

Health and Care Services (NW) Limited
Annual report
for the year ended 31 December 2001

Registered no: 2847005



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Health and Care Services (NW) Limited

Annual report for the year ended 31 December 2001

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Health and Care Services (NW) Limited

Directors and Advisors for the year ended 31 December 2001

Executive Directors

M A Stratford

C Artis

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 2001

The directors present their report and the audited financial statements for the year ended 31 December 2001.

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 profit and loss account shows a loss for the year of £ 196,000 (2000 : £205,000). The directors paid interim dividends of £400,000 on 6 March 2001 and £150,000 on 6 April 2001 (2000: interim dividend of £500,000 paid on 13 September 2000). No final dividend has been proposed for the year ended 31 December 2001 (2000: £nil).

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. No other director had any interests in the share capital of Health and Care Services (NW) Limited or Craegmoor Limited.

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

Directors' report for the year ended 31 December 2001 (continued)

Statement of directors' responsibilities

At the end of each financial year the Directors are required by the Companies Act 1985 to prepare accounts which 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 year. In preparing the accounts for the year ended 31 December 2001, appropriate accounting policies, supported by reasonable and prudent judgements and estimates, have been consistently used and UK applicable accounting standards have been followed.

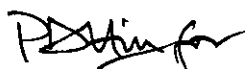
The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985. In addition, the Directors are responsible for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Company are properly safeguarded and to ensure that reasonable steps are taken to prevent or detect fraud and other irregularities.

The auditors' responsibilities in relation to the accounts are set out in their report on page 4.

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

21 August 2002

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' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards as issued by the Auditing Practices Board.

We report to you our opinion as to whether the accounts 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 accounts, 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 accounts.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham

21 August 2002

Health and Care Services (NW) Limited

Profit and loss account for the year ended 31 December 2001

	Note	2001 £'000	2000 £'000
Turnover	2	1,241	1,231
Cost of sales		(771)	(739)
Gross profit		470	492
Administrative expenses		(185)	(181)
Operating profit	6	285	311
Interest receivable and similar income	7	17	-
Profit on ordinary activities before taxation		302	311
Tax on profit on ordinary activities	8	(106)	(106)
Profit for the financial year		196	205
Dividends paid		(550)	(500)
Retained loss for the financial year	16	(354)	(295)

All activities relate to continuing operations.

The company has no recognised gains or losses other than those shown above and therefore no separate statement of recognised gains and losses has been prepared.

Health and Care Services (NW) Limited

Note of historical cost profit and losses

	2001	2000
For the year ended 31 December 2000	£'000	£'000
Reported profit on ordinary activities before taxation	302	311
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	45	46
Historical cost profit on ordinary activities before taxation	347	357
Historical cost loss for the year retained after taxation and dividends	(309)	(249)

Health and Care Services (NW) Limited

Balance sheet as at 31 December 2001

	Note	2001 £'000	2000 £'000
Fixed Assets			
Tangible assets	9	3,284	3,339
Current assets			
Stock	10	1	1
Debtors	11	226	435
Cash at bank and in hand		4	1
		231	437
Creditors: amounts falling due within one year	12	(676)	(583)
Net current liabilities		(445)	(146)
Total assets less current liabilities		2,839	3,193
Creditors: amounts falling due after more than one year	13	(10)	(10)
Provisions for liabilities and charges	14	(34)	(34)
Net assets		2,795	3,149
Capital and reserves			
Called up share capital	15	-	-
Revaluation reserve	16	2,565	2,565
Profit and loss account	16	230	584
Total equity shareholders' funds	17	2,795	3,149

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
 21 August 2002

Health and Care Services (NW) Limited

Notes to the financial statements for the year ended 31 December 2001

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, in accordance with applicable Accounting Standards in the United Kingdom. During the period, the Company has implemented Financial Reporting Standards ("FRS") 18, "Accounting Policies". Other than the item referred to below under the heading "Tangible fixed assets" this has not resulted in any change to the accounting policies of the company. A summary of the more important accounting policies, which have been consistently applied, is set out below:

Tangible fixed assets

The cost of fixed assets is their purchase cost, and any costs directly attributable to bringing them into working condition for their intended use. 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 of tangible fixed assets less their estimated residual values, on the following bases:

Long Leasehold land	- nil
Long Leasehold buildings	- 2% straight line
Equipment	- 10% to 25% straight line (previously 15% reducing balance)
Furniture and fittings	- 10% to 25% straight line (previously 15% reducing balance)
Motor vehicles	- 25% straight line
Computer equipment	- 25% straight line

The change in the basis for depreciating equipment, furniture and fittings did not have a material impact on the results for the year.

Provision is made for any impairment in the period in which it arises. The impairment is calculated by comparing the carrying value to the recoverable amount as required by FRS11, 'Impairment of fixed assets and goodwill'. The recoverable amount of land and buildings is taken to be the higher of realisable value and value in use. Value in use is determined by reference to the expected future cash flows of the care home, discounted at a risk adjusted weighted cost of capital.

Provisions for impairment in the carrying value of fixed assets to below historical cost are charged to the profit and loss account.

Stocks

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

Finance and operating leases

Costs in respect of operating leases are charged as incurred.

Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated

Health and Care Services (NW) Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

1. Principal accounting policies (continued)

as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms, generally 25 years and the useful lives of equivalent owned assets.

Deferred taxation

Deferred tax is provided using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise.

Pension costs

The company does not operate a pension scheme. Pension costs represent amounts paid to employees' private pension schemes.

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.

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 Limited and its cash flows 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.

2. Turnover

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

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 2001 were £Nil (2000: £Nil).

Health and Care Services (NW) Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

5. Employee information

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

Nursing, ancillary and administrative	2001	2000
	Number	Number
Full time	38	38
Part time	51	26
	89	64

Staff costs (for the above persons)	2001	2000
	£'000	£'000
Wages and salaries	626	529
Social security costs	37	33
	663	562

6. Operating profit

	2001	2000
	£'000	£'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets - owned assets	70	70
Hire of machinery and equipment	5	14
Auditors' remuneration - audit	3	3

7. Interest receivable and similar income

	2001	2000
	£'000	£'000
Interest received on overdue debts	17	-

Health and Care Services (NW) Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

8. Tax on profit on ordinary activities

	2001 £'000	2000 £'000
Taxation on the profit for the year		
UK corporation tax at 30% (2000:) – current	(106)	107
Prior year adjustment for over provision	-	(1)
	(106)	106

9. Tangible assets

	Long leasehold land and buildings £'000	Fixtures and Fittings £'000	TOTAL £'000
Cost or valuation			
At 1 January 2001	3,367	183	3,550
Additions	-	15	15
At 31 December 2001	3,367	198	3,565
Accumulated Depreciation			
At 1 January 2001	93	118	211
Charge for the year	61	9	70
At 31 December 2001	154	127	281
Net book amount			
At 31 December 2001	3,213	71	3,284
At 31 December 2000	3,274	65	3,339

Health and Care Services (NW) Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

9. Tangible assets (continued)

Cost or valuation at 31 December 2001 is represented by:	£'000	£'000	£'000
Valuation in 1999	3,367	-	3,367
Cost	-	198	198
At 31 December 2001	3,367	198	3,565

In accordance with the company's accounting policy, the land and buildings occupied by the company, were revalued during 1999, by independent external valuers, Matthews and Goodman, Chartered Surveyors and Valuers. This was on the basis of existing use value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

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

	2001	2000
	£'000	£'000
Cost	895	895
Aggregate depreciation based on cost	(125)	(109)
Net book value based on cost	770	786

10. Stocks

	2001	2000
	£'000	£'000
Consumables	1	1

11. Debtors

Amounts falling due within one year	2001	2000
	£'000	£'000
Trade debtors	-	404
Amounts owed by group undertakings	-	24
Corporation tax recoverable	118	4
Other debtors	3	3
Prepayments and accrued income	105	-
	226	435

Health and Care Services (NW) Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

12. Creditors – Amounts falling due within one year

	2001	2000
	£'000	£'000
Bank loans and overdrafts	1	13
Trade creditors	14	32
Amounts owed to group undertakings	595	500
Other creditors	7	4
Accruals and deferred income	59	34
	676	583

13. Creditors – Amounts falling due after more than one year

	2001	2000
	£'000	£'000
Amounts owed to group companies	10	10

Included in amounts owed to group companies after more than one year is £10,000 loaned to the company by Craegmoor Funding PLC under the Issuer/Borrowers Facility Agreement dated 23 November 2000. Craegmoor Funding PLC is a fellow subsidiary of Craegmoor Limited.

14. Provisions for liabilities and charges

Deferred taxation provided in the financial statements and the amount unprovided of the total potential liability, at a tax rate of 30% (2000: 30%) are as follows:

	Amounts provided		Amounts unprovided	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Tax effect of timing differences because of:				
Excess capital allowances over depreciation	34	34	26	21
Chargeable gain revaluation	-	-	740	740
Deferred tax provision	34	34	766	761

Health and Care Services (NW) Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

15. Called up share capital

	2001 £'000	2000 £'000
Authorised		
50,000 ordinary shares of £1 each	50	50
Allotted, called up and fully paid		
1 ordinary share of £1 each	-	-

16. Reserves

	Profit and loss account	Revaluation reserve
	£	£
At 1 January 2001	584	2,565
Loss for the financial year	(354)	-
At 31 December 2001	230	2,565

17. Reconciliation of movement in shareholders' funds

	2001 £'000	2000 £'000
Profit for the financial year	196	205
Equity dividends	(550)	(500)
Net addition to shareholders' funds	(354)	(295)
Opening equity shareholders' funds	3,149	3,444
Closing equity shareholders' funds	2,795	3,149

Health and Care Services (NW) Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

18. Capital commitments

The company has no capital commitments at 31 December 2001 (2000: £Nil).

19. 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 Funding PLC to the company under the Issuer/Borrowers Facility Agreement dated 23 November 2000. Craegmoor Funding PLC is a fellow subsidiary of Craegmoor Limited.

20. Immediate and ultimate parent companies

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

At 31 December 2001, Legal & General Group Plc owned 62.85% of the issued share capital of Craegmoor Limited via an intermediate subsidiary and a limited partnership. Legal & General Group Plc has excluded Craegmoor Limited from consolidation in its 2001 report and accounts because the limited partnership agreement imposes severe long term restrictions over its ability to exercise control.

Subsequent to the period end Legal & General Group Plc's holding in the issued share capital of Craegmoor Limited has been reduced to 47.22%.