

Alphabet Childrens Services Limited

Annual report

for the year ended 31 December 1999

Registered Number 02939514



Alphabet Childrens Services Limited

Annual report for the year ended 31 December 1999

Contents

	Page
Directors and Advisors for the year ended 31 December 1999	1
Directors' report for the year ended 31 December 1999	2
Auditors' report to the members of Alphabet Childrens Services Limited	4
Profit and loss account for the year ended 31 December 1999	5
Balance sheet as at 31 December 1999	6
Notes to the financial statements for the year ended 31 December 1999	7

Alphabet Childrens Services Limited

Directors and Advisors for the year ended 31 December 1999

Executive Directors

J B McAllister (resigned 31 March 1999)

M A Stratford

G Blackoe (appointed 31 March 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

"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

Alphabet Childrens Services 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 financial 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 (6 months ended 31 December 1998: £nil). The profit for the year of £178,626 (6 months ended 31 December 1998: £59,142) 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 at 31 December 1999 had any interests in the share capital of Alphabet Childrens Services 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 notes 9 and 10 to the financial statements.

Alphabet Childrens Services 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

Alphabet Childrens Services Limited

Auditors' report to the members of Alphabet Childrens Services Limited

We have audited the financial statements on pages 5 to 13.

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
Chartered Accountants and Registered Auditors
Birmingham
12 May 2000

Alphabet Childrens Services Limited

Profit and loss account for the year ended 31 December 1999

	Note	Year ended 31 December 1999	6 months ended 31 December 1998
		£	£
Turnover	2	1,232,007	556,942
Cost of sales		(707,756)	(331,531)
Gross profit		524,251	225,411
Administration expenses		(260,575)	(136,363)
Operating profit	7	263,676	89,048
Interest payable	6	(22)	(1,388)
Profit on ordinary activities before taxation		263,654	87,660
Tax on profit on ordinary activities	8	(85,028)	(28,518)
Retained profit for the financial year	15	178,626	59,142

All activities relate to continuing operations.

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


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

Alphabet Childrens Services Limited

Balance sheet as at 31 December 1999

	Note	1999 £	1998 £
Fixed Assets			
Intangible assets	9	45,000	47,500
Tangible assets	10	330,493	332,329
Current assets			
Debtors	11	365,383	169,742
Cash at bank and in hand		14,235	3,884
		379,618	173,626
Creditors: amounts falling due within one year	12	(130,427)	(109,025)
Net current assets		249,191	64,601
Total assets less current liabilities		624,684	444,430
Creditors : amounts falling due after more than one year	13	(379,519)	(377,891)
Net assets		245,165	66,539
Capital and reserves			
Called up share capital	14	100	100
Profit and loss account	15	245,065	66,439
Total equity shareholders' funds		245,165	66,539

The financial statements on page 5 to 13 were approved by the board of directors and signed on its behalf by:



M A Stratford
Director
12 May 2000

Alphabet Childrens Services 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.

Intangible fixed assets

The intangible fixed assets comprise goodwill created at the date of incorporation. The goodwill is now being amortised over a period of 20 years.

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 bases:

Freehold land	Nil
Freehold buildings – straight line basis	2%
Furniture, fittings, and equipment – reducing balance method	15%

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

Cash Flow Statement

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

2. Turnover

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

Alphabet Childrens Services 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 monthly number of persons (including executive directors) employed by the company during the year was:

Nursing, ancillary and administrative	Year ended 31 December 1999	6 months ended 31 December 1998
	Number	Number
Full time	43	35
Part time	12	5
	55	40
<hr/>		
Staff costs (for the above persons)	£	£
Wages and salaries	609,179	281,721
Social security costs	45,367	22,292
	654,546	304,013

6. Interest Payable

	Year ended 31 December 1999	6 months ended 31 December 1998
	£	£
Interest payable on bank loans and overdrafts	22	1,388

Alphabet Childrens Services Limited

7. Operating profit

	Year ended 31 December 1999	6 months ended 31 December 1998
	£	£
Operating profit is stated after charging:		
Depreciation of owned tangible fixed assets	13,656	6,025
Amortisation of goodwill	2,500	2,500
Hire of Equipment	207	-
Auditors' fees – Audit	2,690	3,050
– Non audit services	400	-

8. Tax on profit on ordinary activities

	Year ended 31 December 1999	6 months ended 31 December 1998
	£	£
Taxation on the profit for the year		
UK corporation tax at 30.25% (1998: 31.5%) – current	83,051	28,518
Prior year adjustment for under/(over) provision	1,977	-
	85,028	28,518

Alphabet Childrens Services Limited

9. Intangible fixed assets

	Goodwill
	£
Cost	
At 1 January 1999 and 31 December 1999	50,000
Amortisation	
At 1 January 1999	2,500
Charge for the year	2,500
At 31 December 1999	5,000
Net book value	
At 31 December 1999	45,000
At 31 December 1998	47,500

10. Tangible fixed assets

	Freehold Land and Buildings	Fixtures and Fittings	Total
	£	£	£
Cost			
At 1 January 1999	330,940	16,791	347,731
Additions	1,628	10,192	11,820
At 31 December 1999	332,568	26,983	359,551
Accumulated Depreciation			
At 1 January 1999	5,610	9,792	15,402
Charge for the year	12,612	1,044	13,656
At 31 December 1999	18,222	10,836	29,058
Net book value			
At 31 December 1999	314,346	16,147	330,493
At 31 December 1998	325,330	6,999	332,329

Alphabet Childrens Services Limited

11. Debtors

Amounts falling due within one year	1999	1998
	£	£
Trade debtors	58,952	139,385
Amounts owed by group undertakings	298,743	-
Group Relief	-	3,375
Other debtors	-	3,319
Prepayments and accrued income	7,688	23,663
	365,383	169,742

12. Creditors – Amounts falling due within one year

	1999	1998
	£	£
Bank loans and overdrafts	-	4,363
Trade creditors	3,103	3,634
Amounts owed to group undertakings	-	23,370
Corporation tax	62,583	28,590
Other creditors	7,249	-
Accruals and deferred income	57,492	49,068
	130,427	109,025

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

	1999	1998
	£	£
Amounts owed to immediate parent company	379,519	377,891

Amounts owed to the immediate parent company comprise an interest free loan. There are no defined repayment terms but the immediate company has confirmed to the directors of the company that it will not seek any repayments of this loan within the next 12 months.

Alphabet Childrens Services Limited

14. Called up share capital

	1999 £	1998 £
Authorised		
1000 ordinary shares of £1 each	1000	1000
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100

15. Profit and loss account

	£
At 1 January 1999	66,439
Retained profit for the financial year	178,626
At 31 December 1999	245,065

16. Reconciliation of movement in shareholders' funds

	1999 £	1998 £
Profit attributable to shareholders	178,626	59,142
Opening equity shareholders' funds	66,539	7,397
Closing equity shareholders' funds	245,165	66,539

17. Capital commitments

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

Alphabet Childrens Services Limited

18. 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 1997. Craegmoor Finance PLC and Parkcare Homes Limited are fellow subsidiaries of the company.

19. Immediate and ultimate parent companies

The directors regard Craegmoor Healthcare Company Limited, a company registered in England and Wales, as the immediate parent company of Alphabet Childrens Services Limited. Copies of the immediate parent company's consolidated financial statements may now be obtained from Craegmoor Healthcare Company Limited at its registered office, "Hillcairn", St Andrew's Road, Droitwich, Hereford and 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.