrative expenses		<u>(1,187,352)</u>	<u>(662,166)</u>
Trading profit	2	1,331,350	859,368
Other operating income	3	215,115	371,605
Other interest receivable and similar income		<u>27,233</u>	<u>20,530</u>
		1,573,698	1,251,503
Interest payable and similar charges	6	<u>(1,746,423)</u>	<u>(960,375)</u>
(Loss)/profit on ordinary activities before taxation		(172,725)	291,128
Tax on profit on ordinary activities	7	<u>—</u>	<u>—</u>
Profit on ordinary activities after taxation and retained for the financial year		(172,725)	291,128
Balance brought forward		<u>562,465</u>	<u>271,337</u>
Balance carried forward		<u>£ 389,740</u> =====	<u>£ 562,465</u> =====

The notes on pages 4 and 8 to 12 form part of these financial statements.

WESTMINSTER HEALTH CARE LIMITEDBALANCE SHEETAs at 31 May 1990

	<u>Notes</u>	<u>1990</u> £	<u>1989</u> £
<b>FIXED ASSETS</b>			
Tangible assets	8	22,007,546	17,955,824
Investment	9	<u>2</u>	<u>2</u>
		22,007,548	17,955,826
<b>CURRENT ASSETS</b>			
Stocks	10	42,357	30,285
Debtors	11	603,937	1,122,590
Cash at bank and in hand		<u>4,842</u>	<u>56,666</u>
		651,136	1,209,541
<b>CREDITORS: Amounts falling due within one year: 12</b>		<u>( 2,153,944)</u>	<u>( 2,282,815)</u>
<b>NET CURRENT LIABILITIES</b>		<u>( 1,502,808)</u>	<u>( 1,073,274)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		20,504,740	16,882,552
<b>CREDITORS: Amounts falling due after more than one year</b>	13	<u>(19,115,000)</u>	<u>(15,320,067)</u>
		£ 1,389,740	£ 1,562,465
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	£ 1,000,000	£ 1,000,000
Profit and loss account		<u>389,740</u>	<u>562,465</u>
		£ 1,389,740	£ 1,562,465

Approved by the board  
and signed by

 Directors

The notes on pages 4 and 8 to 12 form part of these financial statements.



WESTMINSTER HEALTH CARE LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDSFor the year ended 31 May 1990

	<u>1990</u> £	<u>1989</u> £
<b>SOURCE OF FUNDS</b>		
(Loss)/profit on ordinary activities before taxation	( 172,725)	291,128
Adjustments for items not involving the movement of funds:		
Depreciation	518,879	292,885
Profit on sale of fixed assets	( 163,693)	( 371,603)
Total generated from operations	182,461	212,410
Loans received	3,794,913	6,279,712
Disposal of fixed assets	582,622	1,114,526
Total sources of funds	4,559,996	7,606,648
<b>APPLICATION OF FUNDS</b>		
Purchase of fixed assets	(4,989,530)	(8,214,814)
	£( 429,534)	£( 608,166)
<b>INCREASE/(DECREASE) IN WORKING CAPITAL</b>		
Stocks	12,072	( 2,625)
Debtors	( 518,653)	746,612
Creditors	330,483	(1,327,345)
	( 176,098)	( 583,358)
Movement in net liquid funds:		
Cash at bank and in hand	( 253,436)	( 24,808)
	£( 429,534)	£( 608,166)

The notes on pages 4 and 8 to 12 form part of these financial statements.

WESTMINSTER HEALTH CARE LIMITEDNOTES(forming part of the financial statements)

## 1 ANALYSIS OF TURNOVER AND RESULTS BEFORE TAXATION

The company's turnover and results before taxation arise from its sole activity of owning and operating nursing and residential homes. The turnover arises solely from activities in the United Kingdom.

## 2 TRADING PROFIT

Trading results are stated after charging:

	<u>1990</u> £	<u>1989</u> £
Depreciation	518,879	292,885
Auditors' remuneration (including expenses)	20,300	15,500
Operating lease rentals:		
Plant and machinery	37,360	14,400
Other assets	82,389	39,500
	<u>658,528</u>	<u>361,285</u>

## 3 EXCEPTIONAL ITEM

	<u>1990</u> £	<u>1989</u> £
Included within other operating income:		
Exceptional gain on sale of nursing home	146,503	371,603
	<u>146,503</u>	<u>371,603</u>

## 4 STAFF COSTS

	<u>1990</u>	<u>1989</u>
Average number of employees	1,150	850
	<u>1,150</u>	<u>850</u>
Employee costs:	<u>£</u>	<u>£</u>
Wages and salaries	4,984,908	2,874,717
Social security costs	310,220	185,031
	<u>5,295,128</u>	<u>3,059,748</u>

The number of employees other than directors whose emoluments, excluding employer's pension contributions, fell in each £5,000 bracket over £30,000 was:

	<u>1990</u>	<u>1989</u>
£30,001 - £35,000	2	1
	<u>2</u>	<u>1</u>

WESTMINSTER HEALTH CARE LIMITEDNOTES (continued)

## 5 DIRECTORS' EMOLUMENTS

	<u>1990</u> £	<u>1989</u> £
Directors' emoluments	156,225	139,450
Pension contributions	<u>26,600</u>	<u>23,976</u>
	£ 182,825	£ 163,426

The emoluments, excluding pension contributions, of the highest paid director, amounted to £100,000 (1989:£90,000).

The number of other directors whose emoluments, excluding pension contributions, fell in each £5,000 bracket was as follows:

	<u>1990</u>	<u>1989</u>
£Nil - £5,000	6	6
£45,001 - £50,000	-	1
£50,001 - £55,000	1	-

## 6 INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1990</u> £	<u>1989</u> £
Amounts payable to group companies	405,576	294,340
Interest on bank and other loans	<u>1,340,847</u>	<u>666,035</u>
	£ 1,746,423	£ 960,375

## 7 TAXATION

There is no charge for taxation in the current year as there is a corporation tax loss arising.

No provision has been made for deferred taxation as no liability is expected to crystallise in the foreseeable future. The full potential liability for deferred taxation is set out below:

	<u>1990</u> £	<u>1989</u> £
Accelerated capital allowances	449,000	220,000
Rollover of capital gains	130,000	109,000
Corporation tax losses carried forward	(629,000)	(106,000)
Capitalised salaries and interest	298,000	197,000
Short term timing differences	<u>62,000</u>	<u>( 81,000)</u>
	£ 310,000	£ 339,000

WESTMINSTER HEALTH CARE LIMITEDNOTES (continued)8 FIXED TANGIBLE ASSETS

	Land and buildings	Assets in course of construction	Fixtures and fittings	Motor vehicles	Total
Cost:	£	£	£	£	£
At 1 June 1989	13,472,146	2,994,110	1,880,085	156,915	18,503,256
Additions	718,921	3,708,401	519,856	42,352	4,989,530
Disposals	( 407,505)	-	( 32,854)	( 32,413)	( 472,772)
Transfers	4,143,155	(4,696,277)	553,122	-	-
At 31 May 1990	17,926,717	2,006,234	2,920,209	166,854	23,020,014
Depreciation:					
At 1 June 1989	294,431	-	209,866	43,135	547,432
Charge for the year	246,892	-	229,077	42,910	518,879
Disposals	( 21,109)	-	( 8,101)	( 24,633)	( 53,843)
At 31 May 1990	520,214	-	430,842	61,412	1,012,468
Net book value:					
At 31 May 1989	13,177,715	2,994,110	1,670,219	113,780	17,955,824
At 31 May 1990	17,406,503	2,006,234	2,489,367	105,442	22,007,546

Interest capitalised in fixed assets above is £590,973 (1989:£402,171).

Included in the cost of land and buildings is an amount relating to capitalised development costs. Development costs are capitalised where they relate specifically to the development of new nursing homes, and are written off over the respective lives of the assets to which they are allocated.

Also included in the cost of land and buildings is £320,648 (1989:£213,287) relating to deferred pre-opening costs.

9 FIXED ASSET INVESTMENT

	Subsidiary company - unlisted
Share at cost	
At 1 June 1989 and 31 May 1990	£ 2

Details of the company's subsidiary are as follows:

Name	Country of Registration	Principal Activity	Class and percentage of shares held
Westminster Health Care (Properties) Limited	England	Dormant	Ordinary shares - 100%

The subsidiary company has net assets of £2 and group accounts are not prepared under S229(3) of the Companies Act 1985 as they would be of no real value to the members.

WESTMINSTER HEALTH CARE LIMITEDNOTES (continued)

## 10 STOCKS

	<u>1990</u>	<u>1989</u>
	<u>£</u>	<u>£</u>
Consumable supplies	42,357	30,285

## 11 DEBTORS

	<u>Due within one year</u>	
	<u>1990</u>	<u>1989</u>
	<u>£</u>	<u>£</u>
Trade debtors	445,907	379,972
Other debtors	15,886	635,000
Prepayments and accrued income	140,231	107,618
Amounts owed by group companies	1,913	-
	<u>£ 603,937</u>	<u>£ 1,122,590</u>

## 12 CREDITORS: Amounts falling due within one year

	<u>1990</u>	<u>1989</u>
	<u>£</u>	<u>£</u>
Bank overdraft	337,272	135,660
Trade creditors	172,739	267,711
Amounts owed to group companies:		
Holding company	1,529	-
Other creditors including taxation and social security	103,373	96,142
Creditor for home acquisition	-	230,000
Accruals and deferred income	1,141,913	548,407
Accrued construction costs	397,118	1,004,895
	<u>£ 2,153,944</u>	<u>£ 2,282,815</u>