

Registered no: 2847005

**Health & Care Services (NW) Limited**

**Annual Report**

**for the year ended 31 December 1998**



# **Health & Care Services (NW) Limited**

## **Report for the year ended 31 December 1998**

	<b>Pages</b>
<b>Directors and advisers</b>	1
<b>Directors' report</b>	2 - 4
<b>Report of the auditors</b>	5
<b>Profit and loss account</b>	6
<b>Statement of total recognised gains and losses</b>	7
<b>Note of historical cost profits and losses</b>	7
<b>Balance sheet</b>	8
<b>Notes to the financial statements</b>	9 - 18

# Health & Care Services (NW) Limited

1

## Directors and advisers

### Executive directors

M A Stratford  
Mrs J L Adams (resigned 31 March 1999)  
C Artis (appointed 31 March 1999)

### Registered auditors

PricewaterhouseCoopers  
Temple Court  
35 Bull Street  
Birmingham  
B4 6JT

### Solicitors

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

### Secretary and registered office

S J Bishop  
"Hillcairnle"  
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 & Care Services (NW) Limited**

2

## **Directors' report for the year ended 31 December 1998**

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

### **Principal activity**

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

### **Parent company**

The company is a wholly owned subsidiary of Craegmoor Healthcare Company Limited.

### **Review of business**

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

### **Dividends and transfers to reserves**

The directors do not recommend the payment of a dividend for the year ended 31 December 1998 (47 weeks ended 31 December 1997: £Nil), and recommend that the profit for the year ended 31 December 1998 of £301,794 (47 weeks ended 31 December 1997: £283,820) be transferred to reserves.

### **Directors**

The directors of the company during the year ended 31 December 1998 are as listed on page 1.

### **Directors' interests**

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 interest in the share capital of Health & Care Services (NW) Limited or Craegmoor Healthcare Company Limited.

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

### Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1998. The directors also confirm that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Changes in fixed assets

The movements in fixed assets during the year are set out in note 9 to the financial statements. The directors consider there to be no significant difference between the market value of the company's freehold land and buildings and their book value.

### Year 2000

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

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

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

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

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

# **Health & Care Services (NW) Limited**

4

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

### **Introduction of the Euro**

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

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

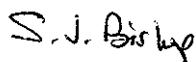
New computer hardware purchased from 1 January 1999 will be validated to ensure that it is Euro compliant and that the appropriate currency symbol is available.

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

### **Auditors**

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

**By order of the board**



**S J Bishop**  
**Company secretary**  
14 May 1999

# **Report of the auditors to the members of Health & Care Services (NW) Limited**

5

We have audited the financial statements on pages 6 to 18, which have been prepared under the historical cost convention as modified by revaluation and the accounting policies set out on pages 9 and 10.

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

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

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

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

## **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

**PricewaterhouseCoopers**  
**Chartered Accountants and Registered Auditors**  
Birmingham  
14 May 1999

# Health & Care Services (NW) Limited

6

## Profit and loss account for the year ended 31 December 1998

	Notes	52 weeks ended 31 December 1998 £	47 weeks ended 31 December 1997 £
Turnover - continuing operations	2	1,186,154	1,059,976
Cost of sales - continuing operations		(608,489)	(547,311)
Gross profit - continuing operations		577,665	512,665
Administrative expenses - continuing operations		(140,168)	(99,116)
Operating profit - continuing operations		437,497	413,549
Interest receivable and similar income	5	7	276
Interest payable and similar charges	6	(480)	(5)
Profit on ordinary activities before taxation	7	437,024	413,820
Tax on profit on ordinary activities	8	(135,230)	(130,000)
Retained profit for the year	15	301,794	283,820



# Health & Care Services (NW) Limited

7

## Statement of total recognised gains and losses

Notes	52 weeks ended 31 December 1998 £	47 weeks ended 31 December 1997 £
Profit for the financial year	301,794	283,820
Unrealised surplus on revaluation of freehold land and buildings	-	814,734
	<hr/>	<hr/>
Total gains and losses recognised in the year	301,794	1,098,554
	<hr/>	<hr/>

## Note of historical cost profits and losses

	52 weeks ended 31 December 1998 £	47 weeks ended 31 December 1997 £
Reported profits on ordinary activities before taxation	437,024	413,820
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount.	14,665	13,835
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	451,689	427,655
	<hr/>	<hr/>
Historical cost profit for the year after taxation	316,459	297,655
	<hr/>	<hr/>

# Health & Care Services (NW) Limited

8

## Balance sheet at 31 December 1998

	Notes	1998 £	1997 £
<b>Fixed assets</b>			
Tangible assets	9	1,680,597	1,707,815
<b>Current assets</b>			
Stocks	10	500	500
Debtors	11	432,478	462,288
Cash at bank and in hand		-	746
		<u>432,978</u>	<u>463,534</u>
<b>Creditors: amounts falling due within one year</b>	12	<b>(659,492)</b>	<b>(1,019,060)</b>
		<u>(226,514)</u>	<u>(555,526)</u>
<b>Net current liabilities</b>			
<b>Total assets less current liabilities</b>		<b>1,454,083</b>	<b>1,152,289</b>
<b>Provisions for liabilities and charges</b>	13	<b>(34,000)</b>	<b>(34,000)</b>
		<u>1,420,083</u>	<u>1,118,289</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	14	1	1
Revaluation reserve		814,734	814,734
Profit and loss account	15	605,348	303,554
		<u>1,420,083</u>	<u>1,118,289</u>
<b>Equity shareholders' funds</b>	16	<b>1,420,083</b>	<b>1,118,289</b>

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



**M A Stratford**  
**Director**

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

### 1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

#### Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Land and buildings are stated at valuations made by directors based on valuations made by independent professionally qualified valuers on an existing use open market value basis. Land and buildings are revalued by professionally qualified valuers every five years and in the intervening years these valuations are updated by the directors with the assistance of independent professional advice as required.

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets less their estimated residual values, on the following basis:

Long leasehold land and buildings	2% straight line method
Furniture and fittings	15% reducing balance method

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

#### Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

#### Stocks

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

#### Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability will crystallise.

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

**1 Principal accounting policies (continued)**

**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 from publishing a cash flow statement.

**2 Turnover**

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

**3 Directors' emoluments**

Directors' emoluments for the year ended 31 December 1998 were £Nil (47 weeks ended 31 December 1997: £Nil).

**Notes to the financial statements  
for the year ended 31 December 1998 (continued)****4 Employee information**

The average weekly number of persons (including executive directors) employed by the company during the year was as shown below.

	<b>52 weeks ended 31 December 1998</b>	<b>47 weeks ended 31 December 1997</b>
	<b>Number</b>	<b>Number</b>
Nursing, ancillary and administrative staff	<b>55</b>	<b>51</b>

	<b>52 weeks ended 31 December 1998</b>	<b>47 weeks ended 31 December 1997</b>
	<b>£</b>	<b>£</b>
Staff costs (for the above persons)		
Wages and salaries	<b>518,894</b>	<b>472,595</b>
Social security costs	<b>32,361</b>	<b>28,664</b>
	<b>551,255</b>	<b>501,259</b>

**5 Interest receivable and similar income**

	<b>52 weeks ended 31 December 1998</b>	<b>47 weeks ended 31 December 1997</b>
	<b>£</b>	<b>£</b>
Bank interest received	<b>7</b>	<b>276</b>

**Notes to the financial statements  
for the year ended 31 December 1998 (continued)****6 Interest payable and similar charges**

	52 weeks ended 31 December 1998	47 weeks ended 31 December 1997
	£	£
On bank overdraft repayable within 5 years, not by instalments	480	5
	<u>          </u>	<u>          </u>

**7 Profit on ordinary activities before taxation**

	52 weeks ended 31 December 1998	47 weeks ended 31 December 1997
	£	£
<b>Profit on ordinary activities before taxation is stated after charging:</b>		
Depreciation charge for the year:		
Tangible owned fixed assets	39,824	32,878
Auditors' remuneration for:		
Audit	3,105	3,000
Other services	-	-
Operating lease charges on land and buildings	13,048	11,298
	<u>          </u>	<u>          </u>

**Notes to the financial statements  
for the year ended 31 December 1998 (continued)****8 Tax on profit on ordinary activities**

	52 weeks ended 31 December 1998 £	47 weeks ended 31 December 1997 £
United Kingdom corporation tax at 31% (47 weeks ended 31 December 1997: 31.5%):		
Current	137,670	130,000
Over provision in respect of prior period's corporation tax	(2,440)	-
	<hr/>	<hr/>
	135,230	130,000
	<hr/>	<hr/>

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

**9 Tangible fixed assets**

	Long leasehold land and buildings	Furniture and fittings	Total
	£	£	£
<b>Cost or valuation</b>			
At 1 January 1998	1,663,946	151,421	1,815,367
Additions	-	12,606	12,606
	<hr/>	<hr/>	<hr/>
<b>At 31 December 1998</b>	<b>1,663,946</b>	<b>164,027</b>	<b>1,827,973</b>
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January 1998	16,414	91,138	107,552
Charge for year	30,781	9,043	39,824
	<hr/>	<hr/>	<hr/>
<b>At 31 December 1998</b>	<b>47,195</b>	<b>100,181</b>	<b>147,376</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>At 31 December 1998</b>	<b>1,616,751</b>	<b>63,846</b>	<b>1,680,597</b>
	<hr/>	<hr/>	<hr/>
At 31 December 1997	1,647,532	60,283	1,707,815
	<hr/>	<hr/>	<hr/>
<b>Cost or valuation at 31 December 1998</b>			
Valuation in 1997	1,663,946	-	1,663,946
Cost	-	164,027	164,027
	<hr/>	<hr/>	<hr/>
	<b>1,663,946</b>	<b>164,027</b>	<b>1,827,973</b>
	<hr/>	<hr/>	<hr/>



**Notes to the financial statements  
for the year ended 31 December 1998 (continued)****9 Tangible fixed assets (continued)**

The land and buildings were re-valued by the Directors in 1997 based on an independent professional valuation dated 16 December 1996 using an open market value for existing use basis.

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

	1998	1997
	£	£
Cost	895,336	895,336
Aggregate depreciation based on cost	(77,013)	(60,897)
	<hr/>	<hr/>
Net book value based on cost	818,323	834,439
	<hr/>	<hr/>

**10 Stocks**

	1998	1997
	£	£
Consumables	500	500
	<hr/>	<hr/>

**11 Debtors**

	1998	1997
	£	£
Amounts falling due within one year		
Trade debtors	-	13
Amounts owed by immediate parent undertaking	343,703	375,650
Prepayments and accrued income	88,775	86,625
	<hr/>	<hr/>
	432,478	462,288
	<hr/>	<hr/>

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

**12 Creditors: amounts falling due within one year**

	1998	1997
	£	£
Bank overdraft repayable on demand	3,293	459,947
Trade creditors	6,071	8,968
Amounts due to group undertakings	331,771	261,083
Other creditors	13,111	11,215
Corporation tax	265,230	130,000
Accruals and deferred income	40,016	147,847
	<u>659,492</u>	<u>1,019,060</u>

**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:

	Amount provided		Amount unprovided	
	1998	1997	1998	1997
	£	£	£	£
Tax effect of timing differences because of:				
Excess capital allowances over depreciation	34,000	34,000	11,086	4,472
Revaluation surplus	-	-	222,581	230,000
	<u>34,000</u>	<u>34,000</u>	<u>233,667</u>	<u>234,472</u>

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

**14 Called up share capital**

	1998	1997
	£	£
<b>Authorised</b>		
50,000 ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
1 ordinary shares of £1 each	1	1
	<hr/>	<hr/>

**15 Profit and loss account**

	£
At 1 January 1998	303,554
Retained profit for the year	301,794
	<hr/>
At 31 December 1998	605,348
	<hr/>

**16 Reconciliation of movement in shareholders' funds**

	1998	1997
	£	£
Opening shareholders' funds	1,118,289	19,735
Profit for the financial year	301,794	283,820
	<hr/>	<hr/>
	1,420,083	303,555
Other recognised gains relating to the year	-	814,734
	<hr/>	<hr/>
Closing shareholders' funds	1,420,083	1,118,289
	<hr/>	<hr/>

**Notes to the financial statements  
for the year ended 31 December 1998 (continued)****17 Commitments under operating leases**

At 31 December 1998 the company had annual commitments under non-cancellable operating leases for land and buildings as follows:

	1998	1997
	£	£
Expiring after five years	11,298	11,298
	<hr/>	<hr/>

**18 Capital commitments**

There were no capital commitments at 31 December 1998 (31 December 1997: £Nil).

**19 Contingent liability**

There is a fixed and floating charge over the property, undertaking and assets of the company in respect of a loan from Craegmoor Finance PLC to Parkcare Homes Limited under the Parkcare/Issuer Loan Agreement dated 20 December 1996. Craegmoor Finance PLC and Parkcare Homes Limited are fellow subsidiaries of the company.

**20 Related party transactions**

The company has taken advantage of the exemption granted under Paragraph 3(c) of FRS8 and not disclosed any transactions with group companies.

**21 Immediate and ultimate parent companies**

The directors regard Health & Care Services (UK) Limited, a company registered in England and Wales, as the immediate parent company and regard Craegmoor Healthcare Company Limited, a company registered in England and Wales, as the immediate parent company of Health & Care Services (UK) Limited. Copies of the Craegmoor Healthcare Company Limited's consolidated financial statements may be obtained from The Secretary, Craegmoor Healthcare Company Limited, "Hillcairnie", St Andrew's Road, Droitwich, Worcester WR9 8DJ. The directors regard Warburg Pincus LP, a limited partnership incorporated in the United States of America, as the ultimate parent company. Copies of the ultimate parent company's financial statements are not available to the public.