Registered Number: 2582268

Ferguson Care Limited

Annual Report

for the year ended 31 December 1998

Ferguson Care Limited

Report for the year ended 31 December 1998

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Ferguson Care Limited

Directors and advisers

Executive directors

J B McAllister (resigned 31 March 1999)
M A Stratford
G Blackoe (appointed 31 March 1999)

Registered auditors

PricewaterhouseCoopers
Temple Court
35 Bull Street
Birmingham
B4 6JT

Non-executive directors

E J McKinley
J S Young

Solicitors

Simon Bishop & Partners
"Hillcairnie"
St Andrew's Road
Droitwich
Worcestershire
WR9 8DJ

Secretary and registered office

S J Bishop
"Hillcairnie"
St Andrew's Road
Droitwich
Worcestershire
WR9 8DJ

Bankers

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

Directors' report
for the year ended 31 December 1998

The directors present their report and the audited financial statements for the year ended 31 December 1998.

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 year 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 year ended 31 December 1998 (67 weeks ended 31 December 1997: £Nil), and recommend that the profit for the year ended 31 December 1998 of £368,054 (67 weeks ended 31 December 1997: £559,028) be transferred to reserves.

Directors

The directors of the company at 31 December 1998 are listed on page 1.

Directors' interests

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

Directors' report for the year ended 31 December 1998 (continued)

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 year ended 31 December 1998. 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.

Year 2000

Many computer systems express dates using only the last two digits to indicate the year. Such systems require testing and may require modification to ensure that they produce valid data in the year 2000 and beyond.

The company's principal computer applications software is year 2000 ready. Other programs that may require testing and possibly replacing will be upgraded during the course of 1999.

The directors are aware that the risks related to the year 2000 issue are not only internal but that disruption may be caused by the failure of its customers and suppliers systems. There is therefore a risk associated with the failure of other parties to remedy their own year 2000 issues.

The company commenced auditing its systems including equipment which may have embedded computer chips during the year. The company has designated a number of employees to this project which report to the group's executive committee which has ultimate responsibility for this exercise.

The total cost to complete upgrades and modifications to the company's systems and hardware is not considered material and since the company only uses packaged software it does not anticipate significant charges to the profit and loss account during 1999. Any replacement computer hardware will be capitalised and amortised in line with the company's standard depreciation policy.

Directors' report
for the year ended 31 December 1998 (continued)

Introduction of the Euro

The company neither imports goods and services nor exports goods and services to the Euro zone.

The company has confirmed that software upgrades are available for its packaged accounting system to cater for the Euro which can be installed if confirmation of entry is announced.

New computer hardware purchased from 1 January 1999 will be validated to ensure that it is Euro compliant and that the appropriate currency symbol is available.

Upon announcement that the country is to enter the Euro system, the company will form an appropriate project team to deal with this matter.

Auditors

Our auditors, Coopers & Lybrand, merged with Price Watehouse on 1 July 1998 following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers will be proposed at the annual general meeting.

By order of the board

S J Bishop

S J Bishop
Company Secretary
14 May 1999

Report of the auditors to the members of Ferguson Care Limited

We have audited the financial statements on pages 6 to 18 which have been prepared under the historical cost convention modified by revaluations of certain fixed assets and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you, if in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants & Registered Auditors
Birmingham
14 May 1999

Ferguson Care Limited

Profit and loss account
for the year ended 31 December 1998

	Notes	52 weeks ended 31 December 1998	67 weeks ended 31 December 1997
		£	£
Turnover - continuing operations	2	**2,262,093**	3,031,485
Cost of sales - continuing operations		**(1,259,451)**	(1,673,933)
Gross profit - continuing operations		**1,002,642**	1,357,552
Administrative expenses - continuing operations		**(450,793)**	(490,452)
Operating profit - continuing operations		**551,849**	867,100
Interest receivable and similar income	5	**617**	1,612
Interest payable and similar charges	6	**(1,392)**	(1,880)
Profit on ordinary activities before taxation	7	**551,074**	866,832
Tax on profit on ordinary activities	8	**(183,020)**	(307,804)
Retained profit for the period	16	**368,054**	559,028

Ferguson Care Limited

Statement of total recognised gains and losses

	Notes	52 weeks ended 31 December 1998 £	67 weeks ended 31 December 1997 £
Profit for the financial year		**368,054**	559,028
Unrealised surplus on revaluation of freehold land and buildings	16	**14,362**	1,261,092
Total gains and losses recognised since last annual report		**382,416**	1,820,120

Note of historical cost profits and losses

	£	£
Reported profits on ordinary activities before taxation	**551,074**	866,832
Difference between historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount.	**21,204**	29,248
Historical cost profit on ordinary activities before taxation	**572,278**	896,080
Historical cost profit for the year after taxation	**389,258**	588,276

Ferguson Care Limited

Balance sheet at 31 December 1998

	Notes	1998	1,997
		£	£
Fixed assets			
Tangible assets	9	**4,068,606**	4,023,943
Current assets			
Stocks	10	**8,000**	8,000
Debtors	11	**1,243,447**	813,871
Cash at bank and in hand		**12,258**	22,228
		1,263,705	844,099
Creditors: amounts falling due within one year within one year	12	**(523,664)**	(449,693)
Net current assets		**740,041**	394,406
Total assets less current liabilities		**4,808,647**	4,418,349
Creditors: amounts falling due after more than one year	13	**(932,882)**	(925,000)
Net assets		**3,875,765**	3,493,349
Capital and Reserves			
Called up share capital	15	**100**	100
Revaluation reserve	16	**1,275,454**	1,261,092
Profit and loss account	16	**2,600,211**	2,232,157
Equity shareholders' funds	17	**3,875,765**	3,493,349

The financial statements on pages 6 to 18 were approved by the board of directors on 14 May 1999 and were signed on its behalf by:

M.A. Stratford

M A Stratford
Director

Notes to the financial statements for the year ended 31 December 1998

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, 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 Land	Nil
Freehold Buildings	2% on a straight line basis
Frxtures and Fittings	15% on a reducing balance basis
Motor Vehicles	25% on a straight line basis.

Provision is made for any impairment in the year which it arises.

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 (Revised) from publishing a cash flow statement.

Notes to the financial statements for the year ended 31 December 1998 (continued)

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 1998 were £Nil (67 weeks ended 31 December 1997: £Nil).

4 Employee information

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

	52 weeks ended 31 December 1998	67 weeks ended 31 December 1997
	Number	Number
Nursing, ancillary and administrative staff		
Full time	**87**	88
Part time	**43**	40
	£	£
Staff costs (for the above persons)		
Wages and salaries	**1,061,905**	1,371,229
Social security costs	**69,130**	83,916
	1,131,035	1,455,145

The comparative numbers of staff employed have been restated to comply with the current year basis and classification, which the directors consider to be more meaningful.

Notes to the financial statements for the year ended 31 December 1998 (continued)

5 Interest receivable and similar income

	52 weeks ended 31 December 1998	67 weeks ended 31 December 1997
	£	£
Bank interest received	617	1,612

6 Interest payable and similar charges

	52 weeks ended 31 December 1998	67 weeks ended 31 December 1997
	£	£
On bank overdraft payable on demand	-	329
Interest on corporation tax payment	1,392	1,551
	1,392	1,880

7 Profit on ordinary activities before taxation

	52 weeks ended 31 December 1998	67 weeks ended 31 December 1997
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	95,052	98,139
Loss on disposal of tangible fixed assets	-	(3,150)
Auditors' remuneration for:		
Audit	8,509	4,000
Other services	-	-

Notes to the financial statements for the year ended 31 December 1998 (continued)

8 Tax on profit on ordinary activities

	52 weeks ended 31 December 1998	67 weeks ended 31 December 1997
	£	£
United Kingdom corporation tax at 31% (1997: 31.5%):		
Current	188,849	295,804
Group relief	161,461	-
(Over)/under provision in respect of prior years	(167,290)	12,000
	183,020	307,804

Notes to the financial statements for the year ended 31 December 1998 (continued)

9 Tangible fixed assets

	Freehold land and buildings	Furniture and fittings	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 31 December 1997	3,977,795	177,487	86,956	4,242,238
Revaluations	(69,238)	-	-	(69,238)
Additions	29,620	95,733	-	125,353
At 31 December 1998	**3,938,177**	**273,220**	**86,956**	**4,298,353**
Depreciation				
At 31 December 1997	83,600	112,878	21,817	218,295
Revaluations	(83,600)	-	-	(83,600)
Charge for period	70,104	11,232	13,716	95,052
At 31 December 1998	**70,104**	**124,110**	**35,533**	**229,747**
Net book value				
At 31 December 1998	**3,868,073**	**149,110**	**51,423**	**4,068,606**
At 31 December 1997	3,894,195	64,609	65,139	4,023,943

Cost or valuation at 31 December 1998

	£	£	£	£
Valuation in 1998	3,908,557	-	-	3,908,557
Cost	29,620	273,220	86,956	389,796
	3,938,177	273,220	86,956	4,298,353

Notes to the financial statements for the year ended 31 December 1998 (continued)

9 Tangible fixed assets (continued)

The land and buildings were re-valued independently on 16 September 1996 using an open market value for existing use basis. This valuation was reassessed by the directors during the year as a result of changes in market conditions. It is the opinion of the directors that the revised valuation more accurately reflects the value of the land and buildings.

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

	Freehold land and buildings	
	1998	1997
	£	£
Cost	**2,746,323**	2,716,703
Aggregate depreciation based on cost	**(97,800)**	(48,900)
Net book value based on cost	**2,648,523**	2,667,803

10 Stocks

	1998	**1997**
	£	**£**
Consumables	**8,000**	8,000

Notes to the financial statements for the year ended 31 December 1998 (continued)

11 Debtors

	1998	1997
	£	£
Amounts falling due within one year		
Trade debtors	**97,118**	261,825
Amounts owed by immediate parent company	**1,138,809**	546,596
Prepayments and accrued income	**7,520**	5,450
	1,243,447	813,871

12 Creditors: amounts falling due within one year

	1998	1997
	£	£
Bank overdraft	-	29,418
Trade creditors	**18,307**	29,981
Corporation tax	**406,299**	307,804
Taxation and social security costs	**4,403**	3,103
Accruals and deferred income	**32,067**	26,252
Other creditors	**62,588**	53,135
	523,664	449,693

13 Creditors: amounts falling due after more than one year

	1998	1997
	£	£
Amounts owed to immediate parent company	932,882	925,000

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 Provisions for liabilities and charges

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

	Amount provided		Amount unprovided	
	1998	1997	1998	1997
	£	£	£	£
Tax effect of timing differences because of:				
Excess capital allowances over depreciation	-	-	15,883	6,608
Revaluation surplus	-	-	377,419	390,000
	-	-	393,302	396,608

Ferguson Care Limited

Notes to the financial statements for the year ended 31 December 1998 (continued)

15 Called up share capital

	1998	1997
	£	£
Authorised		
1,000 ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid		
100 ordinary shares of £1 each	**100**	**100**

16 Reserves

	Revaluation reserve	Profit and loss account
	£	£
At 1 January 1998	1,261,092	2,232,157
Retained profit for the year	-	368,054
Surplus on property revaluations (note 9)	14,362	-
At 31 December 1998	**1,275,454**	**2,600,211**

17 Reconciliation of movement in shareholders' funds

	1998	1997
	£	£
Profit for the financial year	**368,054**	559,028
Other recognised gains relating to the year	**14,362**	1,261,092
Total additions to shareholders' funds	**382,416**	1,820,120
Opening shareholders' funds	**3,493,349**	1,673,229
Closing shareholders' funds	**3,875,765**	3,493,349

Notes to the financial statements for the period ended 31 December 1998 (continued)

18 Capital commitments

There were no capital commitments at 31 December 1998 (1997: £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 of Ferguson Care Limited. 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, 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.