

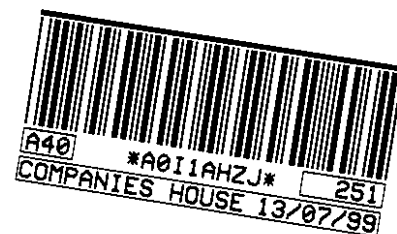


**FULFORD GRANGE MEDICAL CENTRE  
LIMITED**

**Report and Financial Statements**

**Year ended 30 November 1998**

**Deloitte & Touche  
Hill House  
1 Little New Street  
London EC4A 3TR**



**REPORT AND FINANCIAL STATEMENTS 1998**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>3</b>
<b>Auditors' report</b>	<b>4</b>
<b>Profit and loss account</b>	<b>5</b>
<b>Balance sheet</b>	<b>6</b>
<b>Cash flow statement</b>	<b>7</b>
<b>Notes to the accounts</b>	<b>8</b>



**REPORT AND FINANCIAL STATEMENTS 1998**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

G Smith (Chairman)  
M Ellerby (appointed 5 October 1998)  
I Fozard (resigned 5 October 1998)  
E A Millard  
C J Sandham

**SECRETARY**

A D Walford

**REGISTERED OFFICE**

Bridge House  
Outwood Lane  
Horsforth  
Leeds LS18 4UP

**BANKERS**

National Westminster Bank plc  
P O Box 154  
8 Park Row  
Leeds LS1 1QS

**SOLICITORS**

Walker Morris  
Kings Court  
12 King Street  
Leeds LS1 2HL

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Hill House  
1 Little New Street  
London EC4A 3TR

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for year ended 30 November 1998.

**PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS**

The principal activity of the company was the operation of a psychiatric hospital servicing the Yorkshire area, situated in Leeds. Adverse trading conditions resulted in the decision to close the company on 16 November 1997. Following an orderly rundown, the company ceased to trade on 16 December 1997. Provisions for an orderly closure of the company were made in the accounts to 30 November 1997. Additional provisions were made in the accounts to 30 November 1998.

**DIVIDENDS**

The loss for the year of £286,000 (1997 - loss of £3,546,000) will be deducted from reserves. The directors do not recommend the payment of a dividend (1997 - £nil).

**DIRECTORS AND THEIR INTERESTS**

The directors of the company who served during the year ended 30 November 1998, are listed on page 1.

The directors had no interest in the shares of the company at 30 November 1998 or at any time during the year.

**EVENT OCCURRING AFTER THE END OF YEAR**

On 29 January 1999 the company sold its freehold property to Professional Management Services Limited, a subsidiary of The British United Provident Association Limited, a related company ultimately owning 50% of the company's share capital.

**AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

A D Walford  
Company Secretary

1st July 1999

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which 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. 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;
- prepare the financial statements on a 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 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' REPORT TO THE MEMBERS OF FULFORD GRANGE MEDICAL CENTRE LIMITED

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on page 8.

### 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 30 November 1998 and of its loss for the year to 30 November 1998 and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and  
Registered Auditors

5 May 1999


**PROFIT AND LOSS ACCOUNT**  
**Year ended 30 November 1998**

	Note	Year ended 30 November 1998 £'000	14 months ended 30 November 1997 £'000
<b>TURNOVER</b>			
Discontinued operations	2	-	722
<b>Total turnover</b>		-	722
<b>Cost of sales</b>			
Discontinued operations		-	(502)
<b>GROSS PROFIT</b>		-	220
<b>Administrative expenses</b>			
Discontinued operations		-	(866)
<b>Operating loss</b>			
Discontinued operations		-	(646)
Less 1996 provision		-	404
<b>TOTAL OPERATING LOSS</b>		-	(242)
Loss on termination of operations		(496)	(240)
Less 1997 provision		240	-
	5	(256)	(240)
Provision for permanent diminution in value of tangible fixed assets	7	(30)	(3,064)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION</b>	2,4,6,13	<u>(286)</u>	<u>(3,546)</u>

There are no recognised gains or losses other than those 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 loss on ordinary activities before taxation and the loss for the period stated above and their historical cost equivalents.


**BALANCE SHEET**  
**30 November 1998**

	Note	1998 £'000	1997 £'000
<b>FIXED ASSETS</b>			
Tangible assets	7	800	974
<b>CURRENT ASSETS</b>			
Debtors	8	1	38
Cash at bank and in hand		15	18
		16	56
<b>CREDITORS: amounts falling due within one year</b>	9	(1,413)	(1,337)
<b>NET CURRENT LIABILITIES</b>		(1,397)	(1,281)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(597)	(307)
<b>CREDITORS: amounts falling due after more than one year</b>	10	(3,757)	(3,761)
<b>NET LIABILITIES</b>		(4,354)	(4,068)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	300	300
Profit and loss account	13	(4,654)	(4,368)
<b>EQUITY SHAREHOLDERS' DEFICIT</b>	14	(4,354)	(4,068)

These financial statements were approved by the Board of Directors on 15 July, 1999.

Signed on behalf of the Board of Directors

  
C J Sandham  
Director




**CASH FLOW STATEMENT**  
**Year ended 30 November 1998**

	Note	Year ended 30 November 1998 £'000	14 months ended 30 November 1997 £'000
Net cash outflow from operating activities	15	(218)	(475)
Returns on investments and servicing of finance			
Interest element of finance lease rental payments		(2)	(3)
Capital expenditure			
Payments to acquire tangible fixed assets		-	(2)
Receipts from sales of fixed assets		5	136
Net cash inflow from capital expenditure		5	134
Cash outflow before financing		(215)	(344)
Financing	16	212	318
Decrease in cash	17, 18	(3)	(26)

**NOTES TO THE ACCOUNTS**  
**Year ended 30 November 1998****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Depreciation**

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Fixtures, fittings, and equipment	10% - 20%
-----------------------------------	-----------

No depreciation is provided on freehold properties. It is the company's practice to maintain these properties in a continued state of sound repair and to extend and make improvements thereof from time to time and 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.

**Deferred taxation**

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

**Pension costs**

The company operated both a defined contribution and a defined benefit pension scheme, both of which required contributions to be made to separately administered funds. Contributions to these funds were charged to the profit and loss account so as to spread the cost of pensions over the employees' 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 valuations, were 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 were treated as either provisions or prepayments in the balance sheet.

**2. TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

Turnover, which was stated net of discounts, represented amounts invoiced to third parties for the provision of medical care. Turnover and loss on ordinary activities before taxation arose from the provision of medical care in the United Kingdom.


**NOTES TO THE ACCOUNTS**
**Year ended 30 November 1998**
**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

No remuneration was paid to directors in the year (1997 - £nil).

The average weekly number of persons (including executive directors) employed during the year was nil (1997: 46).

	Year ended 30 November 1998 £'000	14 months ended 30 November 1997 £'000
Staff costs during the period (including executive directors)		
Wages and salaries	-	638
Social security costs	-	40
Pension costs	-	14
	<u>-</u>	<u>692</u>

**4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

	Year ended 30 November 1998 £'000	14 months ended 30 November 1997 £'000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation	-	39
Auditors' remuneration - audit fees	3	7
Hire of plant and machinery - operating leases	-	1
	<u>-</u>	<u>1</u>

**5. LOSS ON TERMINATION OF OPERATIONS**

The loss on termination of operations is made up of:

	Year ended 30 November 1998 £'000	14 months ended 30 November 1997 £'000
Provision for future losses arising per closure	119	180
Loss on sale of fixed assets and stock	137	25
Write off of bad debts	-	35
	<u>256</u>	<u>240</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 30 November 1998**
**6. TAXATION**

The company has incurred a loss for the period. To the extent the loss is deductible it will be surrendered to shareholders as group relief for no consideration.

**7. TANGIBLE FIXED ASSETS**

	Freehold land and buildings £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>			
At 1 December 1997	830	223	1,053
Disposals	-	(223)	(223)
Provision for permanent diminution in value	(30)	-	(30)
	<hr/>	<hr/>	<hr/>
At 30 November 1998	800	-	800
	<hr/>	<hr/>	<hr/>
At 1 December 1997	-	79	79
Disposals	-	(79)	(79)
	<hr/>	<hr/>	<hr/>
At 30 November 1998	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 November 1998	800	-	800
	<hr/>	<hr/>	<hr/>
At 30 November 1997	830	144	974
	<hr/>	<hr/>	<hr/>

The net book value of fixtures and fittings includes an amount of £nil (1997 - £20,000) in respect of assets held under finance leases.

**8. DEBTORS**

	1998 £'000	1997 £'000
Trade debtors	1	18
Prepayments and accrued income	-	19
Other debtors	-	1
	<hr/>	<hr/>
	1	38
	<hr/>	<hr/>


**NOTES TO THE ACCOUNTS**
**Year ended 30 November 1998**
**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1998 £'000	1997 £'000
Debenture loans	1,327	1,111
Trade creditors	-	21
Obligation under finance leases (note 10)	5	5
Taxes and social security costs	-	9
Accruals	-	11
Provision for future losses	81	180
	<u>1,413</u>	<u>1,337</u>

£1,327,000 (1997 - £1,111,000) is owed to related companies which is secured by debentures creating fixed and floating charges over the company's property, assets and undertaking.

**10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1998 £'000	1997 £'000
Loan stock 2003 repayable after five years other than by instalments	3,750	3,750
Obligation under finance leases	7	11
	<u>3,757</u>	<u>3,761</u>

The loan stock 2003 is secured by debentures creating fixed and floating charges over the company's property, assets and undertakings which have been entered into by the company in favour of Goldsborough Limited and Nottcor 6 Limited, the company's direct shareholders. No interest is payable on the loan stock.

**Obligations under finance lease contracts**

	1998 £'000	1997 £'000
Amounts payable within:		
One year	6	7
Two to five years	9	12
	<u>15</u>	<u>19</u>
Less interest relating to future finance periods	(3)	(3)
	<u>12</u>	<u>16</u>
Finance leases are analysed as follows:		
Creditors: amounts falling due within one year	5	5
amounts falling due after more than one year	7	11
	<u>12</u>	<u>16</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 30 November 1998**
**10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)**

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

	1998 £'000	1997 £'000
At 1 December	16	21
Capital element of finance lease rental payments	(4)	(5)
At 30 November	<u>12</u>	<u>16</u>

**11. PROVISIONS FOR LIABILITIES AND CHARGES**

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

	Provided 1998 £'000	Not Provided 1998 £'000	Provided 1997 £'000	Not Provided 1997 £'000
Capital allowances in advance of depreciation	-	-	9	-
Tax losses	-	-	(9)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**12. CALLED UP SHARE CAPITAL**

	1998 £'000	1997 £'000
<b>Authorised:</b>		
250 'A' ordinary shares of £1 each	250	250
250 'B' ordinary shares of £1 each	250	250
	<u>500</u>	<u>500</u>
<b>Called up, allotted and fully paid:</b>		
150 'A' ordinary shares of £1 each	150	150
150 'B' ordinary shares of £1 each	150	150
	<u>300</u>	<u>300</u>

There are no differences in the rights and obligations attaching to the 'A' and 'B' ordinary shares.

**13. PROFIT AND LOSS ACCOUNT**

	£'000
At 1 December 1997	(4,368)
Deficit for the year	(286)
At 30 November 1998	<u>(4,654)</u>


**NOTES TO THE ACCOUNTS**
**Year ended 30 November 1998**
**14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT**

	1998 £'000	1997 £'000
Opening shareholders' deficit	(4,068)	(522)
Deficit attributable to shareholders	(286)	(3,546)
Closing shareholders' deficit	<u>(4,354)</u>	<u>(4,068)</u>

**15. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	Year ended 30 November 1998 £'000	14 months ended 30 November 1997 £'000
Operating loss	-	(242)
Depreciation	-	39
Finance lease interest	2	3
Decrease in stocks	-	56
Decrease in debtors	37	204
Decrease in creditors	(354)	(180)
Decrease in provision	-	(404)
Loss on disposal of fixed assets	137	49
Net cash outflow from operating activities	<u>(218)</u>	<u>(475)</u>

**16. FINANCING**

	Year ended 30 November 1998 £'000	14 months ended 30 November 1997 £'000
Debt due within one year:		
Increase in debenture loans	216	323
Capital element of finance lease rental payments	(4)	(5)
Net cash inflow from financing	<u>212</u>	<u>318</u>


**NOTES TO THE ACCOUNTS**
**Year ended 30 November 1998**
**17. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	Year ended 30 November 1998 £'000	14 months ended 30 November 1997 £'000
Decrease in cash in the period	(3)	(26)
Cash inflow from increase in net debt	(212)	(318)
	<hr/>	<hr/>
Movement in net debt in the period	(215)	(344)
Net debt at start of period	(4,859)	(4,515)
	<hr/>	<hr/>
Net debt at end of period	(5,074)	(4,859)
	<hr/>	<hr/>

**18. ANALYSIS OF CHANGES IN NET DEBT**

	At 30 November 1997 £'000	Cash flows £'000	At 30 November 1998 £'000
Cash in hand and at bank	18	(3)	15
Debt due after one year	(3,750)	-	(3,750)
Debt due within one year	(1,111)	(216)	(1,327)
Finance leases	(16)	4	(12)
	<hr/>	<hr/>	<hr/>
	(4,859)	(215)	(5,074)
	<hr/>	<hr/>	<hr/>

**19. PENSION COMMITMENTS**

The company operated a defined benefit pension scheme for eligible employees. The scheme was 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 1998 and concluded that the scheme required an additional £27,718 to meet its estimated liabilities. Full provision was made for this amount, which was paid over to the Trustees after the year end. The market value of the scheme at the valuation date was £190,335 against the requirement of £218,053.

The total pension cost of the company in the period amounted to £27,718 (1997 - £14,000) and is included in the closure provision.



**NOTES TO THE ACCOUNTS****Year ended 30 November 1998****20. RELATED COMPANIES**

The company's share capital and loan stock 2003 is held in equal proportions by Goldsborough Limited and Nottcor 6 Limited, the company's direct shareholders. Both companies are registered in England and Wales.

During the year both British United Provident Association Limited and Priory Healthcare Limited, equal ultimate shareholders in the company, acquired certain of the company's plant and equipment at an agreed price prior to closure of the site.

**21. RESTATEMENT OF CASH FLOW STATEMENT**

The comparatives for the cash flow statement and its supporting notes have been restated due to the movement in debenture loans being recognised as a financing rather than an operating movement.

**22. EVENT OCCURRING AFTER THE END OF YEAR**

On 29 January 1999, the company sold its freehold property to Professional Management Services Limited, a subsidiary of The British United Provident Association Limited, a related company by virtue of its ownership of Goldsborough Limited, at an agreed price of £800,000.