

Speciality Care (Rest Homes) Limited
Annual report
for the year ended 31 December 2001

Registered no: 3010116



Speciality Care (Rest Homes) Limited

Annual report for the year ended 31 December 2001

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Speciality Care (Rest Homes) Limited

Directors and Advisors for the year ended 31 December 2001

Executive Directors

M A Stratford

G Blackoe

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

Speciality Care (Rest Homes) 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 is the provision of residential care and specialist education for persons with mental handicaps and the operation of a nursing home.

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.

The directors have received confirmation that Craegmoor Limited will continue to provide ongoing financial support to the company for at least twelve months from the date of this report.

Results and dividends

The profit and loss account shows a profit for the year of £89,000 (2000: £31,000). The directors do not recommend the payment of a dividend 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 Speciality Care (Rest Homes) 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.

Speciality Care (Rest Homes) 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

Speciality Care (Rest Homes) Limited

Auditors' report to the members of Speciality Care (Rest Homes) 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

Speciality Care (Rest Homes) Limited

Profit and loss account for the year ended 31 December 2001

	Note	2001 £'000	2000 £'000
Turnover	2	3,045	2,673
Cost of sales		(2,113)	(1,910)
Gross profit		932	763
Administrative expenses		(791)	(725)
Profit on ordinary activities before taxation	6	141	38
Tax on profit on ordinary activities	7	(52)	(7)
Profit for the financial year	15	89	31

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.

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

Speciality Care (Rest Homes) Limited

Balance sheet as at 31 December 2001

	Note	2001 £'000	2000 £'000
Fixed Assets			
Intangible assets	8	377	398
Tangible assets	9	227	186
		604	584
Current assets			
Debtors	10	243	237
Cash at bank and in hand		5	2
		248	239
Creditors: amounts falling due within one year	11	(526)	(586)
Net current liabilities		(278)	(347)
Total assets less current liabilities		326	237
Creditors: amounts falling due after more than one year	12	(421)	(421)
Net liabilities		(95)	(184)
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account	15	(95)	(184)
Total equity shareholders' deficit	16	(95)	(184)

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

Speciality Care (Rest Homes) 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:

Freehold land	- nil
Freehold buildings	- 2% straight line
Short term leasehold property	- over lease term
Equipment	- 10% to 25% straight line (previously 15% reducing balance)
Furniture and fittings	- 10% to 25% straight line (previously 15% reducing balance)
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 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

Speciality Care (Rest Homes) Limited

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

1. Principal accounting policies (continued)

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.

2. Turnover

Turnover which excludes value added tax consists 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).

Speciality Care (Rest Homes) 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	121	118
Part time	44	43
	165	161

Staff costs (for the above persons)	£'000	£'000
Wages and salaries	1,789	1,690
Social security costs	135	120
	1,924	1,810

6. Profit on ordinary activities before taxation

	2001	2000
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets:		
- owned assets	29	5
Amortisation of goodwill	21	21
Rent payable under operating lease	494	460
Auditors' fees - Audit	8	-

The auditors' fees in 2000 of £8,000 were borne by Craegmoor Healthcare Company Limited.

Speciality Care (Rest Homes) Limited

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

7. Tax on profit on ordinary activities

	2001	2000
	£'000	£'000
Taxation on the profit for the year		
UK corporation tax at 30% (2000: 30%)	52	7

8. Intangible fixed assets

	Goodwill
	£'000
Cost	
At 1 January and 31 December 2001	419
Amortisation	
At 1 January 2001	21
Charge for the year	21
At 31 December 2001	42
Net book value	
At 31 December 2001	377
At 31 December 2000	377

Speciality Care (Rest Homes) Limited

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

9. Tangible fixed assets

	Leasehold Buildings	Fixtures and Fittings	TOTAL
	£'000	£'000	£'000
Cost			
At 1 January 2001	29	162	191
Additions	23	47	70
At 31 December 2001	52	209	261
Accumulated Depreciation			
At January 2001	4	1	5
Charge for the year	-	29	29
At 31 December 2001	4	30	34
Net book value			
At 31 December 2001	48	179	227
At 31 December 2000	25	161	186

Speciality Care (Rest Homes) Limited

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

10. Debtors

Amounts falling due within one year	2001 £'000	2000 £'000
Trade debtors	67	230
Amounts owed by group undertakings	167	-
Corporation tax recoverable by way of group relief	-	2
Prepayments and accrued income	9	5
	243	237

11. Creditors – Amounts falling due within one year

	2001 £'000	2000 £'000
Bank loans and overdrafts	4	11
Trade creditors	18	21
Amounts owed to group undertakings	-	433
Finance leases	-	2
Other taxation and social security	30	30
Corporation tax payable	19	-
Other creditors	8	13
Accruals and deferred income	447	76
	526	586

Speciality Care (Rest Homes) Limited

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

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

	2001	2000
	£'000	£'000
Amounts owed to group undertakings	421	421

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

13. Provisions for liabilities and charges

The company has made no provision for deferred tax. The total unprovided potential liability for deferred taxation, a tax rate of 30% (2000: 30%) is 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	-	-	31	12
Deferred tax provision	-	-	31	12

14. Called up share capital

	2001	2000
	£'000	£'000
Authorised		
1,000 ordinary shares of £1 each	1	1
Allotted and fully paid		
2 ordinary shares of £1 each	-	-

Speciality Care (Rest Homes) Limited

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

15. Profit and loss account

	£'000
At 1 January 2001	(184)
Profit for the financial year	89
At 31 December 2001	(95)

16. Reconciliation of movement in shareholders' funds

	2001 £'000	2000 £'000
Profit for the financial year	89	31
Opening shareholders' deficit	(184)	(215)
Closing shareholders' deficit	(95)	(184)

17. Financial commitments

At 31 December 2001 the company had annual commitments for land and buildings under non-cancellable operating leases as follows:

	2001 £'000	2000 £'000
Expiring greater than five years	502	489

18. Capital commitments

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

Speciality Care (Rest Homes) Limited

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

19. Immediate and ultimate parent companies

The directors regard Speciality Care Limited, a company registered in England and Wales, as the immediate parent company of Speciality Care (Rest Homes) Limited, and Craegmoor Limited, a company registered in England and Wales, as the ultimate parent company in the United Kingdom of Speciality Care Limited. Copies of Craegmoor Limited's consolidated financial statements may now be obtained from it's registered office, "Hillcairnie", St. Andrews 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%.