

# **Eskgrove Healthcare Limited**

**Directors' report and financial statements**

**for the year ended 30 April 1993**

**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 30 April 1993.

### Principal activities

The principal activity of the company consists of the ownership and management of nursing homes.

### Business review

In October 1991, a refinancing arrangement was entered into with the Royal Bank of Scotland plc, thus securing the long term viability of the company. The interest rate on the loan was fixed at 13% p.a., in times of high prevailing interest rates. The company has not benefited therefore from subsequent lower interest rates, following the change in economic policy after sterling came out of the ERM; neither has it been able to increase fees at the level needed to cover the interest charges. Considerable time has been spent by management investigating alternative methods of refinancing arrangements with the Royal Bank of Scotland plc, so that the long term profitability of the company can be improved, and this is still continuing.

The introduction of the Health Service and Community Care Act 1990 in April 1993 resulted in a slow down in admissions, and occupancy has fallen slightly as a result. However, this is considered to be temporary, until cases are processed by the local authorities. Fee income has risen despite this small decrease in occupancy levels.

At head office, computerised systems have been successfully introduced together with budgetary control and improved monthly management accounting information.

### Proposed dividend and transfer to reserves

The loss for the year attributable to shareholders, mainly due to the write down in valuation of the properties, amounts to £3,807,427 (1992:£1,341,555) and is dealt with as shown in the profit and loss account on page 5. The directors do not recommend the payment of a dividend.

### Significant changes in fixed assets

There have been no significant additions or disposals of fixed assets. In January 1993 the properties and fixtures and fittings were revalued, resulting in a write down in the value of those fixed assets, which was considered to be permanent.

### Directors and directors' interests

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

IG Moore  
J McLeod

# Eskgrove Healthcare Limited

## Directors' report (continued)

### Directors and directors' interests (continued)

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company, as recorded in the register of directors' share and debenture interests:

	Interest at end of year	Interest at beginning of year
JG Moore	5,000	5,000
J McLeod	5,000	5,000

### Employees

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

The company continues to give full and fair consideration to applications from disabled persons. If an employee becomes disabled the company endeavours to continue his employment if this is practical and in appropriate cases training is given.

### 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 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
- 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 keeping 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Eskgrove Healthcare Limited

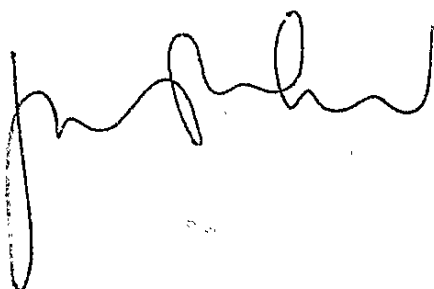
## Directors' report *(continued)*

### Auditors

In accordance with Section 383 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

**J McLeod**  
*Director*



Byecross House  
Georgeham  
Nr Branton  
North Devon

28 July 1993

## Report of the auditors to the members of Eskgrove Healthcare Limited

We have audited the financial statements on pages 5 to 17.

### *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 of 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 30 April 1993 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG** Peat Marwick

4 August 1993

Chartered Accountants  
Registered Auditors

# Eskgrove Healthcare Limited

Profit and loss account  
for the year ended 30 April 1993

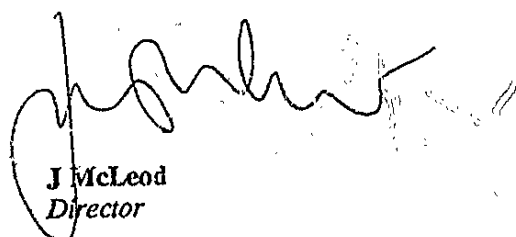
	Note	Year ended 30 April 1993 £	Thirteen months ended 30 April 1992 £
Turnover	2	4,145,449	4,036,152
Operating costs		(3,188,620)	(3,388,776)
Operating profit		956,829	647,376
Interest payable and similar charges	7	(1,582,556)	(1,545,010)
Loss on ordinary activities before exceptional items	3	(625,727)	(897,634)
Exceptional items	4	(3,181,700)	(293,921)
Loss on ordinary activities before and after taxation	5-6	(3,807,427)	(1,191,555)
Extraordinary item	9	-	(150,000)
Retained loss for the financial year	17	(3,807,427)	(1,341,555)

# Eskgrove Healthcare Limited

Balance sheet  
at 30 April 1993

	Note	30 April 1993	30 April 1992
		£	£
<b>Fixed assets</b>			
Tangible assets	10	7,463,272	10,697,286
<b>Current assets</b>			
Stocks	11	16,460	26,334
Debtors	12	205,965	240,396
Cash at bank and in hand		464	342
		<u>222,889</u>	<u>267,072</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(2,686,278)</u>	<u>(2,132,414)</u>
<b>Net current liabilities</b>		<u>(2,463,389)</u>	<u>(1,865,342)</u>
<b>Total assets less current liabilities</b>		<u>4,999,883</u>	<u>8,831,944</u>
<b>Creditors: amounts falling due after more than one year</b>	14	<u>(11,532,851)</u>	<u>(11,557,485)</u>
<b>Net liabilities</b>		<u>(6,532,968)</u>	<u>(2,725,541)</u>
<b>Capital and reserves</b>			
Called up share capital	16	10,000	10,000
Capital reserves	17	664,855	1,106,456
Profit and loss account	17	<u>(7,207,823)</u>	<u>(3,841,997)</u>
		<u>(6,532,968)</u>	<u>(2,725,541)</u>

These financial statements were approved by the board of directors on 28 July 1993 and were signed on its behalf by:

  
J McLeod  
Director



# Eskgrove Healthcare Limited

## Cash flow statement for the year ended 30 April 1993

	Note	30 April 1993 £	30 April 1992 £
Net cash inflow/(outflow) from operating activities	20	899,205	(75,815)
Return on investments and servicing of finance			
Interest paid		(843,520)	(707,663)
Interest element of finance lease rental payments		(10,609)	(18,410)
Net cash outflow from returns on investment and servicing of finance		(854,129)	(726,073)
Investing activities			
Purchase of tangible fixed assets		(31,990)	(130,764)
Reduction in cost of freehold land and buildings		-	391,547
Receipts from sales of tangible fixed assets		58	20,750
Receipts from sales of investment in subsidiary undertakings		-	1
Net cash (outflow)/inflow from investing activities		(31,932)	281,534
Net cash inflow/(outflow) before financing		13,144	(520,354)
Financing			
Increase in long term loans		-	(500,000)
Capital element of finance lease rental payments		35,789	12,519
Net cash outflow/(inflow) from financing	21	35,789	(487,481)
Decrease in cash and cash equivalents	22	(22,645)	(32,873)
		13,144	(520,354)

# 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 that freehold property has not been depreciated.

#### *Fixed assets and depreciation*

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

Fixtures and fittings	-	10% of net book value
Motor vehicles	-	25% of net book value

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 think 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.

#### *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.

#### *Capitalisation of interest*

The cost of financing property developments prior to the date of their opening is included in the cost of the project capitalised. For this purpose, the interest rate applied to funds provided for property development is arrived at by reference to the actual rate payable on borrowings for development purposes. All other costs of operating and commissioning are written off as incurred.

#### *Stocks*

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

# Eskgrove Healthcare Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### 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 homes.

### 3 Loss on ordinary activities before exceptional items

	30 April 1993	30 April 1992
	£	£
<i>Loss on ordinary activities before exceptional items is stated after charging:</i>		
Auditors' remuneration:		
Audit	12,000	10,000
Other services	56,875	46,146
Depreciation of tangible fixed assets	163,756	202,435
Hire of plant and machinery - rentals payable under operating leases	2,477	2,477

### 4 Exceptional items

	30 April 1993	30 April 1992
	£	£
Amounts written off fixed assets (see note 10)	(3,102,190)	-
Provision for Lanescene debt (see note 15)	(9,530)	(160,181)
Restructuring costs	(69,980)	(133,740)
	<u>(3,181,700)</u>	<u>(293,921)</u>

# Eskgrove Healthcare Limited

## Notes (continued)

### 5 Remuneration of directors

	30 April 1993	30 April 1992
	£	£
Directors' emoluments:		
As directors	<u>70,500</u>	<u>65,830</u>

The emoluments, excluding pension contributions, of the chairman were £30,800 (£34,565) and the highest paid director were £39,700 (1992:£26,770).

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

		Number of directors	
		30 April 1993	30 April 1992
£0 - £ 5,000		-	1
£25,001 - £30,000		-	1
£30,001 - £35,000		1	1
£35,001 - £40,000		1	-

### 6 Staff numbers and costs

	Number of employees	
	30 April 1993	30 April 1992
Average number of persons employed by the company (including directors) during the year.	<u>390</u>	<u>373</u>

# Eskgrove Healthcare Limited

## Notes (continued)

### 6 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	30 April 1993 £	30 April 1992 £
Wages and salaries	2,076,427	2,131,972
Social security costs	154,611	155,518
	<u>2,231,038</u>	<u>2,287,490</u>

### 7 Interest payable and similar charges

	30 April 1993 £	30 April 1992 £
On bank loans, overdrafts and other loans wholly repayable within five years	204,353	137,394
On all other loans	1,367,594	1,389,206
Finance charges payable in respect of finance leases and hire purchase contracts	10,609	18,410
	<u>1,582,556</u>	<u>1,545,010</u>

### 8 Taxation

The company has incurred further trading losses during the year so that trading losses carried forward at 30 April 1993 amount to approximately £3,926,000.

### 9 Extraordinary items

	30 April 1993 £	30 April 1992 £
Compensation payments to release guarantees held by Barclays Bank	-	150,000

# Eskgrove Healthcare Limited

## Notes (continued)

### 10 Tangible fixed assets

	Freehold land and buildings £	Motor vehicles £	Fixtures, fittings, plant and equipment £	Total £
<b>Cost</b>				
At 1 May 1992	8,985,341	142,211	2,359,779	11,487,331
Additions	-	6,805	25,185	31,990
Disposals	-	-	(58)	(58)
At 30 April 1993	8,985,341	149,016	2,384,906	11,519,263
<b>Depreciation</b>				
At 1 May 1992	-	49,589	740,456	790,045
Charge for year	-	23,396	140,360	163,756
Provisions for diminution in value	2,375,336	-	726,854	3,102,190
At 30 April 1993	2,375,336	72,985	1,607,670	4,055,991
<b>Net book value</b>				
At 30 April 1993	6,610,005	76,031	777,236	7,463,272
At 30 April 1992	8,985,341	92,622	1,619,323	10,697,286

The freehold land and buildings, and certain fixtures and fittings, were valued by Christie & Co in January 1993 on an open market basis. This resulted in a write down of £3,102,190 which has been treated as an exceptional item (see note 4).

Interest capitalised, included in cost, amounts to £467,747 (1992:£467,747).

Included in the total net book value of motor vehicles is £64,045 (1992:£74,410) and of fixtures, fittings, plant and equipment £68,963 (1992:£76,626) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £24,833 (1992:£42,248).

# Eskgrove Healthcare Limited

## Notes (continued)

### 11 Stocks

	30 April 1993 £	30 April 1992 £
Raw materials and consumables	<u>16,460</u>	<u>26,334</u>

In the opinion of the directors, there is no material difference between the replacement cost of stocks and their balance sheet amounts.

### 12 Debtors

	30 April 1993 £	30 April 1992 £
Trade debtors	195,171	227,140
Prepayments and accrued income	<u>10,794</u>	<u>13,256</u>
	<u>205,965</u>	<u>240,396</u>

All debtors fall due within one year.

Included in prepayments is an amount of £1,100 (1992: £Nil), relating to PAYE paid by the company on behalf of John McLeod, a director, which is the maximum amount in the year and which has been repaid since the year end; there is no interest due.

# Eskgrove Healthcare Limited

## Notes (continued)

### 13 Creditors: amounts falling due within one year

	30 April 1993	30 April 1992
	£	£
Bank loans and overdrafts (see note 14)	607,816	585,049
Obligations under finance leases and hire purchase contracts	32,197	43,352
Trade creditors	95,669	33,860
Other creditors including taxation and social security:		
Taxation and social security	43,724	37,629
Other creditors	64,402	204,425
	<u>108,126</u>	<u>242,054</u>
Accruals and deferred income	1,842,470	1,228,099
	<u>2,686,278</u>	<u>2,132,414</u>

Accruals and deferred income include £1,603,416 (1992:£872,989) rolled up interest on the loans with the Royal Bank of Scotland plc.

### 14 Creditors: amounts falling due after more than one year

	30 April 1993	30 April 1992
	£	£
<b>Instalments payable in second to fifth year:</b>		
Bank loans	1,000,000	500,000
Obligations under finance leases and hire purchase contracts	32,851	57,485
	<u>1,032,851</u>	<u>557,485</u>
<b>Instalments payable after five years:</b>		
Bank loans	10,500,000	11,000,000
	<u>11,532,851</u>	<u>11,557,485</u>

The bank loans and overdraft are secured by way of a fixed and floating charge over the assets of the company and by mortgages over the freehold property.



# Eskgrove Healthcare Limited

## Notes (continued)

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

Interest is payable on the loan at a rate between 10.625% and 13% until 31 March 1996 at which date the rates will be reviewed.

### 15 Directors' transactions

During the period to 30 April 1992, the company entered into transactions with Lanscene Limited, a company controlled by John Moore, who is a director of Eskgrove Healthcare Limited, and full provision was made for the loss of £160,181 which arose. Additional costs of £9,530 have been incurred this year and disclosed as exceptional (see note 4). The directors do not foresee any further liabilities being incurred.

### 16 Called up share capital

	30 April 1993 £	30 April 1992 £
<i>Authorised</i>		
Ordinary shares of £1 each	10,000	10,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	10,000	10,000

### 17 Reserves

	Capital reserve £	Profit and loss £
At 1 May 1992	1,106,456	(3,841,997)
Transfer from profit and loss account	-	(3,807,427)
Transfer from capital reserve	(441,601)	441,601
At 30 April 1993	664,855	(7,207,823)

The capital reserve represents the excess of the net book value of net assets transferred, excluding any goodwill, over the nominal value of shares issued to JG and EE Moore at 1 January 1988 on incorporation of their former partnership trade. The transfer from the capital reserve relates to the reduction in value of Tyspane, the nursing home transferred on incorporation.

### 18 Contingent liabilities

The company has entered into a section 52 bond with Taunton Deane Borough Council in respect of repairs to be made to property comprising part of the Nursing Home premises in Taunton. The bond reflects a potential liability of £175,000. Following recent negotiations, Taunton Deane Borough Council require the work to commence in the early part of 1993/4 and to be completed within a reasonable timescale yet to be determined.

# Eskgrove Healthcare Limited

## Notes (continued)

### 19 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	Fixtures, fittings, plant and equipment	
	30 April 1993	30 April 1992
	£	£
Operating leases which expire: In the second to fifth years inclusive	<u>2,477</u>	<u>2,477</u>

### 20 Reconciliation of operating profit to net cash inflow/[outflow] from operating activities

	30 April 1993	30 April 1992
	£	£
Operating profit	956,829	647,376
Exceptional items (excluding write down in fixed assets)	(79,510)	(293,921)
Depreciation charge	163,756	202,435
(Profit)/loss on sale of:		
- tangible fixed assets	-	(6,041)
- investment in subsidiary undertaking	-	999
Extraordinary item	-	(150,000)
Decrease in stocks	9,874	1,792
Decrease in debtors	34,431	56,469
Decrease in creditors	(186,175)	(534,924)
Net cash inflow/(outflow) from operating activities	<u>899,205</u>	<u>(75,815)</u>

# Eskgrove Healthcare Limited

## Notes (continued)

### 21 Analysis of changes in financing during the year

	Share capital £	Loans and finance lease obligations £
Balance at 1 May 1992	10,000	11,600,837
Cash outflow from financing	-	(35,789)
Balance at 30 April 1993	<u>10,000</u>	<u>11,565,048</u>

### 22 Analysis of changes in cash and cash equivalents

	30 April 1993 £	30 April 1992 £	Change in year £
Cash at bank and in hand	464	342	122
Bank overdraft	(607,816)	(585,049)	(22,767)
	<u>(607,352)</u>	<u>(584,707)</u>	<u>(22,645)</u>