

Health and Care Services (NW) Limited

Annual report

for the year ended 31 December 1999

Registered Number 2847005



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Health and Care Services (NW) Limited

Annual report for the year ended 31 December 1999

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Health and Care Services (NW) Limited

Directors and Advisors for the year ended 31 December 1999

Executive Directors

M A Stratford

J L Adams (resigned 18 February 1999)

C Artis (appointed 18 February 1999)

Secretary

BLG (Professional Services) Limited

Beaufort House,

15 St. Botolph Street

London

EC3A 7NS

Auditors

PricewaterhouseCoopers

Temple Court

35 Bull Street

Birmingham

B4 6JT

Solicitors

Simon Bishop & Partners

"Hillcairnie"

St. Andrew's Road

Droitwich

Worcestershire

WR9 8DJ

Registered Office

"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

Health and Care Services (NW) Limited

Directors' report for the year ended 31 December 1999

The directors present their report and the audited financial statements for the year ended 31 December 1999.

Principal activities

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

Review of business and future developments

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

Results and dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 1999 (1998:£nil). The profit for the year of £273,418 (1998: £301,794) will be transferred to reserves.

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 parent company Craegmoor Healthcare Company Limited and his share interests are shown in the directors' report of that company. No other director had any interests in the share capital of Health and Care Services (NW) Limited or Craegmoor Healthcare Company Limited.

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 principle computer applications software were year 2000 ready in 1999. Other programs that may have required testing and/or replacing were 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. No issues have arisen to date.

The company audited its systems including equipment which may have embedded computer chips during 1999, reporting to the group's executive committee which has ultimate responsibility for this exercise.

The total cost of upgrades and modifications to the company's systems and hardware was not material and since the company only uses packaged software there were no significant charges to the profit and loss account during 1999. Similarly, none are expected in 2000.

Changes in fixed assets

Movements in tangible fixed assets during the year are set out in note 9 to the financial statements.

Health and Care Services (NW) Limited

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 the 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 2000 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.

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. 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; and
- 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 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.

Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting

By order of the Board



BLG (Professional Services) Limited
Company Secretary
12 May 2000

Health and Care Services (NW) Limited

Auditors' report to the members of Health and Care Services (NW) Limited

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 United Kingdom 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 the 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 1999 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 and Registered Auditors
Birmingham
12 May 2000

Health and Care Services (NW) Limited

Profit and loss account for the year ended 31 December 1999

	Note	1999 £	1998 £
Turnover	2	1,211,046	1,186,154
Cost of sales		(656,749)	(608,389)
Gross profit		554,297	577,765
Administration expenses		(152,409)	(140,268)
Operating profit	7	401,888	437,497
Net interest	6	(3,470)	(473)
Profit on ordinary activities before taxation		398,418	437,024
Tax on profit on ordinary activities	8	(125,000)	(135,230)
Retained profit for the financial year	15	273,418	301,794

All activities relate to continuing operations.

Health and Care Services (NW) Limited

Statement of total recognised gains and losses

	1999	1998
For the year ended 31 December 1999	£	£
Profit attributable to shareholders	273,418	301,794
Unrealised surplus on revaluation of properties	1,750,000	-
Total recognised gains for the year	2,023,418	301,794

Health and Care Services (NW) Limited

Note of historical cost profit and losses

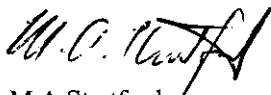
	1999	1998
For the year ended 31 December 1999	£	£
Reported profit on ordinary activities before taxation	398,418	437,024
Difference between historical cost depreciation and actual depreciation charge for the year calculated on the revalued amount	14,664	14,665
Historical cost profit on ordinary activities before taxation	413,082	451,689
Historical cost profit for the year retained after taxation	288,082	316,459

Health and Care Services (NW) Limited

Balance sheet as at 31 December 1999

	Note	1999 £	1998 £
Fixed Assets			
Tangible assets	9	3,393,011	1,680,597
Current assets			
Stock	10	500	500
Debtors	11	213,241	432,478
Cash at bank and in hand		3,286	-
		217,027	432,978
Creditors: amounts falling due within one year	12	(132,537)	(659,492)
Net current assets/(liabilities)		84,490	(226,514)
Total assets less current liabilities		3,477,501	1,454,083
Provisions for liabilities and charges	17	(34,000)	(34,000)
Net assets		3,443,501	1,420,083
Capital and reserves			
Called up share capital	17	1	1
Revaluation reserve	15	2,564,734	814,734
Profit and loss account	15	878,766	605,348
Total equity shareholders' funds		3,443,501	1,420,083

The financial statements on page 5 to 15 were approved by the board of directors and signed on its behalf by:



M A Stratford

Director

12 May 2000

Health and Care Services (NW) Limited

Notes to the financial statements for the year ended 31 December 1999

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 have been prepared on the historical cost basis of accounting modified by the revaluation of certain fixed assets.

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 independent 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 bases:

Long leasehold land and buildings – straight line basis	2%
Furniture, fittings, tools and equipment – reducing balance method	15%

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

Operating leases

Costs in respect of operating leases are charged as incurred.

Stocks

Stocks are stated at the 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 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.

2. Turnover

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

Health and Care Services (NW) Limited

3. 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.

4. Directors' emoluments

Directors' emoluments for the year ended 31 December 1999 were £Nil (1998: £Nil).

5. Employee information

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

Nursing, ancillary and administrative	1999	1998
Full time	58	42
Part time	29	13
	87	55

Staff costs (for the above persons)	1999	1998
	£	£
Wages and salaries	566,428	518,894
Social security costs	30,735	32,361
	597,163	551,255

6. Net interest

	1999	1998
	£	£
Interest payable on bank loans and overdrafts	(3,470)	(480)
Bank interest receivable	-	7
Net interest payable	(3,470)	(473)

Health and Care Services (NW) Limited

7. Operating profit

	1999	1998
	£	£
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets - owned assets	40,355	39,824
Hire of machinery, equipment and operating lease rentals	12,999	13,048
Auditors' fees – Audit	2,740	3,105
– Non audit services	400	-

8. Tax on profit on ordinary activities

	1999	1998
	£	£
Taxation on the profit for the year		
UK corporation tax at 30.25% (1998: 31%) – current	126,265	137,670
Deferred tax	-	-
Prior year adjustment for under/(over) provision	(1,265)	(2,440)
	125,000	135,230

Health and Care Services (NW) Limited

9. Tangible assets

	Long leasehold Land and buildings	Fixtures and Fittings	TOTAL
	£	£	£
Cost or valuation			
At 1 January 1999	1,663,946	164,027	1,827,973
Additions	-	2,769	2,769
Revaluations (see below)	1,702,805	-	1,702,805
At 31 December 1999	3,366,751	166,796	3,533,547
Accumulated Depreciation			
At 1 January 1999	47,195	100,181	147,376
Charge for the year	30,780	9,575	40,355
Revaluations (see below)	(47,195)	-	(47,195)
At 31 December 1999	30,780	109,756	140,536
Net book amount			
At 31 December 1999	3,335,971	57,040	3,393,011
At 31 December 1998	1,616,751	63,846	1,680,597

The carrying value of the freehold land and buildings was reassessed by the directors during the year, utilising independent professional advice based on the recoverable amount. This resulted in the recognition of an increase in the carrying value of £1,750,000 which has been credited to the revaluation reserve.

Cost or valuation at 31 December 1999 is represented by:	£	£	£
Valuation in 1999	3,366,751	-	3,366,751
Cost	-	166,796	166,796
At 31 December 1999	3,366,751	166,796	3,533,547

Health and Care Services (NW) Limited

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

	1999	1998
Cost	895,336	895,336
Aggregate depreciation based on cost	(93,129)	(77,013)
Net book value based on cost	802,207	818,323

10. Stocks

	1999	1998
	£	£
Consumables	500	500

11. Debtors

Amounts falling due within one year	1999	1998
	£	£
Amounts owed by group undertakings	120,103	343,703
Prepayments and accrued income	93,138	88,775
	213,241	432,478

12. Creditors – Amounts falling due within one year

	1999	1998
	£	£
Bank loans and overdrafts	-	3,293
Trade creditors	12,096	6,071
Amounts owed to group undertakings	-	331,771
Corporation tax	83,139	265,230
Other creditors	9,457	13,111
Accruals and deferred income	27,845	40,016
	132,537	659,492

Health and Care Services (NW) Limited

13. Provisions for liabilities and charges

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

	Amounts provided		Amounts unprovided	
	1999	1998	1999	1998
	£	£	£	£
Tax effect of timing differences because of:				
Excess capital allowances over depreciation	34,000	34,000	16,210	34,000
Chargeable gain revaluation	-	-	740,000	-
	34,000	34,000	756,210	34,000

14. Called up share capital

	1999	1998
	£	£
Authorised		
50,000 ordinary shares of £1 each	50,000	50,000
Allotted, called up and fully paid		
1 ordinary shares of £1 each	1	1

15. Reserves

	Profit and loss account	Revaluation reserve
	£'000	£'000
At 1 January 1999	605,348	814,734
Surplus on property revaluations	-	1,750,000
Retained profit for the financial year	273,418	-
At 31 December 1999	878,766	2,564,734

Health and Care Services (NW) Limited

16. Reconciliation of movement in shareholders' funds

	1999 £	1998 £
Profit attributable to shareholders	273,418	301,794
Other recognised gains relating to the year	1,750,000	-
Net addition to shareholders' funds	2,023,418	301,794
Opening equity shareholders' funds	1,420,083	1,118,289
Closing equity shareholders' funds	3,443,501	1,420,083

17. Capital commitments

The company has no capital commitments at 31 December 1999 (1998: £Nil).

18. Contingent liabilities

There is a fixed and floating charge over the property, undertakings 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.

19. Immediate and ultimate parent companies

The directors regard Craegmoor Health and Care Services (UK) Limited, a company registered in England and Wales, as the immediate parent company

The directors regard Craegmoor Healthcare Company Limited, a company registered in England and Wales, as the immediate parent company of Health and Care Services (UK) Limited. Copies of Craegmoor Healthcare Company Limited's consolidated financial statements may now be obtained from Craegmoor Healthcare Company Limited at its registered office, "Hillcairn", St. Andrew's Road, Droitwich, Worcester WR9 8DJ.

The directors regard Warburg Pincus LP, a company 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.