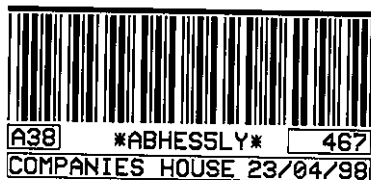


Eskgrove Healthcare Limited

Directors' report and financial statements

31 December 1997

Registered number 2006031



Directors' report and financial statements

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Directors' report

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

Principal activities

The company did not trade in the year. In the previous year the principal activity of the company was the ownership and management of nursing and care homes.

Business review

The company did not trade in the year.

Directors and directors' interests

The directors who held office during the year were as follows:

D Brosnan
O McGartoll
M Parsons
D Duncan


None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

The directors' interests in the shares of the parent company are detailed in the directors' report of that company.

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG will therefore continue in office.

By order of the board


Owen McGartoll
Secretary

Suite 201
The Chambers
Chelsea Harbour
London
SW10 0XF

16 March 1998

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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Report of the auditors to the members of Eskgrove Healthcare Limited

We have audited the financial statements on pages 4 to 10.

Respective responsibilities of directors and auditors

As described on page 2 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 as at 31 December 1997 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

16 March 1998

Profit and loss account
for the year ended 31 December 1997

	<i>Note</i>	1997 £000	1996 £000
Turnover	2	-	6,413
Cost of services		-	(4,576)
		<hr/>	<hr/>
Gross profit		-	1,837
Administrative expenses		-	(1,471)
		<hr/>	<hr/>
Operating profit	3	-	366
Interest payable and similar charges	6	-	(415)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		-	(49)
Taxation	7	-	-
		<hr/>	<hr/>
Retained loss for the financial year		-	(49)
		<hr/> <hr/>	<hr/> <hr/>


A statement of movement on reserves is given in note 14.

There were no recognised gains or losses other than the profit for the year.

Balance sheet
at 31 December 1997

	Note	1997	1996
		£000	£000
Fixed assets			
Investments	8	2,829	2,829
Current assets			
Debtors: due after one year	9	1,306	11,494
Creditors: amounts falling due within one year	10	-	(363)
Net current assets		1,306	11,131
Total assets less current liabilities		4,135	13,960
Creditors: amounts falling due after more than one year	11	(10,428)	(20,253)
Net liabilities		(6,293)	(6,293)
Capital and reserves			
Called up share capital	12	10	10
Profit and loss account	14	(6,303)	(6,303)
Shareholders' funds		(6,293)	(6,293)

These financial statements were approved by the board of directors on 16 March 1998 and were signed on its behalf by:


Owen McGartoll
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost accounting rules.

The company is exempt from the requirement of Financial Reporting Standard No. 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Barchester Healthcare PLC, and its cash flows are included within the consolidated cash flow statement of that company.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

2 Turnover

Turnover in the previous year related to the income received from residents of the company's nursing and care homes.

3 Operating profit

	1997 £000	1996 £000
Operating profit is stated after charging:		
Auditors' remuneration:		
Audit	-	20
Depreciation of tangible fixed assets	-	188

4 Remuneration of directors

	1997 £000	1996 £000
Directors' emoluments:	-	110
	<u> </u>	<u> </u>

Notes (continued)

5 Staff numbers and costs

	Number of employees	
	1997	1996
Average number of persons employed by the company (including directors) during the year	4	782

The aggregate payroll costs of these persons were as follows:

	1997 £000	1996 £000
Wages and salaries	-	3,588
Social security costs	-	237
Other pension costs	-	9
	-	3,834

6 Interest payable and similar charges

	1997 £000	1996 £000
On bank loans and overdrafts	-	668
Less: interest capitalised in developments	-	(256)
	-	412
Finance charges payable in respect of finance leases and hire purchase contracts	-	3
	-	415

7 Taxation

There is no charge for corporation tax.

Notes (continued)

8 Fixed asset investments

	Shares in subsidiary undertaking £000
<i>Cost</i>	
At 31 December 1996 and 31 December 1997	2,829
	<u><u> </u></u>

The company owns 100% of the ordinary share capital of Barchester Healthcare (Hull) Limited, a company registered in England, which is non-trading.

The company is exempt from the requirement to prepare group accounts.

9 Debtors

	1997 £000	1996 £000
Due after one year		
Amounts owed by group undertakings	4,135	11,494
	<u><u> </u></u>	<u><u> </u></u>

10 Creditors: amounts falling due within one year

	1997 £000	1996 £000
Accruals and deferred income	-	363
	<u><u> </u></u>	<u><u> </u></u>

Notes (continued)

11 Creditors: amounts falling due after more than one year

	1997 £000	1996 £000
<i>Instalments payable in second to fifth year:</i>		
Bank loans	-	8,200
	-	8,200
<i>Instalments payable after five years:</i>		
Bank loans	-	1,625
Amounts owed to parent and fellow subsidiary undertakings	10,428	10,428
	10,428	20,253

The amounts owed to the parent and fellow subsidiary undertakings are interest free.

12 Called up share capital

	1997 £000	1996 £000
<i>Authorised</i>		
10,000 ordinary shares of £1 each	10	10
<i>Allotted, called up and fully paid</i>		
10,000 ordinary shares of £1 each	10	10

13 Reconciliation of movement in shareholders' funds

	1997 £000	1996 £000
Shareholders' funds at beginning of period	(6,293)	(6,244)
Retained loss for the financial year	-	(49)
Shareholders' funds at end of period	(6,293)	(6,293)

Notes *(continued)*

14 Reserves

	Profit and loss account £000
At 31 December 1996 and 31 December 1997	(6,303)

15 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a wholly owned subsidiary undertaking of Barchester Healthcare PLC, a company incorporated in Great Britain and registered in England.

The largest group in which the results of the company are consolidated is that headed by Barchester Healthcare PLC. The consolidated accounts of Barchester Healthcare PLC are available to the public and may be obtained from:

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