

Registered no: 2804493

Fulford Grange Medical Centre Limited
Annual report
for the year ended 29 September 1996



Fulford Grange Medical Centre Limited

Annual report for the year ended 29 September 1996

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Fulford Grange Medical Centre Limited

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Directors and advisers

Executive directors

G Smith
(Chairman)

I Fozard
E Millard
Dr I P Reynolds

Registered Auditors

Coopers & Lybrand
Benson House
33 Wellington Street
LEEDS
LS1 4JP

Secretary and registered office

D R Morris
Bridge House
Outwood Lane
Horsforth
LEEDS
LS18 4UP

Solicitors

Walker Morris
Kings Court
12 King Street
LEEDS
LS1 2HL

Bankers

National Westminster Bank Plc
PO Box 154
8 Park Row
LEEDS
LS1 1QS

Directors' report for the year ended 29 September 1996

The directors present their report and the audited financial statements for the year ended 29 September 1996.

Principal activity and review of business

The principal activity of the company during the year was the operation of an acute, surgical, medical and psychiatric hospital servicing the Yorkshire area, situated in Leeds.

In December 1996 the acute medical and surgical facility at this hospital was closed to focus on expanding as a specialist psychiatric hospital. Details of the associated costs are shown in note 6 to the accounts. The directors believe that the company is now well placed to achieve improved results in the future.

Dividends and transfers to reserves

The retained loss for the year of £650,000 (1995: profit of £4,000) will be deducted from reserves. The directors do not recommend the payment of a dividend.

Directors

The directors of the company at 29 September 1996, all of whom have been directors for the whole of the year ended on that date; except as noted below, were as follows:

G Smith	
D Wakefield	(resigned 21 June 1996)
I Fozard	
I P Reynolds	(appointed 21 November 1995, resigned 13 February 1996, appointed 21 June 1996)
D Noon	(appointed 23 February 1996, resigned 21 June 1996)
E Millard	(appointed 21 June 1996)

Fixed assets

Movements in tangible fixed assets during the year are shown in note 8 to the financial statements.

Directors interests

The directors had no interest in the shares of the company at 29 September 1996 or at any time during the year.

Fulford Grange Medical Centre Limited

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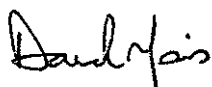
Taxation status

In the opinion of the directors the company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Auditors

Coopers & Lybrand were appointed as auditors on 5 November 1996, a resolution to reappoint them will be proposed at the annual general meeting.

By order of the board



D R Morris
Company Secretary
Leeds
14 February 1997

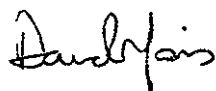
Statement of directors' responsibilities

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 period.

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 29 September 1996. The directors also confirm that applicable accounting standards have been followed and 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.

By order of the board



D R Morris
Company Secretary
14 February 1997

Report of the auditors to the members of Fulford Grange Medical Centre Limited

We have audited the financial statements on pages 6 to 17.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the 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.

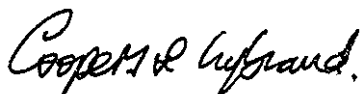
Basis of opinion

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 at 29 September 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Leeds
21 March 1997

**Profit and loss account
for the year ended 29 September 1996**

	Notes	1996 £'000	1995 £'000
Turnover			
Continuing operations	2	540	565
Discontinued operations	2	1,018	1,103
Total turnover		<u>1,558</u>	<u>1,668</u>
Cost of sales			
Continuing operations		(362)	(358)
Discontinued operations		(1,078)	(1,097)
Gross profit		<u>118</u>	<u>213</u>
Administrative expenses			
Continuing operations		(82)	(45)
Discontinued operations		(282)	(164)
		<u>(246)</u>	<u>4</u>
Operating (loss)/profit			
Continuing operations		96	162
Discontinued operations		(342)	(158)
Total operating (loss)/profit		<u>(246)</u>	<u>4</u>
Loss on termination of operations	6	<u>(404)</u>	<u>-</u>
(Loss)/profit on ordinary activities before taxation	5	<u>(650)</u>	<u>4</u>
Taxation	7	<u>-</u>	<u>-</u>
(Deficit)/retained profit for the year	15	<u><u>(650)</u></u>	<u><u>4</u></u>

There are no recognised gains or losses other than these included in the profit and loss account above and, therefore, no separate statement of total recognised gains and losses has been presented.

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

Fulford Grange Medical Centre Limited

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Balance sheet at 29 September 1996

	Notes	1996 £'000	1995 £'000
Fixed assets			
Tangible assets	8	4,260	4,243
Current assets			
Stocks	9	81	92
Debtors	10	277	292
Cash at bank and in hand	18	44	1
		402	385
Creditors: amounts falling due within one year	11	(1,417)	(729)
Net current liabilities		(1,015)	(344)
Total assets less current liabilities		3,245	3,899
Creditors: amounts falling due after more than one year	12	(3,767)	(3,771)
Net (liabilities)/assets		(522)	128
Capital and reserves			
Called-up share capital	14	300	300
Profit and loss account	15	(822)	(172)
Equity shareholders' funds	16	(522)	128

The financial statements on pages 6 to 17 were approved by the board of directors on 14 February 1997 and were signed on its behalf by:


Dr I P Reynolds
Director


G Smith
Director

Cash flow statement for the year ended 29 September 1996

	Notes	29 September 1996 £'000	1 October 1995 £'000
Net cash inflow from operating activities	17	151	91
Net cash outflow from investing activities			
Purchase of tangible fixed assets		(104)	(100)
Net cash inflow/(outflow) before financing		47	(9)
Financing			
Issue of ordinary share capital		-	300
Repayment of related company loan		-	(1,000)
Issue of secured Loan Stock (2003)		-	700
Repayment of capital element of finance lease rentals	12	(4)	(1)
Net cash outflow from financing		(4)	(1)
Increase/(decrease) in cash and cash equivalents	18	43	(10)

Notes to the financial statements for the year ended 29 September 1996

1 Principal accounting policies

The company is dependant on continuing finance being made available from its related holding companies. The related holding companies have agreed to provide sufficient funds to the company for these purposes. The directors believe that it is therefore appropriate to prepare the accounts on a going concern basis.

Basis of accounting

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.

Tangible fixed assets

Movements in fixed assets during the period are shown in the notes to the accounts.

Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over their expected useful lives, as follows:

Fixtures, fittings and equipment	10% - 20%
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No depreciation is provided on freehold properties. It is the company's practice to maintain these properties in an continued state of sound repair and to extend and make improvements thereof from time to time that accordingly the directors consider that the lives of these properties are so long and residual values, based on prices prevailing at the time of acquisition or subsequent balances are so high that their depreciation is insignificant. Any permanent diminution in the value of such properties is charged to the profit and loss account.

Consumable stocks

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

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Pension costs

The company operates both a defined contribution and a defined benefit pension scheme, both of which require contributions to be made to separately administered funds. Contributions to these funds are charged to the profit and loss account so as to spread the cost of pensions over the employees working lives within the company. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension costs, which are identified as a result of actuarial variations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

2 Turnover and (loss)/profit on ordinary activities before taxation

Turnover, which is stated net of discounts, represents amounts invoiced to third parties for the provision of medical care. Turnover and (loss)/profit on ordinary activities before taxation arose from the provision of medical care in the United Kingdom.

3 Directors' emoluments

No remuneration was paid to directors in the year (1995: £Nil).

4 Employee information

The average weekly number of persons (including executive directors) employed during the year was:

	1996 Number	1995 Number
By job type:		
Clinical	31	39
Non clinical	23	22
	<u>54</u>	<u>61</u>
	<u><u>54</u></u>	<u><u>61</u></u>
	1996	1995
	£'000	£'000
Staff costs (for the above persons):		
Wages and salaries	737	874
Social security costs	61	57
Other pension costs (note 20)	16	30
	<u>814</u>	<u>961</u>
	<u><u>814</u></u>	<u><u>961</u></u>

The company has unutilised trading losses of £137,000 (1995: £Nil) available for surrender to consortium shareholders.

8 Tangible fixed assets

	Freehold land and buildings £	Fixtures and fittings £	Total £
Cost			
At 2 October 1995	3,877	512	4,389
Additions	28	76	104
Disposals	-	(1)	(1)
	<u>3,905</u>	<u>587</u>	<u>4,492</u>
At 29 September 1996			
Depreciation			
At 2 October 1995	-	146	146
Charge for the year	-	87	87
Disposals	-	(1)	(1)
	<u>-</u>	<u>232</u>	<u>232</u>
At 29 September 1996			
Net book value			
At 29 September 1996	<u>3,905</u>	<u>355</u>	<u>4,260</u>
Net book value			
At 1 October 1995	<u>3,877</u>	<u>366</u>	<u>4,243</u>

The net book value of fixtures and fittings includes an amount of £23,000 (1995: £25,000) in respect of assets held under finance leases.

9 Stocks

	1996 £'000	1995 £'000
Consumables	<u>81</u>	<u>92</u>

10 Debtors

	1996 £'000	1995 £'000
Trade debtors	220	263
Prepayments and accrued income	36	25
Other debtors	21	4
	<u>277</u>	<u>292</u>

Other debtors includes prepaid pension contributions of £1,000 (1995: £4,000).

11 Creditors: amounts falling due within one year

	1996 £'000	1995 £'000
Trade creditors	946	636
Obligation under finance leases (note 12)	4	4
Other taxes and social security costs	20	35
Accruals	43	54
Provision for closure costs of acute medical and surgical services	404	-
	<u>1,417</u>	<u>729</u>

Trade creditors include £788,000 (1995: £508,000) owed to related companies which are secured by debentures creating fixed and floating charges over the company's property, assets and undertaking.

12 Creditors: amounts falling due after more than one year

	1996 £'000	1995 £'000
Loan Stock (2003) repayable after five years other than by instalments	3,750	3,750
Obligations under finance leases	17	21
	<u>3,767</u>	<u>3,771</u>

The Loan Stock 2003 is secured by debentures creating fixed and floating charges over the company's property, assets and undertaking which have been entered into by the company in favour of Goldsborough Limited and Nottcor 6 Limited, a subsidiary of Priory Hospitals Group Limited. No interest is payable on the Loan Stock.

Obligations under finance lease contracts

	1996 £'000	1995 £'000
Amounts payable within:		
One year	7	7
Two to five years	21	28
	<u>28</u>	<u>35</u>
Less interest relating to future finance periods	(7)	(10)
	<u>21</u>	<u>25</u>
Finance leases are analysed as follows:		
Creditors: amounts falling due within one year	4	4
amounts falling due after more than one year	17	21
	<u>21</u>	<u>25</u>

Analysis of changes in finance leases during the current and previous years:

	1996 £'000	1995 £'000
At 1 October 1995	25	-
Inception of finance lease contracts	-	26
Capital element of finance lease rental payments	(4)	(1)
	<u>21</u>	<u>25</u>

13 Provision for liabilities and charges

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	Provided		Not provided	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Capital allowances in advance of depreciation	4	67	-	-
Tax losses	(4)	(67)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

14 Called up share capital

	Allotted, called up and fully paid		Authorised	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
"A" Ordinary £1 shares	150	150	250	250
"B" Ordinary £1 shares	150	150	250	250
	<u>300</u>	<u>300</u>	<u>500</u>	<u>500</u>

15 Profit and loss account

	£'000 £
At 2 October 1995	(172)
Deficit for the year	<u>(650)</u>
At 29 September 1996	<u>(822)</u>

16 Reconciliation of movements in shareholders' funds

	1996 £'000	1995 £'000
Opening shareholders' funds	128	(176)
Shares issued during the year	-	300
(Deficit)/retained profit attributable to shareholders	<u>(650)</u>	<u>4</u>
Closing shareholders' funds	<u>(522)</u>	<u>128</u>

17 Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	1996 £'000	1995 £'000
Operating (loss)/profit	(246)	4
Depreciation	87	68
Decrease/(increase) in debtors	15	(100)
Decrease/(increase) in stocks	11	(19)
Increase in creditors	<u>284</u>	<u>138</u>
Net cash inflow from operating activities	<u>151</u>	<u>91</u>

18 Cash and cash equivalents

	1996 £'000	1995 £'000
Cash		
At 1 October 1995	1	11
Net cash inflow/(outflow)	43	(10)
	<u>44</u>	<u>1</u>
At 29 September 1996	<u>44</u>	<u>1</u>
Made up of		
Cash at bank	44	1
	<u>44</u>	<u>1</u>

19 Pension commitments

The company operates a defined benefit pension scheme for eligible employees, which is now closed to new entrants. The scheme will be wound up with effect from 31 December 1996 following the decision to close the acute medical and surgical facility. In addition, certain employees of the company participate in a money purchase scheme operated by Goldsborough Limited, and the company contributes to certain personal pension schemes.

The assets of the defined benefit scheme are held separately from those of the company. This fund is under the control of trustees and is managed by an insurance company. The last actuarial valuation of the scheme was carried out as at 1 September 1995 and concluded that the scheme was adequately funded. On an ongoing basis, and not on a discontinued basis, the scheme would have had a solvency ratio of 94%. The pension cost charge is determined by the independent, professionally qualified actuaries using the attained age method. The assumptions which have the most significant effect on the results are those relating to the rate of return on investments and the rate of increases in salaries and pensions. It was assumed that the difference between the rate of return on investments and the level of salary increases would be 2% per annum and that the rate of pension increases would be nil. The market value of the scheme at the valuation date was £204,000.

The total pension cost of the company in the year amounted to £23,000 (1995; £20,000).

20 Other financial commitments

At 29 September 1996 the company had annual commitments under non-cancellable operating leases as follows:

	1996		1995	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire in over five years	-	6	-	6
	<u>-</u>	<u>6</u>	<u>-</u>	<u>6</u>

21 Contingent liability

The company has entered into a legal agreement under which further additional payments would be made to Goldsborough Limited in the event of the company obtaining planning permission to develop further the freehold properties acquired from that company. The agreement terminates on 7 May 1998.

22 Related companies

The company's share capital and Loan Stock (2003) is held in equal proportions by Goldsborough Limited and Nottcor 6 Limited, a subsidiary of Priory Hospitals Group Limited. Both companies are registered in England.