

WESTMINSTER HEALTH CARE LIMITED

FINANCIAL STATEMENTS

31 MAY 1989

PEAT MARWICK McLINTOCK
1 Puddle Dock, Blackfriars, London EC4

COMPANIES HOUSE

19 OCT 1989

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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 1989.

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 (1988:fnil).

Fixed assets

Information relating to changes in tangible fixed assets is given in note 7 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

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	Ordinary	100,000	100,000
MM Bradford			

At 31 May 1989, 90,000 Ordinary shares were held beneficially and 10,000 shares non beneficially.

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WESTMINSTER HEALTH CARE LIMITED

DIRECTORS' REPORT (continued)

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

Our auditors, Peat Marwick McLintock, are willing to continue in office and accordingly a resolution concerning their re-appointment and their remuneration will be submitted to the annual general meeting.

By order of the board


Secretary

Panton House
25 Haymarket
London SW1Y 4EN

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 1989 and of the profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Peat Marwick McLintock

Chartered Accountants

16 October 1989

ACCOUNTING POLICIES

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

The effects of events relating to the year ended 31 May 1989 which occurred before 25 September 1989 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 1989 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 tangible 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.

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.

WIMBORNE HEALTH CARE LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 May 1989

	<u>Notes</u>	<u>1989</u> £	<u>1988</u> £
Turnover	1	6,019,352	4,901,333
Cost of sales		<u>(4,497,818)</u>	<u>(3,535,625)</u>
Gross profit		1,521,534	1,365,708
Administrative expenses		<u>(662,166)</u>	<u>(518,263)</u>
Trading profit	2 - 4	859,368	847,445
Other operating income		371,605	20,266
Other interest receivable and similar income		<u>20,530</u>	<u>3,364</u>
		1,251,503	871,075
Interest payable and similar charges	5	<u>(960,375)</u>	<u>(660,052)</u>
Profit on ordinary activities before taxation		291,128	211,023
Tax on profit on ordinary activities	6	<u>—</u>	<u>—</u>
Profit on ordinary activities after taxation and retained for the financial year		291,128	211,023
Balance brought forward		<u>271,337</u>	<u>60,314</u>
Balance carried forward		<u>£ 562,465</u> =====	<u>£ 271,337</u> =====

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

WESTMINSTER HEALTH CARE LIMITED

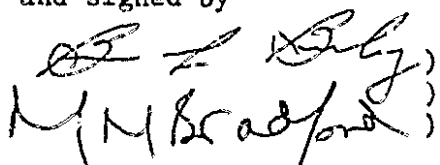
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BALANCE SHEET

As at 31 May 1989

	<u>Notes</u>	<u>1989</u> £	<u>1988</u> £
FIXED ASSETS			
Tangible assets	7	17,955,824	10,776,818
Investment	8	<u>2</u>	<u>2</u>
		17,955,826	10,776,820
CURRENT ASSETS			
Stocks	9	30,285	32,910
Debtors	10	1,122,590	377,978
Cash at bank and in hand		<u>56,666</u>	<u>3,787</u>
		1,209,541	412,675
CREDITORS: Amounts falling due within one year: 11		<u>(2,282,815)</u>	<u>(647,783)</u>
NET CURRENT LIABILITIES		<u>(1,073,274)</u>	<u>(235,108)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		16,882,552	10,541,712
CREDITORS: Amounts falling due after more than one year	12	<u>(15,320,087)</u>	<u>(9,270,375)</u>
		£ 1,562,465	£ 1,271,337
CAPITAL AND RESERVES			
Called up share capital	13	£ 1,000,000	£ 1,000,000
Profit and loss account		<u>562,465</u>	<u>271,337</u>
		£ 1,562,465	£ 1,271,337

Approved by the board
and signed by

 Directors

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

MINSTER HEALTH CARE LIMITED

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STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended 31 May 1989

	<u>1989</u> <u>£</u>	<u>1988</u> <u>£</u>
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	291,128	211,023
Adjustments for items not involving the movement of funds:		
Depreciation	292,885	205,103
Profit on sale of fixed assets	(371,603)	(20,266)
Write off of capitalised costs	-	10,641
Total generated from operations	212,410	406,501
Loans received	6,279,712	2,279,875
Disposal of fixed assets	<u>1,114,526</u>	<u>347,795</u>
Total sources of funds	7,606,648	3,034,171
APPLICATION OF FUNDS		
Purchase of fixed assets	<u>(8,214,814)</u>	<u>(2,064,428)</u>
	£ (608,166)	£ 969,743
	=====	=====
INCREASE/(DECREASE) IN WORKING CAPITAL		
Stocks	(2,625)	4,613
Debtors	746,612	147,420
Creditors	<u>(1,327,345)</u>	<u>830,172</u>
Movement in net liquid funds:	(583,358)	982,205
Cash at bank and in hand	<u>(24,808)</u>	<u>(12,462)</u>
	£ (608,166)	£ 969,743
	=====	=====

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

NOTES

(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>1989</u> £	<u>1988</u> £
Depreciation	292,885	205,103
Auditors' remuneration (including expenses)	15,500	12,000
Operating lease rentals:		
Plant and machinery	14,400	19,847
Other assets	39,500	40,000
Exceptional gain on sale of nursing homes	371,603	-
	=====	=====

3 STAFF COSTS

	<u>1989</u>	<u>1988</u>
Average number of employees	850	641
	=====	=====

	<u>1989</u>	<u>1988</u>
Employee costs:		
Wages and salaries	£ 2,874,717	£ 2,266,237
Social security costs	185,031	128,426
	£ 3,059,748	£ 2,394,663
	=====	=====

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>1989</u>	<u>1988</u>
£30,001 - £35,000	1	-
	=====	=====

WESTMINSTER HEALTH CARE LIMITED

NOTES (continued)

4 DIRECTORS' EMOLUMENTS

	<u>1989</u>	<u>1988</u>
Directors' emoluments (including pension contributions)	<u>£ 163,426</u>	<u>£ 143,025</u>
	=====	=====

The emoluments, excluding pension contributions, of the highest paid director, amounted to £90,000 (1988:£80,000).

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

	<u>1989</u>	<u>1988</u>
£Nil - £5,000	6	6
£35,001 - £40,000	-	1
£45,001 - £50,000	1	-
	==	==

5 INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Amounts payable to group companies	294,340	435,767
Interest on bank and other loans	<u>666,035</u>	<u>224,285</u>
	<u>£ 960,375</u>	<u>£ 660,052</u>
	=====	=====

6 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>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Accelerated capital allowances	220,000	146,000
Rollover of capital gains	109,000	-
Corporation tax losses carried forward	(106,000)	(16,000)
Short term timing differences	<u>(81,000)</u>	<u>(15,000)</u>
	<u>£ 142,000</u>	<u>£ 115,000</u>
	=====	=====

WESTMINSTER HEALTH CARE LIMITEDNOTES (continued)7 FIXED TANGIBLE ASSETS

	<u>Land and buildings</u> £	<u>Assets in course of construction</u> £	<u>Fixtures and fittings</u> £	<u>Motor vehicles</u> £	<u>Total</u> £
<u>Cost:</u>					
At 1 June 1988	8,202,103	1,896,909	895,611	77,093	11,071,716
Additions	1,446,855	6,268,188	417,517	82,254	8,214,814
Disposals	(710,663)	(86)	(64,285)	(8,240)	(783,274)
Transfers	<u>4,533,815</u>	<u>(5,170,901)</u>	<u>631,242</u>	<u>5,808</u>	<u>-</u>
At 31 May 1989	<u>13,472,146</u>	<u>2,994,110</u>	<u>1,880,085</u>	<u>156,915</u>	<u>18,503,256</u>
<u>Depreciation:</u>					
At 1 June 1988	165,164	-	104,922	24,812	294,898
Charge for the year	151,201	-	118,617	23,067	292,885
Disposals	<u>(21,934)</u>	<u>-</u>	<u>(13,673)</u>	<u>(4,744)</u>	<u>(40,351)</u>
At 31 May 1989	<u>294,431</u>	<u>-</u>	<u>209,866</u>	<u>43,135</u>	<u>547,432</u>
<u>Net book value:</u>					
At 31 May 1989	<u>13,177,715</u>	<u>2,994,110</u>	<u>1,670,219</u>	<u>113,780</u>	<u>17,955,824</u>
At 31 May 1988	<u>£ 8,036,939</u>	<u>£ 1,896,909</u>	<u>£ 790,689</u>	<u>£ 52,281</u>	<u>£ 10,776,818</u>

Interest capitalised in fixed assets above is £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 a period of 50 years.

8 FIXED ASSET INVESTMENT

	<u>Subsidiary company - unlisted</u>
<u>Share at cost</u>	
At 1 June 1988 and 31 May 1989	<u>£ 2</u>

Details of the company's subsidiary are as follows:

<u>Name</u>	<u>Country of Registration</u>	<u>Principal Activity</u>	<u>Class and percentage of shares held</u>
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.

NOTES (continued)

9 STOCKS

	<u>1989</u>	<u>1988</u>
Consumable supplies	£ 30,285 =====	£ 32,910 =====

10 DEBTORS

	<u>Due within one year</u>	
	<u>1989</u>	<u>1988</u>
	£	£
Trade debtors	379,972	329,773
Other debtors	635,000	-
Prepayments and accrued income	<u>107,618</u>	<u>46,205</u>
	£ 1,122,590 =====	£ 375,978 =====

11 CREDITORS: Amounts falling due within one year

	<u>1989</u>	<u>1988</u>
	£	£
Bank overdraft	135,660	57,973
Trade creditors	267,711	286,085
Amounts owed to group companies:		
Holding company	-	378
Other creditors including taxation and social security	96,142	40,409
Creditor for home acquisition	230,000	-
Accruals and deferred income	548,407	262,938
Accrued construction costs	<u>1,004,895</u>	<u>-</u>
	£ 2,282,815 =====	£ 647,783 =====

WESTMINSTER HEALTH CARE LIMITEDNOTES (continued)

12 CREDITORS: Amounts falling due after more than one year

	<u>1989</u> £	<u>1988</u> £
Unsecured loan stock	-	1,000,000
Bank loan	12,900,000	3,367,875
Amounts owed to group companies:		
Holding company	2,400,000	4,640,000
Creditor for home acquisition	-	230,000
Refundable deposits	<u>20,087</u>	<u>32,500</u>
	£ 15,320,087 =====	£ 9,270,375 =====

All amounts are repayable within five years.

13 CALLED UP SHARE CAPITAL

	<u>Authorised, allotted, called up and fully paid £1 shares</u> <u>Number</u>	
At 1 June 1987 and 31 May 1988	1,000,000 =====	£ 1,000,000 =====

14 COMMITMENTS

	<u>1989</u>	<u>1988</u>
Capital commitments are:		
Contracted for but not provided	£ 1,899,690 =====	£ 1,959,346 =====
Authorised but not contracted for	£ 900,000 =====	£ 5,325,490 =====

Operating Leases

Commitments in respect of operating lease obligations are as follows:

<u>Expiring within:</u>	<u>1989</u> £
One year	4,500
Two to five years	9,900
After five years	<u>39,500</u>
	£ 53,900 =====

15 HOLDING COMPANY

The ultimate holding company is National Medical Enterprises Inc., incorporated in the State of Nevada, USA.