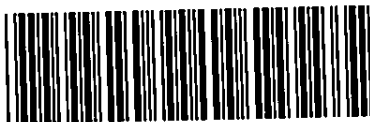


Health & Care Services (NW) Limited
Annual report and financial statements
for the year ended 31 December 2009

Registered number 2847005

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Health & Care Services (NW) Limited

Annual report and financial statements for the year ended 31 December 2009

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Health & Care Services (NW) Limited

Directors and advisors

Executive Directors

Ted Smith
Christine Cameron
Julian Ball
David Manson
Avril Evans

Secretary

Scott Morrison
Craegmoor House
Perdiswell Park
Worcester
WR3 7NW

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Solicitors

Pinsent Masons
3 Colmore Circus
Birmingham
B4 6BH

DLA Piper (UK) Solicitors LLP
3 Noble Street
London
EC2V 7EE

Registered Office

Craegmoor House
Perdiswell Park
Worcester
WR3 7NW

Bankers

Barclays Bank
1 Churchill Place
London
E14 5HP

Allied Irish Banks Plc
St Helen's
1 Undershaft
London
EC3A 8AB

Health & Care Services (NW) Limited

Directors' report for the year ended 31 December 2009

The Directors present their annual report and the audited financial statements for the year ended 31 December 2009

Principal activities

The principal activity of the Company continues to be care delivery

Review of business and future developments

Both the level of continuing business and the year end position were satisfactory, despite the overall loss for the year. The Directors have put measures in place that they believe will improve the Company's performance in the forthcoming financial year. The Directors of Craegmoor Group Limited (formerly Craegmoor Topco Limited), its ultimate parent company in the United Kingdom, manage the Group's operations on a group-wide basis. For this reason, the Directors of the Company believe a separate business review and future developments summary for the Company is not relevant for an understanding of the business and future strategy. The business review and future developments of the Craegmoor Group Limited group, which includes the Company, are discussed in the Directors' report of Craegmoor Group Limited for the year ended 31 December 2009 which does not form part of this report.

Results and dividends

The profit and loss account shows a loss after tax for the year of £141,000 (2008: loss of £416,000). The Directors do not recommend the payment of a dividend for the year ended 31 December 2009 (2008: £Nil).

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of Craegmoor Group Limited, and are not managed separately. Accordingly, the principal risks and uncertainties of the Craegmoor Group Limited group ("the Group"), which include those of the Company, are discussed in the Directors' report of Craegmoor Group Limited for the year ended 31 December 2009.

Key Performance Indicators ("KPIs")

The directors of Craegmoor Group Limited manage the Group's operations on a group-wide basis. For this reason, the Directors of the Company believe that analysis using separate key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Craegmoor Group Limited group, which includes the Company, is discussed in the Directors' report of Craegmoor Group Limited for the year ended 31 December 2009.

Directors

The following Directors have held office for the whole year and up to the date of signing the financial statements unless otherwise stated:

Ted Smith	
Charles Cameron	Resigned 20 February 2009
David Manson	
Avril Evans	
Julian Ball	Appointed 30 September 2009
Christine Cameron	Appointed 16 June 2009

Changes in tangible assets

Movements in tangible assets during the year are set out in note 6 to the financial statements.

Health & Care Services (NW) Limited

Directors' report for the year ended 31 December 2009 (continued)

Financial instruments

The Company's financial instruments primarily comprise debtors and creditors with other group companies arising directly from its operations. No trading in financial instruments has been undertaken.

There are no significant risks arising directly from the Company's financial instruments. However, the Company is reliant on the ongoing support of the Group, which has long term financing and overdraft facilities in place. The board of Craegmoor Group Limited, the ultimate UK parent undertaking, has reviewed and agreed the policies for managing the risks related to these facilities as set out below.

Liquidity risk

The Group has secured long term financing and revolving credit facilities with financial institutions, which have high credit ratings that are designed to ensure the Group has sufficient available funds for operations. The majority of the £215,938,000 (2008 £216,682,000) debt, in the form of loan notes and bank loans (but excluding finance leases and preference shares), is repayable in 2016 to 2018.

Interest rate and cash flow risk

The Group has entered into interest rate swaps to ensure certainty over future interest cash flows. As a consequence, 100% (2008 77%) of the Group's borrowings (excluding preference shares) are at fixed rates of interest.

Credit risk

A fellow subsidiary company, Craegmoor Facilities Company Limited, bears the credit risk for the Company.

Going Concern

The Company currently is loss making and in a net liability position and therefore is reliant on the ongoing financial support and funding of Craegmoor Group Limited and certain of its subsidiaries in order to continue as a going concern for the period of not less than twelve months from the date of approval of these financial statements. The Directors of Craegmoor Group Limited and the relevant subsidiaries have indicated that they are prepared to continue to provide this funding for the intermediate future and the financial statements have therefore been prepared on a going concern basis.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Health & Care Services (NW) Limited

Directors' report for the year ended 31 December 2009 (continued)

Statement of Directors' responsibilities (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

Statement of disclosure of information to auditors

In the case of each of the persons who are directors at the time when the report is approved the following applies:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

The Company has elected, in accordance with section 487 of the Companies Act 2006, to dispense with the obligation to appoint auditors annually.

By order of the Board

A handwritten signature in black ink, appearing to read 'D. Manson', followed by a horizontal line.

David Manson
Director
30 April 2010

Independent auditors' report to the members of Health & Care Services (NW) Limited

We have audited the financial statements of Health & Care Services (NW) Limited for the year ended 31 December 2009 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Note of historical cost profit and losses, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

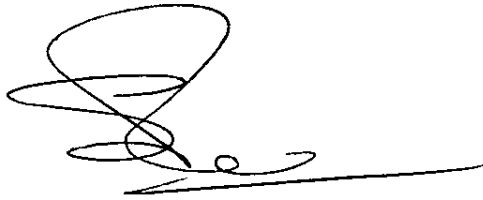
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Health & Care Services (NW) Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

A handwritten signature in black ink, appearing to be 'Stephen Rowe', with a long horizontal line extending to the right.

Stephen Rowe (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
30 April 2009

Health & Care Services (NW) Limited

Profit and loss account for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Turnover		1,533	1,526
Administrative expenses		(1,658)	(1,947)
Operating loss	4	(125)	(421)
Loss on ordinary activities before taxation		(125)	(421)
Tax on loss on ordinary activities	5	(16)	5
Loss for the financial year	10	(141)	(416)

All activities relate to continuing operations

Health & Care Services (NW) Limited

Statement of total recognised gains and losses for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Loss for the financial year		(141)	(416)
Reversal of prior years' revaluations on impaired properties	6	-	(691)
Total recognised gains and losses for the financial year		(141)	(1,107)

Note of historical cost profit and losses for the year ended 31 December 2009

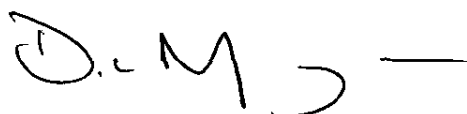
	2009 £'000	2008 £'000
Reported loss on ordinary activities before taxation	(125)	(421)
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	4	16
Historical cost loss on ordinary activities before taxation	(121)	(405)
Historical cost loss for the financial year	(137)	(400)

Health & Care Services (NW) Limited

Balance sheet as at 31 December 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	6	1,399	1,440
Creditors amounts falling due within one year	7	(1,448)	(1,364)
Net current liabilities		(1,448)	(1,364)
Total assets less current liabilities		(49)	76
Provision for liabilities	8	(86)	(70)
Net (liabilities) / assets		(135)	6
Capital and reserves			
Called up share capital	9	-	-
Revaluation reserve	10	816	816
Profit and loss reserve	10	(951)	(810)
Total shareholders' (deficit) / funds	11	(135)	6

The financial statements on pages 7 to 17 were approved by the Board of Directors on 30 April 2010 and signed on its behalf by



David Manson
Director
Company registered number 2847005

Health & Care Services (NW) Limited

Notes to the financial statements for the year ended 31 December 2009

1 Principal accounting policies

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible assets, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the principal accounting policies, which have been consistently applied, is set out below.

Going Concern

The Company currently is loss making and in a net liability position and therefore is reliant on the ongoing financial support and funding of Craegmoor Group Limited and certain of its subsidiaries in order to continue as a going concern for the period of not less than twelve months from the date of approval of these financial statements. The Directors of Craegmoor Group Limited and the relevant subsidiaries have indicated that they are prepared to continue to provide this funding for the intermediate future and the financial statements have therefore been prepared on a going concern basis.

Turnover

Turnover represents amounts invoiced and accrued for care services provided during the period in the UK, net of credit notes and excluding Value Added Tax. Where services are invoiced in advance the related income is deferred to match the period in which the service is provided. The Directors consider that the Company's turnover all derives from one class of business.

Operating leases

Operating lease rentals are charged to the profit and loss account in equal annual instalments over the lease term.

Tangible assets

The cost of tangible assets is their purchase cost, and any costs directly attributable to bringing them into working condition for their intended use. Land and buildings are revalued by independent, professionally qualified valuers every five years. These valuations are carried out on an existing use, open market value basis, and in the intervening years are updated by the Directors with the assistance of independent professional advice as required.

Increases in the revalued amounts of land and buildings are credited to revaluation reserves.

Subsequent to a revaluation depreciation on freehold properties is based on revalued amounts. Depreciation on tangible assets, other than land, is calculated to write off their cost, less estimated residual values, by equal annual instalments on the following bases:

Long leasehold land and buildings	- over 50 years
Building improvements	- over 10 years
Equipment	- over 7 years
Furniture and fittings	- over 3, 5 or 10 years
Computer equipment	- over 3 or 5 years

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 FRS 11, "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 weighted cost of capital determined from time to time based on the capital structure of the group. Realisable value is determined by independent, professional valuers on an existing use, open market value basis.

Health & Care Services (NW) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

1 Principal accounting policies (continued)

Tangible assets (continued)

Provisions for impairment in the carrying value of land and buildings are charged against revaluation reserves in the balance sheet to the extent that they relate to a reversal of prior increases. Impairments to below historical cost are charged to the profit and loss account. Reversals of previous impairments are credited to the profit and loss account to the extent that they return the asset carrying value to its depreciated historical cost, with any amount over and above that value being credited to the revaluation reserve.

Corporation tax

UK Corporation Tax is provided at amounts expecting to be paid (or recovered) using the tax rates and bases that have been enacted, or substantially enacted by the balance sheet date. Corporation tax payable may be reduced wholly or in part by the surrender of losses by fellow group companies. Payments made, if any, to surrendering companies for losses are reflected in the tax charge.

Deferred taxation

Deferred taxation has been 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 the future, or a right to pay less taxation in the future. An asset is only recognised to the extent that the transfer of economic benefits in the future is deemed to be more likely than not. Deferred tax assets and liabilities recognised are not discounted.

Cash flow statement

The Company is a wholly owned subsidiary of Craegmoor Group 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 FRS 1 (Revised) from publishing a cash flow statement.

2 Directors' emoluments

The emoluments of the Directors were paid by Craegmoor Facilities Company Limited, a fellow subsidiary of Craegmoor Group Limited. The Directors were also directors of a number of other fellow subsidiaries during the year ended 31 December 2009 and 31 December 2008 and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the emoluments of the Directors are disclosed within the accounts of Craegmoor Facilities Company Limited.

3 Employee information

The below disclosures are in respect of employees that carried out work in connection with the Company's operations during the year. However, these persons are employed by a fellow subsidiary company. The average monthly number of persons (including Executive Directors) during the year was:

Analysis by function	2009	2008
	Number	Number
Nursing	50	50
Ancillary	16	13
Administration	7	8
	73	71
Staff costs (for the above persons)	£'000	£'000
Management charge in lieu of staff costs	1,061	1,068

Health & Care Services (NW) Limited
Notes to the financial statements for the
year ended 31 December 2009 (continued)

4 Operating loss

	2009	2008
	£'000	£'000
Operating loss is stated after charging:		
Dilapidations provision	-	50
Depreciation of tangible assets (Note 6)	72	94
Operating lease rentals – other	40	30
Management charges from fellow subsidiaries	1,546	1,773

The audit fee for the Company for the year ended 31 December 2009 of £1,500 (2008 £2,000) is borne by a fellow subsidiary company and included within the management charge

The management charges from fellow subsidiary undertakings, Craegmoor Facilities Company Limited and Craegmoor Healthcare Company Limited, relate to an allocation of operating costs incurred on behalf of the Company and its fellow subsidiaries

5 Tax on loss on ordinary activities

	2009	2008
	£'000	£'000
Deferred taxation		
Current year – origination and reversal of timing differences	11	(6)
Adjustment in respect of previous periods	5	1
Total deferred taxation	16	(5)
Tax charge / (credit)	16	(5)

Health & Care Services (NW) Limited
Notes to the financial statements for the
year ended 31 December 2009 (continued)

5 Tax on loss on ordinary activities (continued)

There is no current tax charge for the year (2008 £Nil). The tax for the period differs from the standard effective rate of corporation tax in the UK for the year ended 31 December 2009 of 28% (2008 28.5%). The differences are explained below:

	2009	2008
	£'000	£'000
Loss on ordinary activities before taxation	(125)	(421)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28.5%)	(35)	(120)
Effects of:		
Expenses not deductible for tax purposes	14	27
Capital allowances for the year (in excess of) / less than depreciation	(7)	12
Short term timing differences	(4)	(6)
Transfer pricing adjustment	(40)	(22)
Group relief surrendered not paid for	72	109
Current tax charge	-	-

Factors affecting current and future tax charges

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property was sold without it being possible to claim rollover relief or utilise available losses. The total amount unprovided for at 28% is £228,000 (2008 £228,000 at 28%).

Health & Care Services (NW) Limited
Notes to the financial statements for the
year ended 31 December 2009 (continued)

6 Tangible assets

	Long leasehold land and buildings	Fixtures and fittings	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 January 2009	1,487	646	2,133
Additions	-	31	31
At 31 December 2009	1,487	677	2,164
Accumulated depreciation			
At 1 January 2009	337	356	693
Charge for the year	13	59	72
At 31 December 2009	350	415	765
Net book value			
At 31 December 2009	1,137	262	1,399
At 31 December 2008	1,150	290	1,440

In accordance with FRS15 and the Craegmoor Group's accounting policy, the land and buildings occupied by the Company, were revalued by external valuers, Christie & Co, Chartered Surveyors and Valuers, as at 18 July 2008, being the date the Craegmoor Group (No 5) Limited (formerly Craegmoor Limited) group was acquired by the Craegmoor Group Limited group. These valuations were carried out on the basis of existing use value in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors.

Where appropriate, the entire portfolio will be revalued every five years, the next valuation being 18 July 2013, together with interim revaluations every three years.

For all properties in the Company's portfolio, the Directors have performed "value in use" calculations on an existing use open market value basis in accordance with the requirements of FRS 11, "Impairments of fixed assets and goodwill". The valuations considered the expected future performance of the entities based upon all known conditions. A risk weighted average cost of capital of 10.65% (2008: 10.87%) was used in these calculations.

Health & Care Services (NW) Limited
Notes to the financial statements for the
year ended 31 December 2009 (continued)

6 Tangible assets (continued)

The impact of these valuation techniques can be summarised as follows

	2009	2008
	£'000	£'000
Directors' valuations		
(Value in use tests, look back tests and revisions to estimation techniques as described above)		
Impairments - charged to revaluation reserve	-	(691)
Included in the statement of total recognised gains and losses	-	(691)
If land and buildings had not been revalued they would have been included at the following amounts		
	2009	2008
	£'000	£'000
Cost	895	895
Aggregate depreciation	(222)	(213)
Net book value based on cost	672	682

7 Creditors: amounts falling due within one year

	2009	2008
	£'000	£'000
Amounts owed to group undertakings	1,448	1,364

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

8 Provision for liabilities

	Dilapidations	Deferred tax	Total
	£'000	£'000	£'000
At 1 January 2009	50	20	70
Charged to the profit and loss account	-	16	16
At 31 December 2009	50	36	86

Health & Care Services (NW) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

8 Provision for liabilities (continued)

The amount provided for deferred taxation comprises:	2009 £'000	2008 £'000
Accelerated capital allowances	52	30
Short term timing differences	(16)	(10)
	36	20

Dilapidation provisions

Provisions have been recorded for costs of returning properties held under operating leases to the state of repair at the inception of the lease. These provisions are expected to be utilised on the termination of the underlying leases.

9 Called up share capital

	2009 £'000	2008 £'000
Authorised		
50,000 (2008: 50,000) ordinary shares of £1 each	50	50
Issued and fully paid		
1 (2008: 1) ordinary share of £1	-	-

10 Reserves

	Profit and loss reserve £'000	Revaluation reserve £'000
At 1 January 2009	(810)	816
Loss for the financial year	(141)	-
At 31 December 2009	(951)	816

Health & Care Services (NW) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

11 Reconciliation of movements in shareholders' (deficit) / funds

	2009 £'000	2008 £'000
Loss for the financial year	(141)	(416)
Reversal of prior years' revaluations on impaired properties	-	(691)
Net decrease in shareholders' funds	(141)	(1,107)
Opening shareholders' funds	6	1,113
Closing shareholders' (deficit) / funds	(135)	6

12 Post balance sheet events

The Directors do not consider there have been any material events since the year end requiring disclosure in accordance with FRS 21 "Events after the Balance Sheet Date"

13 Contingent liabilities

There is a fixed and floating charge over the assets of the Company and certain of its fellow subsidiaries in respect of an external loan undertaken by an intermediate parent undertaking. Amounts drawn down on the facility of £192,622,000 (2008 £207,000,000) amounted to £179,767,000 (2008 £179,023,000) inclusive of accrued interest, as at 31 December 2009.

14 Capital commitments

As at 31 December 2009 the Company had instructed suppliers to carry out work on ongoing capital projects with a total value of £Nil (2008 £Nil).

15 Financial commitments

At 31 December 2009 the Company had annual commitments for land and buildings under non-cancellable operating leases as follows:

Operating leases which expire:	2009 £'000	2008 £'000
In more than five years	40	13

16 Related party transactions

The Company has taken advantage of the exemption granted under paragraph 5 of the amendment to FRS 8 and not disclosed any transactions with other group companies where they are wholly owned by a common parent.

17 Immediate and ultimate parent companies

The Directors regard London Parkcare Limited, a company registered in England and Wales, as the immediate parent company of Health & Care Services (NW) Limited, and Craegmoor Group Limited, a company registered in England and Wales, as the ultimate parent company in the United Kingdom. The ultimate controlling party is Advent Miro (Cayman) Limited, a company registered in the Cayman Islands.

Craegmoor Group Limited is the parent company of the largest and smallest group in which Health & Care Services (NW) Limited is consolidated. Copies of Craegmoor Group Limited's consolidated financial statements may be obtained from its registered office, Craegmoor House, Perdiswell Park, Worcester, WR3 7NW.