

Ferguson Care Limited

Report for the period ended 31 December 1997

	Pages
Directors and advisers	1
Directors' report	2 - 3
Report of the auditors	4
Profit and loss account	5
Statement of recognised gains and losses	6
Note of historical cost profits and losses	6
Balance sheet	7
Notes to the financial statements	8 - 17



Directors and advisers

Executive directors

J B McAllister
M A Stratford

Registered auditors

Coopers & Lybrand
Temple Court
35 Bull Street
Birmingham
B4 6JT

Non-executive directors

E J McKinley
J S Young

Solicitors

Simon Bishop & Partners
"Hillcairn"
St Andrew's Road
Droitwich
Hereford & Worcester
WR9 8DJ

Secretary and registered office

S J Bishop
"Hillcairn"
St Andrew's Road
Droitwich
Hereford & Worcester
WR9 8DJ

Bankers

National Westminster Bank plc
Cheltenham & Gloucester
Business Centre
68-70 Suffolk Road
Cheltenham
Gloucestershire
GL50 2ED

**Directors' report
for the period ended 31 December 1997**

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

Principal activity

The principal activity of the company continues to be the operation of residential homes.

Parent company

The company is a wholly owned subsidiary of Craegmoor Healthcare Company Limited. The company was acquired on 16 September 1996 by Craegmoor Healthcare Company Limited and changed its year end to 31 December in line with that company.

Review of business

Both the level of business and the period end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend for the 67 weeks ended 31 December 1997 (72 weeks ended 16 September 1996: £Nil), and recommend that the profit for the period ended 31 December 1997 of £559,028 (period ended 16 September 1996: £480,491) be transferred to reserves.

Directors

The directors of the company at 31 December 1997 are listed on page 1. The following directors were appointed or resigned during the period:

	Appointment Date	Resignation Date
J B McAllister	15.10.96	-
M A Stratford	15.10.96	
J S Young	15.10.96	
E J McKinley	15.10.96	
R L Hayfield		7.11.96

Directors' report for the period ended 31 December 1997

Directors' interests

All of the directors are directors of the immediate parent company, Craegmoor Healthcare Company Limited, and their share interests are shown in the directors' report of that company.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 31 December 1997. The directors also confirm that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 9 to the financial statements. The directors consider there to be no significant difference between the market value of the company's freehold land and buildings and their book value.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board



S J Bishop
Company Secretary
30 April 1998

**Report of the auditors to the members of
Ferguson Care Limited**

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

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.

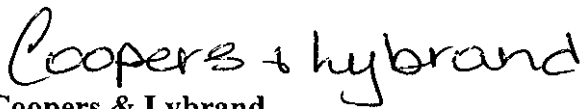
Basis of opinion

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 at 31 December 1997 and of its profit and total recognised gains for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Coopers & Lybrand
Chartered Accountants & Registered Auditors
Birmingham
30 April 1998

**Profit and loss account
for the period ended 31 December 1997**

	Notes	67 weeks ended 31 December 1997 £	72 weeks ended 16 September 1996 £
Turnover - continuing operations	2	3,031,485	3,189,612
Cost of sales - continuing operations		(1,673,933)	(1,768,712)
		<hr/>	<hr/>
Gross profit - continuing operations		1,357,552	1,420,900
Other operating income		-	2,220
Administrative expenses - continuing operations		(490,452)	(695,816)
		<hr/>	<hr/>
Operating profit - continuing operations		867,100	727,304
Interest receivable and similar income	5	1,612	2,670
Interest payable and similar costs	6	(1,880)	(39,861)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	7	866,832	690,113
Tax on profit on ordinary activities	8	(307,804)	(209,622)
		<hr/>	<hr/>
Retained profit for the period	16	559,028	480,491
		<hr/>	<hr/>

The comparatives have been reclassified to conform with the presentation adopted in the current year, which the Directors consider to be more meaningful.

Statement of total recognised gains and losses

	Notes	67 weeks ended 31 December 1997 £	72 weeks ended 16 September 1996 £
Profit for the financial period	16	559,028	480,491
Unrealised surplus on revaluation of freehold land and buildings	16	1,261,092	-
		<hr/>	<hr/>
Total gains and losses recognised since last annual report		1,820,120	480,491
		<hr/>	<hr/>

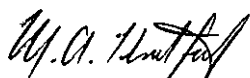
Note of historical cost profits and losses

	£	£
Reported profits on ordinary activities before taxation	866,832	690,113
Difference between historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount.	29,248	-
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	896,080	690,113
	<hr/>	<hr/>
Historical cost profit for the period after taxation	588,276	480,491
	<hr/>	<hr/>

Balance sheet at 31 December 1997

	Notes	31 December 1997	16 September 1996
		£	£
Fixed assets			
Tangible assets	9	4,023,943	2,753,984
Current assets			
Stocks	10	8,000	8,000
Debtors	11	813,871	152,461
Cash at bank and in hand		22,228	46,933
		<hr/>	<hr/>
		844,099	207,394
Creditors: amounts falling due within one year	12	(449,693)	(1,287,822)
		<hr/>	<hr/>
Net current assets/(liabilities)		394,406	(1,080,428)
		<hr/>	<hr/>
Total assets less current liabilities		4,418,349	1,673,556
Creditors: amounts falling due after more than one year	13	(925,000)	(327)
		<hr/>	<hr/>
Net assets		3,493,349	1,673,229
		<hr/>	<hr/>
Capital and Reserves			
Called up share capital	15	100	100
Revaluation reserve	16	1,261,092	-
Profit and loss account	16	2,232,157	1,673,129
		<hr/>	<hr/>
Equity shareholders' funds	17	3,493,349	1,673,229
		<hr/>	<hr/>

The financial statements on pages 5 to 17 were approved by the board of directors on 30 April 1998 and were signed on its behalf by:



M A Stratford
Director

**Notes to the financial statements
for the period ended 31 December 1997****1. Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The comparatives have been restated in order that they are in line with group treatment. A summary of the more important accounting policies, which have been applied consistently, except as indicated, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Land and buildings are stated at valuations made by directors based on valuations made by independent professionally qualified valuers on an existing use open market value basis. Land and buildings are revalued by professionally qualified valuers every five years and in the intervening years these valuations are updated by the directors with the assistance of independent professional advice as required.

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets less their estimated residual values, on the following basis:

Freehold Property	2% on a straight line basis
Fixtures and Fittings	15% on a reducing balance basis
Motor Vehicles	25% on a straight line basis.

In previous years the company applied an effective rate of nil depreciation to its freehold buildings on the basis that these properties were being maintained to a high standard and that therefore any resulting depreciation would be immaterial. This practice was in line with that adopted widely in the sector. With effect from 16 September 1996, the directors have decided to change the depreciation rate on freehold buildings to 2% to accord with what has now become best practice in the sector.

Under UK Generally Accepted Accounting Principles this does not represent a change in accounting policy and, accordingly, the comparative figures have not been restated. The effect of this change is to reduce the reported profits for the year by £83,600.

The company changed the rate of depreciation for furniture and fittings from 15% straight line to 15% reducing balance. In the directors' opinion this rate of depreciation more accurately reflects the remaining useful lives of these assets. The effect of this change on the reported profits for the year is considered to be immaterial.

1 Principal accounting policies (continued)

Stocks

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

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability will crystallise.

Cash flow statement

The company is a wholly owned subsidiary of Craegmoor Healthcare Company Limited and its cash flows are included in the consolidated group cash flow statement of the parent company. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

2 Turnover

Turnover which excludes value added tax consists entirely of fee income charged for the year in the United Kingdom.

3 Directors' emoluments

Directors' emoluments for the period ended 31 December 1997 were £Nil (72 weeks ended 16 September 1996: £206,575; highest paid director: £206,575).

4 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

	67 weeks ended 31 December 1997	72 weeks ended 16 September 1996
	Number	Number
Nursing, ancillary and administrative staff	130	132
	<u> </u>	<u> </u>
	£	£
Staff costs (for the above persons)		
Wages and salaries	1,371,229	1,544,345
Social security costs	83,916	112,294
	<u> </u>	<u> </u>
	1,455,145	1,656,639
	<u> </u>	<u> </u>

5 Interest receivable and similar income

	67 weeks ended 31 December 1997	72 weeks ended 16 September 1996
	£	£
Bank interest received	1,612	2,670
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	67 weeks ended 31 December 1997 £	72 weeks ended 16 September 1996 £
On bank overdraft payable on demand	329	
Interest on corporation tax payment	1,551	
On bank overdraft repayable within 5 years, not by instalments	-	245
Bank loan partly repayable in more than five years	-	38,147
Finance charges - finance leases and hire purchase contracts	-	1,469
	<u>1,880</u>	<u>39,861</u>

7 Profit on ordinary activities before taxation

	67 weeks ended 31 December 1997 £	72 weeks ended 16 September 1996 £
Profit on ordinary activities before taxation is stated after		
Depreciation charge for the year:		
Tangible owned fixed assets	98,139	35,689
Loss on disposal of tangible fixed assets	(3,150)	24,908
Auditors' remuneration for:		
Audit	4,000	13,513
	<u>98,989</u>	<u>74,110</u>

8 Tax on profit on ordinary activities

	67 weeks ended 31 December 1997 £	72 weeks ended 16 September 1996 £
United Kingdom corporation tax at 31.5% (1996: 25%):		
Current	295,804	209,622
Deferred	-	-
Under provision in respect of prior years	12,000	-
	<hr/>	<hr/>
	307,804	209,622
	<hr/>	<hr/>

9 Tangible fixed assets

	Freehold land and buildings	Furniture and fittings	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 16 September 1996	2,716,703	128,285	36,752	2,881,740
Additions	-	49,202	64,054	113,256
Disposals	-	-	(13,850)	(13,850)
Revaluations	1,261,092	-	-	1,261,092
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	3,977,795	177,487	86,956	4,242,238
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 16 September 1996	-	101,304	26,452	127,756
Charge for period	83,600	11,574	2,965	98,139
Disposals	-	-	(7,600)	(7,600)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	83,600	112,878	21,817	218,295
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 1997	3,894,195	64,609	65,139	4,023,943
	<hr/>	<hr/>	<hr/>	<hr/>
 At 16 September 1996	 2,716,703	 26,981	 10,300	 2,753,984
	<hr/>	<hr/>	<hr/>	<hr/>
	£	£	£	£
Cost or valuation at 31 December 1997				
Valuation in period	3,977,795	-	-	3,977,795
Cost	-	214,240	57,804	272,044
	<hr/>	<hr/>	<hr/>	<hr/>
	3,977,795	214,240	57,804	4,249,839
	<hr/>	<hr/>	<hr/>	<hr/>

The land and buildings were re-valued independently on 16 September 1996 using an open market value for existing use basis. This valuation was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors in the United Kingdom by Matthews & Goodman, a firm of independent chartered surveyors.

9 Tangible fixed assets (continued)

If freehold land and buildings had not been revalued they would have been included at the following amounts:

	Freehold land and buildings 31 December 1997 £
Cost	2,716,703
Aggregate depreciation based on cost	(48,900)
	<hr/>
Net book value based on cost	2,667,803
	<hr/> <hr/>

10 Stock

	31 December 1997 £	16 September 1996 £
Consumables	8,000	8,000
	<hr/>	<hr/>

11 Debtors

	31 December 1997 £	16 September 1996 £
Amounts falling due within one year		
Trade debtors	261,825	128,312
Amounts owed by immediate parent company	546,596	-
Prepayments and accrued income	5,450	24,149
	<hr/>	<hr/>
	813,871	152,461
	<hr/> <hr/>	<hr/> <hr/>

12 Creditors: amounts falling due within one year

	31 December 1997	16 September 1996
	£	£
Bank overdraft	29,418	-
Trade creditors	29,981	25,542
Corporation tax	307,804	209,622
Taxation and social security costs	3,103	18,243
Accruals and deferred income	26,252	111,821
Directors loan account	-	888,421
Other creditors	53,135	34,173
	<u>449,693</u>	<u>1,287,822</u>

13 Creditors: amounts falling due after more than one year

	31 December 1997	16 September 1996
	£	£
Amounts owed to immediate parent company	925,000	-
Other creditors	-	327
	<u>925,000</u>	<u>327</u>

Amounts owed to the immediate parent company comprise an interest free loan. There are no defined repayment terms but the immediate parent company has confirmed to the directors of the company that it will not seek any repayments of this loan within the next 12 months.

14 Deferred taxation

Deferred taxation provided in the financial statements and the amount unprovided of the total potential liability, are as follows:

	Amount provided		Amount unprovided	
	31 December 1997	16 September 1996	31 December 1997	16 September 1996
	£	£	£	£
Tax effect of timing differences because of:				
Excess capital allowances over depreciation	-	-	6,608	-
Revaluation surplus	-	-	390,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	396,608	-
	<hr/>	<hr/>	<hr/>	<hr/>

15 Called up share capital

	31 December 1997	16 September 1996
	£	£
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

16 Reserves

	Revaluation reserve £	Profit and loss account £
At 16 September 1996	-	1,673,129
Retained profit for the period	-	559,028
Surplus on property revaluations	1,261,092	-
	<hr/>	<hr/>
At 31 December 1997	1,261,092	2,232,157
	<hr/>	<hr/>

17 Reconciliation of movement in shareholders' funds

	31 December 1997	16 September 1996
	£	£
Opening shareholders' funds	1,673,229	1,192,738
Profit for the financial period	559,028	480,491
Dividends	-	-
	<hr/>	<hr/>
	2,232,257	1,673,229
Other recognised gains relating to the period	1,261,092	-
	<hr/>	<hr/>
Closing shareholders' funds	3,493,349	1,673,229
	<hr/>	<hr/>

18 Capital commitments

There were no capital commitments at 31 December 1997 (1996: £Nil).

19 Contingent liability

There is a fixed and floating charge over the property, undertaking and assets of the company in respect of a loan from Craegmoor Finance PLC to Parkcare Homes Limited under the Parkcare/Issuer Loan Agreement dated 20 December 1996. Craegmoor Finance PLC and Parkcare Homes Limited are fellow subsidiaries of the company.

20 Related party transactions

The company has taken advantage of the exemption granted under Paragraph 3(c) of FRS8 and not disclosed any transactions with group companies.

21 Immediate and ultimate parent companies

The directors regard Craegmoor Healthcare Company Limited, a company registered in England and Wales, as the immediate parent company. Copies of the immediate parent company's consolidated financial statements may be obtained from The Secretary, Craegmoor Healthcare Company Limited, "Hillcairnie", St Andrew's Road, Droitwich, Hereford and Worcester WR9 8DJ. The directors regard Warburg Pincus LP, a limited partnership incorporated in the United States of America, as the ultimate parent company. Copies of the ultimate parent company's financial statements are not available to the public.