

09-05-97

Eskgrove Healthcare Limited

Directors' report and financial statements

for the year ended 31 December 1996

Registered number 2006031



Eskgrove Healthcare Limited

Directors' report and financial statements

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Eskgrove Healthcare Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 1996.

Principal activities

The principal activity of the company during the year was the ownership and management of nursing and care homes.

Business review and dividends

On 1 December 1996 the net assets and business of the company, apart from the investment and the bank loans, were transferred to Barchester Healthcare Homes Limited (formerly Statusterm Enterprises Limited), the immediate parent company. Following the year end the bank loans were repaid and renegotiated in Barchester Healthcare Homes Limited.

The directors are satisfied with the result for the year which is shown in the profit and loss account on page 5. The directors do not recommend the payment of a dividend for the year.

Directors and directors' interests

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

D Brosnan
K Lomas (resigned 7 August 1996)
O McGartoll
M Parsons
D Duncan (appointed 16 July 1996)

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.

Employees

The directors recognise the importance of human resources. Practices to provide good communications and relations with employees included providing employees with information on matters of concern to them as employees.

During the year the company continued to give full and fair consideration to applications from disabled persons. If an employee became disabled the company endeavoured to continue his employment if this was practical.


Eskgrove Healthcare Limited

Directors' report *(continued)*

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 McGarroll
Secretary

Suite 201
The Chambers
Chelsea Harbour
London
SW10 OXF

12 March 1997

Eskgrove Healthcare Limited

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 which 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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Exeter
EX1 1UG

Report of the auditors to the members of Eskgrove Healthcare Limited

We have audited the financial statements on pages 5 to 15.

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 as at 31 December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

12 March 1997

Eskgrove Healthcare Limited

Profit and loss account
for the year ended 31 December 1996

	Note	1996 £000	1995 £000
Turnover			
Cost of services	2	6,413 (4,576)	6,190 (4,190)
Gross profit			
Administrative expenses		1,837 (1,471)	2,000 (1,533)
Operating profit	3	366	467
Interest payable and similar charges	6	(415)	(347)
(Loss)/profit on ordinary activities before taxation		(49)	120
Taxation	7	-	(10)
Retained (loss)/profit for the financial year		(49)	110

A statement of movement on reserves is given in note 16.

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

Eskgrove Healthcare Limited

Balance sheet
at 31 December 1996

	Note	1996		1995	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		-		19,994
Investments	9		2,829		2,829
			<u>2,829</u>		<u>22,823</u>
Current assets					
Stocks	10	-		23	
Debtors: due within one year		-		566	
Debtors: due after one year	11	11,494		-	
Cash at bank and in hand		-		1,426	
		<u>11,494</u>		<u>2,015</u>	
Creditors: amounts falling due within one year	12	(363)		(4,191)	
Net current liabilities			<u>11,131</u>		<u>(2,176)</u>
Total assets less current liabilities			13,960		20,647
Creditors: amounts falling due after more than one year	13		(20,253)		(26,891)
Net liabilities			<u>(6,293)</u>		<u>(6,244)</u>
Capital and reserves					
Called up share capital	14		10		10
Profit and loss account	16		(6,303)		(6,254)
Shareholders' funds			<u>(6,293)</u>		<u>(6,244)</u>

These financial statements were approved by the board of directors on 12 March 1997 and were signed on its behalf by:


Owen McGarroll
Director

Eskgrove Healthcare Limited

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 in accordance with applicable accounting standards and under the historical cost accounting rules except for the revaluation of certain fixed assets.

The financial statements have been prepared on a going concern basis as the ultimate parent company has confirmed it will continue to provide financial support.

The company is exempt by virtue of section 228 of the Companies Act 1985 from the obligation to prepare group accounts and to deliver them to the Registrar of Companies. The results of the company are included in the consolidated accounts of Barchester Healthcare PLC, a company registered in England and Wales.

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.

Fixed assets and depreciation

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

Fixtures and fittings	-	10 years
Motor vehicles	-	4 years

No depreciation is provided on freehold buildings. It is the company's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time, and accordingly the directors consider that the lives of these assets are so long and the residual values based on prices prevailing at the time of acquisition or subsequent valuation are such that their depreciation is insignificant. Any permanent diminution in the value of such properties is charged to the profit and loss account as appropriate.

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. Such interest is capitalised only up until the date of opening of the relevant home. The rate of interest used is the average cost of funds during the period.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Eskgrove Healthcare Limited

Notes (continued)

1 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value.

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 relates to the income received from residents of the company's nursing and care homes.

3 Operating profit

	1996 £000	1995 £000
Operating profit is stated after charging:		
Auditors' remuneration:		
Audit	20	17
Other services	-	11
Depreciation of tangible fixed assets	188	160

4 Remuneration of directors

	1996 £000	1995 £000
Directors' emoluments:		
As directors	110	105
Compensation for loss of office as a director	-	25
	<u>110</u>	<u>130</u>

The emoluments, excluding pension contributions, of the chairman were £nil (1995:£nil) and the highest paid director were £59,048 (1995:£52,221).

Eskgrove Healthcare Limited

Notes (continued)

4 Remuneration of directors (continued)

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

		Number of directors	
		1996	1995
£ 0	- £ 5,000	2	3
£20,001	- £25,000	1	-
£25,001	- £30,000	1	-
£30,001	- £35,000	-	1
£50,001	- £55,000	-	1
£60,001	- £65,000	1	-

5 Staff numbers and costs

	Number of employees	
	1996	1995
Average number of persons employed by the company (including directors) during the year.	782	750

The aggregate payroll costs of these persons were as follows:

	1996 £000	1995 £000
Wages and salaries	3,588	3,665
Social security costs	237	224
Other pension costs	9	20
	<u>3,834</u>	<u>3,909</u>

Eskgrove Healthcare Limited

Notes (continued)

6 Interest payable and similar charges

	1996 £000	1995 £000
On bank loans and overdrafts	668	579
Less: interest capitalised in developments	(256)	(237)
	<u>412</u>	<u>342</u>
Finance charges payable in respect of finance leases and hire purchase contracts	3	5
	<u>415</u>	<u>347</u>

7 Taxation

	1996 £000	1995 £000
UK corporation tax:		
Adjustment for an earlier period	-	10
	<u>-</u>	<u>10</u>

There is no charge for corporation tax due to the availability of unutilised trading losses from previous years.

Eskgrove Healthcare Limited

Notes (continued)

8 Tangible fixed assets

	Freehold land and buildings £000	Plant £000	Total £000
<i>Cost or valuation</i>			
31 December 1995	18,683	3,225	21,908
Additions	3,400	828	4,228
Disposals	-	(65)	(65)
Intra group transfer	(22,083)	(3,988)	(26,071)
At 31 December 1996	-	-	-
<i>Depreciation</i>			
31 December 1995	-	1,914	1,914
Charge for year	-	188	188
Disposals	-	(24)	(24)
Intra group transfer	-	(2,078)	(2,078)
At 31 December 1996	-	-	-
<i>Net book value</i>			
At 31 December 1996	-	-	-
At 31 December 1995	15,578	1,311	19,994

Included in freehold land and buildings is land for development and assets in the course of construction amounting to £nil (1995:£3,105,000).

Interest capitalised and included in the cost of freehold land and buildings and assets in course of construction, amounts to £nil (1995:£705,199).

Included in the total net book value of motor plant is £nil (1995:£44,244) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation charged on these assets in the year was £nil (1995:£19,015).

Eskgrove Healthcare Limited

Notes (continued)

9 Fixed asset investments

	Shares in subsidiary undertaking £000
<i>Cost</i>	
At 31 December 1995 and 31 December 1996	<u>2,829</u>

The company owns 100% of the ordinary share capital of Barchester Healthcare (Hull) Limited, a dormant company incorporated in England.

Group accounts have not been prepared as the company is exempt by virtue of section 228 of the Companies Act 1985 from the obligation to prepare group accounts and to deliver them to the Registrar of Companies.

10 Stocks

	1996 £000	1995 £000
Raw materials and consumables	<u>-</u>	<u>23</u>

11 Debtors

	1996 £000	1995 £000
Due within one year		
Trade debtors	-	350
Amounts owed by group undertakings	-	29
Prepayments and accrued income	-	136
Other debtors	<u>-</u>	<u>51</u>
	-	566
Due after one year		
Amounts owed by group undertakings	<u>11,494</u>	<u>-</u>
	<u>11,494</u>	<u>566</u>

Eskgrove Healthcare Limited

Notes (continued)

12 Creditors: amounts falling due within one year

	1996		1995	
	£000	£000	£000	£000
Bank loans and overdraft (see note 13)		300		341
Obligations under finance leases and hire purchase contracts		-		16
Trade creditors		-		313
Amounts owed to group undertakings		-		2,880
Other creditors including taxation and social security:				
Taxation and social security	-		176	
Other creditors	-		86	
		-		262
Accruals and deferred income		63		379
		363		4,191

13 Creditors: amounts falling due after more than one year

	1996		1995	
	£000	£000	£000	£000
<i>Instalments payable in second to fifth year:</i>				
Bank loans		8,200		5,084
Obligations under finance leases and hire purchase contracts		-		17
		8,200		5,101
<i>Instalments payable after five years:</i>				
Bank loans		1,625		3,805
Amounts owed to parent and fellow subsidiary undertakings		10,428		17,985
		20,253		26,891

Eskgrove Healthcare Limited

Notes (continued)

13 Creditors: amounts falling due after more than one year (continued)

The bank loans are secured by way of a fixed and floating charge over the assets of the company and interest on them is paid in the range of 6.98 % per annum to 1.75 % over LIBOR per annum.

The bank loans are included above at their set repayment dates. However, following the year end the loans were repaid and renegotiated in Barchester Healthcare Homes Limited, the immediate parent company.

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

14 Called up share capital

	1996 £000	1995 £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

15 Reconciliation of movement in shareholders' funds

	1996 £000	1995 £000
Shareholders' funds at beginning of period	(6,244)	(6,354)
Retained (loss)/profit for the financial year	(49)	110
Shareholders' funds at end of period	(6,293)	(6,244)

Eskgrove Healthcare Limited

Notes (continued)

16 Reserves

	Profit and loss account £000
At 31 December 1995	(6,254)
Retained (loss) for the financial year	(49)
	<hr/>
At 31 December 1996	(6,303)
	<hr/>

17 Commitments

- i) Capital commitments contracted at the end of the financial year for which no provision has been made amount to nil (1995:£2,821,000).
- ii) Annual commitments under non-cancellable operating leases are as follows:

	Fixtures, fittings, plant and equipment	
	1996	1995
	£000	£000
Operating leases which expire:		
In the second to fifth years inclusive	-	14
	<hr/>	<hr/>

18 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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The Chambers
Chelsea Harbour
London
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