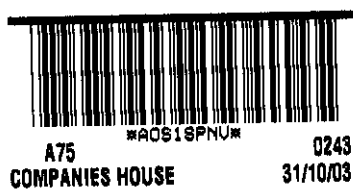


Speciality Care Limited

Annual report

for the year ended 31 December 2002

Registered number: 2787609



# **Speciality Care Limited**

## **Annual report for the year ended 31 December 2002**

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# **Speciality Care Limited**

## **Directors and advisors for the year ended 31 December 2002**

### **Executive directors**

M A Stratford  
C Artis

### **Secretary**

BLG (Professional Services) Limited  
Beaufort House  
15 St. Botolph Street  
London  
EC3A 7NS

### **Auditors**

PricewaterhouseCoopers LLP  
Temple Court  
35 Bull Street  
Birmingham  
B4 6JT

### **Solicitors**

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

### **Registered office**

"Hillcairn"  
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

# **Speciality Care Limited**

## **Directors' report for the year ended 31 December 2002**

The directors present their report and the audited financial statements for the year ended 31 December 2002.

### **Principal activities**

The principal activity of the company is that of an investment holding company.

### **Review of business and future developments**

Both the level of business and the year end position were satisfactory.

### **Results and dividends**

The directors do not recommend payment of a dividend. The result for the year is £nil (2001: loss £956,000).

### **Directors and their interests**

The directors who held office during the year are listed on page 1.

M A Stratford is a director of the ultimate parent company in the United Kingdom, Craegmoor Limited and his share interests are shown in the directors' report of that company.

C Artis held no interest in the share capital of Speciality Care Limited during the year ended 31 December 2002. C Artis held 5,000 shares in the ultimate parent company, Craegmoor Limited, as at 31 December 2002 (no shares held at 1 January 2002).

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

# **Speciality Care Limited**

## **Directors' report for the year ended 31 December 2002 (continued)**

### **Elective resolutions**

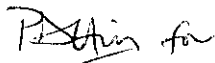
On 3 March 2003 the company elected, in accordance with sections 252 and 366A of the Companies Act UK 1985, to dispense with the need to lay accounts and reports before general meeting and to dispense with holding an annual general meeting.

### **Auditors**

Following the conversion of our auditors, PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 3 March 2003 and the directors appointed its successors, PricewaterhouseCoopers LLP, as auditors.

On 3 March 2003 the company elected, in accordance with section 386 of the Companies Act UK 1985, to dispense with the obligation to appoint auditors annually.

By order of the Board



BLG (Professional Services) Limited  
Company Secretary  
27 October 2003

## **Independent auditors' report to the members of Speciality Care Limited**

We have audited the financial statements on pages 5 to 12.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. 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.

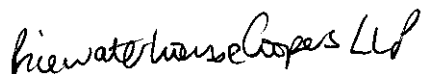
### **Basis of audit opinion**

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 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Birmingham  
27 October 2003

## Speciality Care Limited

### Profit and loss account for the year ended 31 December 2002

|   | Note | 2002<br>£'000 | 2001<br>£'000 |
|---|------|---------------|---------------|
| Cost of sales                               |      | -             | (956)         |
| Loss on ordinary activities before taxation | 4    | -             | (956)         |
| Tax on loss on ordinary activities          | 5    | -             | -             |
| Loss transferred from reserves              | 11   | -             | (956)         |

All activities relate to continuing operations.

There are no recognised gains or losses other than the losses above. Consequently, no statement of total recognised gains and losses has been prepared.

There is no difference between the loss on ordinary activities before taxation and the loss on ordinary activities after taxation stated above and their historical cost equivalent.

# Speciality Care Limited

## Balance sheet as at 31 December 2002

|  | Note | 2002<br>£'000 | 2001<br>£'000 |
|--|------|---------------|---------------|
| <b>Fixed assets</b>                            |      |               |               |
| Investments                                    | 6    | 3,560         | 3,560         |
| <b>Current assets</b>                          |      |               |               |
| Debtors: due within one year                   | 7    | 22,588        | 20,159        |
| Debtors: due after more than one year          | 7    | 5,187         | 5,187         |
|  |      | 27,775        | 25,346        |
| Creditors: amounts falling due within one year | 8    | (23,816)      | (21,387)      |
| <b>Net current assets</b>                      |      | 3,959         | 3,959         |
| <b>Total assets less current liabilities</b>   |      | 7,519         | 7,519         |
| <b>Net assets</b>                              |      | 7,519         | 7,519         |
| <b>Capital and reserves</b>                    |      |               |               |
| Called up share capital                        | 9    | 7,682         | 7,682         |
| Share premium account                          | 10   | 1,186         | 1,186         |
| Profit and loss account                        | 10   | (1,393)       | (1,393)       |
| Capital redemption reserve                     | 10   | 44            | 44            |
| <b>Total shareholders' funds</b>               | 11   | 7,519         | 7,519         |
| <b>Analysis of shareholders' funds</b>         |      |               |               |
| Equity   |      | 19            | 19            |
| Non equity                                     |      | 7,500         | 7,500         |
| <b>Total</b>                                   | 11   | 7,519         | 7,519         |

The financial statements on page 5 to 12 were approved by the board of directors on 27 October 2003 and signed on its behalf by:



M A Stratford  
Director



# **Speciality Care Limited**

## **Notes to the financial statements for the year ended 31 December 2002**

### **1 Principal accounting policies**

#### **Basis of accounting**

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. In accordance with the requirements of Financial Reporting Standard ("FRS") 18, "Accounting Policies" the directors have reviewed the accounting policies of the company to ensure that they remain the most appropriate to its particular circumstances. This review has not resulted in any changes to the accounting policies of the company. A summary of the more important accounting policies, which have been consistently applied and the impact of adopting a new accounting standard is set out below:

#### **Change in accounting policy**

The company has adopted FRS 19, "Deferred Tax" in the financial statements. The adoption of this new standard represents a change in accounting policy. However, there is no resulting prior year adjustment since no unprovided deferred tax existed at 31 December 2001.

FRS 19 requires full provision to be made for deferred tax assets and liabilities arising from timing differences.

Deferred taxation is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised are not discounted.

#### **Investments**

The carrying value of fixed asset investments is based on cost less provision for impairment.

#### **Cash flow statement**

The company is a wholly owned subsidiary of Craegmoor Limited, and the cash flows of the company are included in the consolidated group cash flow statement of that company. Consequently, the company is exempt under the terms of Financial Reporting Standard No. 1 (Revised) from publishing a cash flow statement.

#### **Consolidation**

The company has taken advantage of the exemption under section 228(i) of the Companies Act, not to prepare and file consolidated accounts. The results of the company are included within the group accounts of Craegmoor Limited its ultimate parent undertaking that is incorporated in the United Kingdom. In accordance with section 228(ii), the company will deliver to the registrar, copies of these group accounts.

### **2 Related party transactions**

The company has taken advantage of the exemption granted under paragraph 3 (c) of FRS 8 and not disclosed any transactions with other group companies.

# Speciality Care Limited

## Notes to the financial statements for the year ended 31 December 2002 (continued)

### 3 Staff costs and directors' emoluments

M A Stratford received no emoluments in respect of his services to the company for the year ended 31 December 2002 (2001: £nil). The emoluments of C Artis are paid by the intermediate parent company, Craegmoor Healthcare Company Limited. C Artis was a director of a number of fellow subsidiaries during the year ended 31 December 2002 and it is not possible to make an accurate apportionment of her emoluments in respect of each of the subsidiaries. Accordingly, no emoluments have been included above for C Artis.

The company has no employees other than the directors.

### 4 Loss on ordinary activities before taxation

|  | 2002  | 2001  |
|--|-------|-------|
|  | £'000 | £'000 |
| <b>Loss on ordinary activities before taxation is stated after charging:</b> |       |       |
| Provision for irrecoverable amounts owed by subsidiary undertakings          | -     | 956   |

The audit fee is borne by the immediate parent company.

### 5 Tax on loss on ordinary activities

The tax for the year differs from the standard rate of Corporation Tax in the UK (30%). The differences are explained below:

|   | 2002  | 2001  |
|---|-------|-------|
|   | £'000 | £'000 |
| <b>Loss on ordinary activities</b>  | -     | (956) |
| Loss on ordinary activity multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%) | -     | (287) |
| Effects of:   |       |       |
| Expenses not deductible for tax purposes  | -     | 287   |
| <b>Current tax charge</b>   | -     | -     |

# Speciality Care Limited

## Notes to the financial statements for the year ended 31 December 2002 (continued)

### 6 Fixed asset investments

|  | Other listed<br>investments<br>£'000 | Shares in<br>subsidiary<br>undertakings<br>£'000 | Total<br>£'000 |
|--|--------------------------------------|--|----------------|
| <b>Shares</b>                            |                                      |  |                |
| At 1 January 2002                        | 2                                    | 4,158  | 4,160          |
| <b>At 31 December 2002</b>               | <b>2</b>                             | <b>4,158</b>                                     | <b>4,160</b>   |
| <b>Provision for impairment in value</b> |                                      |  |                |
| At 1 January and 31 December 2002        | -                                    | 600  | 600            |
| <b>Net book value</b>                    |                                      |  |                |
| <b>At 31 December 2002</b>               | <b>2</b>                             | <b>3,558</b>                                     | <b>3,560</b>   |
| At 31 December 2001                      | 2                                    | 3,558  | 3,560          |

The company's interests in subsidiary undertakings are as follows:

| Name of undertaking  | Principal activity  | Class and percentage of<br>shares held                                 |
|--|---|--|
| Speciality Care (EMI) plc                                  | Provision of nursing and residential home facilities                                      | 10p ordinary shares – 100%<br>10p convertible preference shares – 100% |
| Innova Healthcare Limited                                  | Development of nursing home facilities  | £1 ordinary shares – 100%  |
| Irvine Care Limited  | Provision of nursing home facilities  | £1 ordinary shares – 100%  |
| Speciality Care (Cedar Grove) Limited                      | Non trading   | £1 ordinary shares – 100%  |
| Speciality Care (Addison Court) Limited                    | Provision of nursing home facilities  | £1 ordinary shares – 100%  |
| Speciality Care (Medicare) Limited                         | Investment holding company  | £1 ordinary shares – 100%  |
| Speciality Care (Rest Homes) Limited                       | Provision of nursing home facilities  | £1 ordinary shares – 100%  |
| Speciality Care (Reit Homes) Limited                       | Provision of nursing home facilities  | £1 ordinary shares – 100%  |
| Speciality Care (UK Lease Homes) Limited                   | Provision of nursing home facilities  | £1 ordinary shares – 100%  |
| Speciality Equestrian Centre Limited                       | Provision of an education and recreational equestrian centre                              | £1 ordinary shares – 100%  |
| Speciality Courses Offering Purposeful Education Limited # | Provision of residential care and specialist education for persons with a mental handicap | £1 ordinary shares – 100%  |

# Owned by Speciality Care (Medicare) Limited

All subsidiaries are registered in England and Wales.

Speciality Equestrian Centre Limited is a non profit making organisation and consequently cannot distribute its reserves.

## Speciality Care Limited

### Notes to the financial statements for the year ended 31 December 2002 (continued)

#### 7 Debtors

|   | 2002   | 2001   |
|---|--------|--------|
|   | £'000  | £'000  |
| <hr/>   |        |        |
| Amounts falling due within one year:          |        |        |
| Amounts owed by group undertakings            | 22,588 | 20,159 |
| Amounts falling due after more than one year: |        |        |
| Amounts owed by group undertakings            | 5,187  | 5,187  |
|   | 27,775 | 25,346 |
| <hr/>   |        |        |

Amounts falling due after more than one year includes £5,187,000 (2001: £5,187,000) due from Craegmoor Group Limited. The balance is deemed to bear interest at a margin of 1% above base rate.

#### 8 Creditors: amounts falling due within year

|                                    | 2002   | 2001   |
|------------------------------------|--------|--------|
|                                    | £'000  | £'000  |
| <hr/>                              |        |        |
| Amounts owed to group undertakings | 23,816 | 21,387 |
| <hr/>                              |        |        |

# Speciality Care Limited

## Notes to the financial statements for the year ended 31 December 2002 (continued)

### 9 Called up share capital

|  | 2002         | 2001         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| <b>Authorised</b>  |              |              |
| 3,058,782 ordinary shares of 10p each                                    | 306          | 306          |
| 7,500,000 cumulative redeemable convertible preference shares of £1 each | 7,500        | 7,500        |
| 441,218 deferred shares of 10p each                                      | 44           | 44           |
|  | <b>7,850</b> | <b>7,850</b> |
| <b>Allotted, called up and fully paid</b>                                |              |              |
| 1,818,180 ordinary shares of 10p each – equity                           | 182          | 182          |
| 7,500,000 cumulative preference convertible preference shares of £1 each | 7,500        | 7,500        |
|  | <b>7,682</b> | <b>7,682</b> |

The cumulative redeemable convertible preference shares were redeemable by the company on or before 1 July 2000 or as soon thereafter as the Company shall be able to comply with the provisions of the 1985 Companies Act affecting the redemption of redeemable shares. However, the Company has been unable to redeem the shares due to not having sufficient distributable reserves to do so and hence comply with the 1985 Companies Act.

The cumulative redeemable convertible preference shares were convertible into fully paid ordinary shares on the basis of one ordinary share for every £13.20 nominal value of convertible shares so converted. The right to convert ceased to be exercisable on 1 July 2000.

The cumulative redeemable convertible preference shares are entitled to a 6% dividend per annum with effect from 7 August 1995, although the right to receive these dividends has been waived by the shareholders of these shares.

The holders of the cumulative redeemable preference shares have confirmed that it is their intention not to take steps to require the Company to redeem such shares, if as a result, the Company would be unable to pay its debts as they fall due or if it did not have sufficient distributable reserves to do so.

The voting and dividends rights and rights in the event of the Company being wound up, attaching to each class of share are complex and vary depending upon future events. These are explained fully in the Articles of Association of the Company which can be obtained from Companies House.

# Speciality Care Limited

## Notes to the financial statements for the year ended 31 December 2002 (continued)

### 10 Reserves

|  | Capital<br>redemption<br>reserve | Share<br>premium<br>account | Profit<br>and loss<br>account |
|--|----------------------------------|-----------------------------|-------------------------------|
|  | £'000                            | £'000                       | £'000                         |
| At 1 January 2002 and 31 December 2002 | 44                               | 1,186                       | (1,393)                       |

### 11 Reconciliation of movements in shareholders' funds

|                                      | 2002   | 2002       | 2001   | 2001       |
|--------------------------------------|--------|------------|--------|------------|
|                                      | £'000  | £'000      | £'000  | £'000      |
|                                      | Equity | Non Equity | Equity | Non Equity |
| Loss for the financial year          | -      | -          | (956)  | -          |
| Net reduction in shareholders' funds | -      | -          | (956)  | -          |
| Opening equity shareholders' funds   | 19     | 7,500      | 975    | 7,500      |
| Closing equity shareholders' funds   | 19     | 7,500      | 19     | 7,500      |

### 12 Capital commitments and contingent liabilities

The company had no capital commitments or contingent liabilities at 31 December 2002 (2001: £nil).

### 13 Immediate and ultimate parent companies

The directors regard Craegmoor Group Limited, a company registered in England and Wales, as the immediate parent company of Speciality Care Limited, and Craegmoor Limited, a company registered in England and Wales, as the ultimate parent company in the United Kingdom of Speciality Care Limited. Copies of Craegmoor Limited's consolidated financial statements may be obtained from it's registered office, "Hillcairnie", St. Andrews Road, Droitwich, Worcestershire, WR9 8DJ.