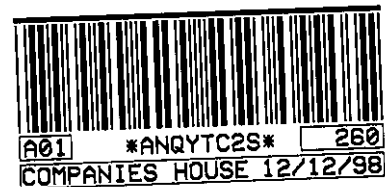


Speciality Care (Rest Care) Limited

**Directors' report and financial statements**

28 February 1998

Registered number 3257061



## **Directors' report and financial statements**

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## **Directors' report**

The directors present their annual report and the audited financial statements for the period from 1 July 1997 to 28 February 1998.

### **Principal activities and business review**

The principal activities of the company during the period were the provision of nursing and residential home facilities for the care of the frail elderly and learning disability clients.

The results for the period under review can be seen in the profit and loss account on page 5.

### **Proposed dividend**

The directors do not recommend the payment of a dividend.

### **Directors and directors' interests**

The directors who held office during the period were as follows:

M Stratford (appointed 26 February 1998)  
G Blackoe (appointed 26 February 1998)  
TF Nicholson (resigned 26 February 1998)  
AL Robinson (resigned 26 February 1998)  
DG Cormack (resigned 17 December 1997)

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company at 28 February 1998. Their interests in the shares of the company's parent company, Speciality Care Limited (formerly Speciality Care PLC), are disclosed in the financial statements of that company.

## **Directors' report**

### **Auditors**

Following a change in ownership of the Speciality Care Group, KPMG will not be seeking re-appointment as auditors.

By order of the board



**M Stratford**

*Director*

Hillcainie  
St Andrews Road  
DROITWICH  
Worcestershire  
WR9 8DJ

**13** October 1998

## **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period 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 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Peat House  
1 Commercial Street  
Forster Square  
Bradford  
BD1 4AS

## **Report of the auditors to the members of Speciality Care (Rest Care) Limited**

We have audited the financial statements on pages 5 to 12.

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

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of 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 as at 28 February 1998 and of its profit for the period from 1 July 1997 to 28 February 1998 and have been properly prepared in accordance with the Companies Act 1985.

**KPMG**

*Chartered Accountants  
Registered Auditors*

**13** October 1998

## Profit and loss account

*for the period ended 28 February 1998*

	<i>Note</i>	<b>8 months to 28 February 1998</b> £	<b>9 months to 30 June 1997</b> £
<b>Turnover</b>	<i>1</i>	206,517	238,362
Cost of sales		(131,364)	(150,809)
<b>Gross profit</b>		<u>75,153</u>	<u>87,553</u>
Administrative expenses		(48,674)	(30,482)
<b>Operating profit</b>		<u>26,479</u>	<u>57,071</u>
Interest payable and similar charges	<i>5</i>	-	(157)
<b>Profit on ordinary activities before taxation</b>	<i>2-4</i>	<u>26,479</u>	<u>56,914</u>
Tax on profit on ordinary activities	<i>6</i>	(6,109)	(18,938)
<b>Profit for the financial period</b>		<u>20,370</u>	<u>37,976</u>

There were no recognised gains or losses other than the profit for the period.

All of the turnover and operating profit for the period relates to continuing operations.

## Reconciliation of movements in shareholders' funds

*for the period ended 28 February 1998*

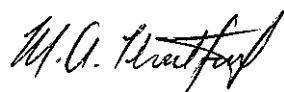
	<b>8 months to 28 February 1998</b> £	<b>9 months to 30 June 1997</b> £
Retained profit for the financial period	20,370	37,976
Shareholders' funds at 30 June 1997	37,978	2
<b>Shareholders' funds at 28 February 1998</b>	<u>58,348</u>	<u>37,978</u>

## Balance sheet

at 28 February 1998

	Note	28 February 1998		30 June 1997	
		£	£	£	£
<b>Fixed assets</b>					
Tangible fixed assets	7		852,087		865,806
<b>Current assets</b>					
Stocks	8	1,469		1,533	
Debtors	9	14,127		8,303	
Cash at bank and in hand		77,151		77,726	
		92,747		87,562	
<b>Creditors: amounts falling due within one year</b>	10	(886,486)		(913,390)	
<b>Net current liabilities</b>			(793,739)		(825,828)
<b>Total assets less current liabilities</b>			58,348		39,978
<b>Provisions for liabilities and charges</b>	11		-		(2,000)
<b>Net assets</b>			58,348		37,978
<b>Capital and reserves</b>					
Called up equity share capital	12		2		2
Profit and loss account	13		58,346		37,976
<b>Equity shareholders' funds</b>			58,348		37,978

These financial statements were approved by the board of directors on 13 October 1998 and were signed on its behalf by:



**M Stratford**  
Director

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. The company's ultimate parent company, Craegmoor Healthcare Company Limited, has confirmed its policy of providing financial support to the company and on the strength of this assurance the financial statements have been prepared on a going concern basis.

The company is exempt from the requirement of Financial Reporting Standard No.1 (revised 1996) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Speciality Care Limited (formerly Speciality Care PLC) and its cash flows are included within the consolidated cash flow statement of that company.

#### *Fixed assets and depreciation*

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures	-	15% per annum
Plant and equipment	-	15% per annum
Computer equipment	-	33 $\frac{1}{3}$ % per annum

No depreciation is provided on trading property on the basis that the directors consider it essential to maintain the buildings to such a standard that their residential values are at least equal to their book value.

#### *Leases*

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

#### *Stocks*

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

## Notes (continued)

### Accounting policies (continued)

#### **Taxation**

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### **Turnover**

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services during the period. Turnover is attributed to the provision of nursing and residential home facilities for the care of the elderly frail and learning disability clients.

### 2 Profit on ordinary activities before taxation

	8 months to 28 February 1998 £	9 months to 30 June 1997 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration	-	-
Depreciation and other amounts written off tangible fixed assets:		
Owned	15,826	7,809
Hire of equipment - rentals payable under operating leases	2,133	3,189
	<hr/>	<hr/>

The auditors' remuneration is discharged by Speciality Care Limited (formerly Speciality Care PLC), the parent company.

### 3 Remuneration of directors

	8 months to 28 February 1998 £	9 months to 30 June 1997 £
Directors' emoluments:		
As directors	-	-
	<hr/>	<hr/>

## Notes (continued)

### 4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	8 months to 28 February 1998	9 months to 30 June 1997
Directors	3	3
Health care (including part time employees)	28	29
	<hr/>	<hr/>
	31	32
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	8 months to 28 February 1998 £	9 months to 30 June 1997 £
Wages and salaries	112,062	126,065
Social security costs	6,129	6,713
	<hr/>	<hr/>
	118,191	132,778
	<hr/>	<hr/>

### 5 Interest payable and similar charges

	8 months to 28 February 1998 £	9 months to 30 June 1997 £
Bank interest	-	157
	<hr/>	<hr/>

### 6 Taxation

	8 months to 28 February 1998 £	9 months to 30 June 1997 £
Group relief payable at 31% (1997 : 32½%) - current period	9,823	16,938
Group relief receivable at 31% - prior period	(1,714)	-
Deferred taxation at 31% - prior period	(2,000)	2,000
	<hr/>	<hr/>
	6,109	18,938
	<hr/>	<hr/>

## Notes (continued)

### 7 Tangible fixed assets

	Land and buildings £	Plant and equipment £	Total £
<b>Cost</b>			
At beginning of period	991,469	151,722	1,143,191
Additions	-	2,988	2,988
Disposals	-	(881)	(881)
	<hr/>	<hr/>	<hr/>
At end of period	991,469	153,829	1,145,298
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At beginning of period	186,513	90,872	277,385
Charge for period	-	15,826	15,826
	<hr/>	<hr/>	<hr/>
At end of period	186,513	106,698	293,211
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 28 February 1998	804,956	47,131	852,087
	<hr/>	<hr/>	<hr/>
At 30 June 1997	804,956	60,850	865,806
	<hr/>	<hr/>	<hr/>

### 8 Stocks

	28 February 1998 £	30 June 1997 £
Food, cleaning and sundry stocks	1,469	1,533
	<hr/>	<hr/>

### 9 Debtors

	28 February 1998 £	30 June 1997 £
Trade debtors	10,842	4,382
Other debtors	10	-
Prepayments and accrued income	3,275	3,921
	<hr/>	<hr/>
	14,127	8,303
	<hr/>	<hr/>

## Notes (continued)

### 10 Creditors: amounts falling due within one year

	28 February 1998	30 June 1997
	£	£
Trade creditors	2,674	8,541
Amounts due to parent and fellow subsidiary undertakings	832,328	853,304
Other creditors	34,113	41,407
Accruals and deferred income	17,371	10,138
	<u>886,486</u>	<u>913,390</u>

### 11 Provision for liabilities and charges

The amounts provided for deferred taxation and the amount not provided are set out below

	28 February 1998		30 June 1997	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Difference between accumulated depreciation and amortisation and capital allowances	-	-	2,000	-
	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>-</u>

### 12 Called up equity share capital

	28 February 1998	30 June 1997
	£	£
<b>Authorised</b>		
Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid:</b>		
Ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

## Notes (continued)

### 13 Reserves

	28 February 1998 £	30 June 1997 £
At beginning of period	37,976	-
Retained profit for the period	20,370	37,976
	<hr/>	<hr/>
At end of period	58,346	37,976
	<hr/>	<hr/>

### 14 Contingent liability

The company has entered into a cross guarantee with its bankers and Speciality Care Limited (formerly Speciality Care PLC) and other subsidiary undertakings. The contingent liability at 28 February 1998 was £2,188,538.

### 15 Ultimate parent company

Craegmoor Healthcare Company Limited, a company registered in England and Wales, is the company's ultimate parent company.