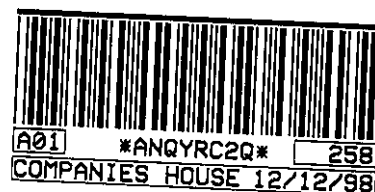


**Specialised Courses Offering
Purposeful Education Limited**

Directors' report and financial statements

28 February 1998

Registered number 2485984



Directors' report and financial statements

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Directors' report

The directors present their report and the audited financial statements for the period ended 28 February 1998.

Results and dividends

The loss for the period after taxation was £18,310.

The directors do not recommend the payment of a final dividend for the period.

Business review

The results for the period are as set out in the profit and loss account on page 4.

Directors and their interests

The directors of the company during the period were as follows:

M Stratford (appointed 26 February 1998)

G Blackoe (appointed 26 February 1998)

TF Nicholson (appointed 6 January 1997)

AL Robinson (resigned 26 February 1998)

DG Cormack (appointed 21 October 1997, 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 parent company Speciality Care Limited (formerly Speciality Care PLC) are disclosed in the financial statements if that company.

Auditors

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

By order of the board



M Stratford

Director

Hillcainie
St Andrews Road
DROITWICH
Worcestershire
WR9 8DJ

13 October 1998

Statement of 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 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 Specialised Courses Offering Purposeful Education Limited

We have audited the financial statements on pages 4 to 11.

Respective responsibilities of directors and auditors

As described on page 2 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 then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

13 October 1998

Profit and loss account
for the period ended 28 February 1998

	Note	8 months ended 28 February 1998		6 months ended 30 June 1997	
		£	£	£	£
Turnover	2		610,325		386,651
Staff costs	4	271,097		168,067	
Depreciation		7,266		4,017	
Other operating charges		353,618		167,349	
			(631,981)		(339,433)
Operating (loss)/profit	3		(21,656)		47,218
Interest payable	5		(34)		-
(Loss)/profit on ordinary activities before taxation			(21,690)		47,218
Tax on (loss)/profit on ordinary activities	6		3,380		(18,359)
(Loss)/profit for the financial period			(18,310)		28,859
Dividends	7		-		-
Retained (loss)/profit for the financial period			(18,310)		28,859
Retained profit brought forward			90,283		61,424
Retained profit for the period carried forward			71,973		90,283

The profit and loss account contains all the gains and losses recognised in the current and preceding periods and the profit retained in those periods represents the only movement in shareholders' funds.

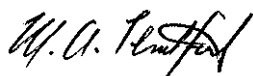
Reconciliation of movements in shareholders funds
for the period ended 28 February 1998

	8 months ended 28 February 1998	6 months ended 30 June 1997
	£	£
(Loss)/profit for the financial period	(18,310)	28,859
Dividend	-	-
Opening shareholders' funds	(18,310) 92,283	28,859 63,424
Closing shareholders funds	73,973	92,283

Balance sheet
at 28 February 1998

	<i>Note</i>	28 February 1998		30 June 1997	
		£	£	£	£
Fixed assets					
Tangible assets	8		56,698		49,735
Current assets					
Stocks	9	1,525		1,410	
Debtors	10	365,168		248,907	
Cash at bank and in hand		2,275		1,775	
		<u>368,968</u>		<u>252,092</u>	
Creditors: amounts falling due within one year	11	<u>(351,693)</u>		<u>(207,544)</u>	
Net current assets			<u>17,275</u>		<u>44,548</u>
Total assets less current liabilities			<u>73,973</u>		<u>94,283</u>
Provisions for liabilities and charges	12		-		(2,000)
Net assets			<u>73,973</u>		<u>92,283</u>
Capital and reserves					
Called up share capital	13	2,000		2,000	
Profit and loss account		71,973		90,283	
Equity Shareholders' funds			<u>73,973</u>		<u>92,283</u>

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, Speciality Care Limited (formerly Speciality Care PLC), 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.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary of Speciality Care Limited and its cash flows are included within the consolidated cash flow statement of that company.

Fixed assets and depreciation

Depreciation is provided 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:

Freehold buildings	-	3.33% per annum
Plant, equipment and motor vehicles	-	15% per annum to 33.33% per annum

No depreciation is provided on freehold land.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

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.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

2 Turnover

The turnover and pre-tax profit are wholly attributable to the company's main activity.

The turnover arises entirely in the UK.

3 Operating (loss)/profit

	Period ended 28 February 1998	Period ended 30 June 1997
	£	£
This is stated after charging/(crediting):		
Directors' remuneration	-	-
Auditors' remuneration - audit services	-	-
Depreciation	7,226	4,017
Hire of plant and equipment	474	205
Operating lease rentals	151,370	103,717
	<hr/>	<hr/>

The auditors' remuneration is discharge by Speciality Care Limited the parent company.

Notes (continued)

4 Employee information

	Period ended 28 February 1998 £	Period ended 30 June 1997 £
Staff costs:		
Wages and salaries	249,192	153,161
Social security costs	22,873	12,981
Other pension costs	(968)	1,925
	<hr/> 271,097 <hr/>	<hr/> 168,067 <hr/>

The average weekly number of employees during the period was made up as follows:

	Period ended 28 February 1998 No	Period ended 30 June 1997 No
Directors	3	4
Health care	55	36
	<hr/> 58 <hr/>	<hr/> 40 <hr/>

5 Interest payable

	Period ended 28 February 1998 £	Period ended 30 June 1997 £
Bank overdrafts repayable within 5 years	34	-
	<hr/>	<hr/>

6 Taxation

	Period ended 28 February 1998 £	Period ended 30 June 1997 £
Based on the loss/profit on ordinary activities for the period:		
UK corporation tax at 31% (1997 : 25%/24%)	-	-
Deferred taxation:		
- Current year	(1,933)	239
- Prior year	(67)	1,761
Group relief		
- Current year	-	16,359
- Prior year	(1,380)	-
	<hr/> (3,380) <hr/>	<hr/> 18,359 <hr/>

Notes (continued)

7 Dividends

	Period ended 28 February 1998 £	Period ended 30 June 1997 £
Interim dividend paid: £Nil (30 June 1997 : £Nil) per share	-	-

8 Tangible fixed assets

	Property £	Fixtures and fittings £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At 1 July 1997	19,930	190	7,975	35,760	63,855
Additions	104,511	29,877	4,282	-	138,670
Disposals	(124,441)	-	-	-	(124,441)
At 28 February 1998	-	30,067	12,257	35,760	78,084
Depreciation:					
At 1 July 1997	-	4	1,121	12,995	14,120
Charge for period	-	1,180	2,270	3,816	7,266
On disposals	-	-	-	-	-
At 28 February 1998	-	1,184	3,391	16,811	21,386
Net book value:					
At 28 February 1998	-	28,883	8,866	18,949	56,698
At 30 June 1997	19,930	186	6,854	22,765	49,735

9 Stocks

	28 February 1998 £	30 June 1997 £
Raw materials and consumables	1,525	1,410

Notes (continued)

10 Debtors

	28 February 1998 £	30 June 1997 £
Trade debtors	42,826	36,476
Tax recoverable	7,884	7,884
Amounts owed to group undertakings	288,433	178,110
Other debtors	21,655	23,058
Prepayments	4,370	3,379
	<hr/> 365,168 <hr/>	<hr/> 248,907 <hr/>

11 Creditors: amounts falling due within one year

	28 February 1998 £	30 June 1997 £
Bank overdrafts	40,197	5,728
Trade creditors	7,986	4,495
Other taxes and social security costs	11,342	11,342
Other creditors	40,200	37,590
Accruals and deferred income	251,968	148,389
	<hr/> 351,693 <hr/>	<hr/> 207,544 <hr/>

12 Provisions for liabilities and charges

The amount provided for deferred taxation, which is fully provided for, is as set out below:

	28 February 1998 £	30 June 1997 £
Difference between accumulated depreciation and capital allowances	3,000	2,000
Unrelieved losses	(3,000)	-
	<hr/> - <hr/>	<hr/> 2,000 <hr/>
		Deferred taxation £
At beginning of period		2,000
Charge for period (note 6)		(2,000)
At end of period		<hr/> - <hr/>

Notes (continued)

13 Called up share capital

	Authorised		Allotted and fully paid	
	28 February 1998 No.	30 June 1997 No.	28 February 1998 No.	30 June 1997 No.
Ordinary shares of £1 each	50,000	50,000	2,000	2,000

14 Related party disclosures

Until 5 January 1997 the company was controlled by Mr P Adams and Mrs B Adams. Throughout the period to 5 January 1997 the company operated rent free from premises owned by Mr PD Adams and Mrs B Adams.

15 Ultimate parent company

Following the acquisition of the share capital of the company by Speciality Care (Medicare) Limited with effect from 6 January 1997, Speciality Care PLC was the ultimate parent company. With effect from 26 February 1998, Craegmoor Healthcare Company Limited is the ultimate parent company.

16 Commitments

Annual commitments of the company under non-cancellable operating leases are as follows:

	Land and buildings	
	28 February 1998 £	30 June 1997 £
Operating leases which expire:		
Over five years	227,700	214,500