

**Deloitte &
Touche**

Deloitte Touche
Tohmatsu



Company Registration No. 2804493

**FULFORD GRANGE MEDICAL CENTRE
LIMITED**

Report and Financial Statements

For the period ended 30 November 1997

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



**REPORT AND FINANCIAL STATEMENTS 1997**

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



REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G Smith (Chairman)
I Fozard
E Millard
I P Reynolds (resigned 27 August 1997)
C J Sandham (appointed 29 September 1997)

SECRETARY

D R Morris

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 the fourteen months ended 30 November 1997.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the company during the period was the operation of a psychiatric hospital servicing the Yorkshire area, situated in Leeds.

On 17 November 1997 the accounting reference period ending 30 September 1997 was extended so as to end on 30 November 1997.

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. Full provision for orderly closure of the company has been made in the accounts to 30 November 1997.

DIVIDENDS

The loss for the period of £3,546,000 (1996: loss of £650,000) will be deducted from reserves. The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The directors of the company at 30 November 1997, all of whom were directors for the whole of the period ended on that date, except as noted below, were as follows:

G Smith	(Chairman)
I Fozard	
E Millard	
I P Reynolds	(resigned 27 August 1997)
C J Sandham	(appointed 29 September 1997)

The directors had no interest in the shares of the company at 30 November 1997 or at any time during the period.

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

D R Morris
Company secretary

2 October 1998

**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 16 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 1997 and of its loss for the period from 30 September 1996 to 30 November 1997 and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

5 October 1998


PROFIT AND LOSS ACCOUNT
Fourteen months ended 30 November 1997

	Note	14 months ended 30 November 1997 £'000	12 months ended 29 September 1996 £'000
TURNOVER			
Discontinued operations	2	722	540
Continuing operations	2	-	1,018
Total turnover		<u>722</u>	<u>1,558</u>
Cost of sales			
Discontinued operations		(502)	(362)
Continuing operations		-	(1,078)
GROSS PROFIT		<u>220</u>	<u>118</u>
Administrative expenses			
Discontinued operations		(866)	(82)
Continuing operations		-	(282)
		<u>(646)</u>	<u>(246)</u>
Operating (loss)/profit			
Discontinued operations		(646)	96
Less 1996 provision		404	-
Continuing operations		-	(342)
TOTAL OPERATING LOSS		<u>(242)</u>	<u>(246)</u>
Provision for permanent diminution in value of property fixed assets	7	(3,064)	-
Loss on termination of operations	5	(240)	(404)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(3,546)</u>	<u>(650)</u>
Taxation	6	-	-
Loss for the period	14	<u>(3,546)</u>	<u>(650)</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 1997

	Note	30 November 1997 £'000	29 September 1996 £'000
FIXED ASSETS			
Tangible assets	7	974	4,260
CURRENT ASSETS			
Stocks	8	-	81
Debtors	9	38	277
Cash at bank and in hand		18	44
		56	402
CREDITORS: amounts falling due within one year	10	(1,337)	(1,417)
NET CURRENT LIABILITIES		(1,281)	(1,015)
TOTAL ASSETS LESS CURRENT LIABILITIES		(307)	3,245
CREDITORS: amounts falling due after more than one year	11	(3,761)	(3,767)
NET LIABILITIES		(4,068)	(522)
CAPITAL AND RESERVES			
Called up share capital	13	300	300
Profit and loss account	14	(4,368)	(822)
EQUITY SHAREHOLDERS' DEFICIT	15	(4,068)	(522)

These financial statements were approved by the Board of Directors on 2 October 1998.

Signed on behalf of the Board of Directors



C J Sandham

Director


CASH FLOW STATEMENT
Fourteen months ended 30 November 1997

	Note	14 months ended 30 November 1997 £'000	12 months ended 29 September 1996 as restated (see note 24) £'000
Net cash outflow from operating activities	16	(475)	(126)
Returns on investments and servicing of finance			
Interest element of finance lease rental payments		(3)	(3)
Capital expenditure			
Payments to acquire tangible fixed assets		(2)	(104)
Receipts from sales of fixed assets		136	-
Net cash inflow/(outflow) from capital expenditure		134	(104)
Cash outflow before financing		(344)	(233)
Financing	17	318	276
(Decrease)/increase in cash	18, 19	(26)	43

**NOTES TO THE ACCOUNTS****Fourteen months ended 30 November 1997****1. ACCOUNTING POLICIES**

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

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.

Going concern

The company is dependent 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.

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%
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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.

Stocks

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

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 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' 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, 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 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 on ordinary activities before taxation arose from the provision of medical care in the United Kingdom.


NOTES TO THE ACCOUNTS
Fourteen months ended 30 November 1997
3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

No remuneration was paid to directors in the period (1996 - £nil).

The average weekly number of persons (including executive directors) employed during the period was 46 (1996: 54).

	14 months ended 30 November 1997 £'000	12 months ended 29 September 1996 £'000
Staff costs during the period (including executive directors)		
Wages and salaries	638	737
Social security costs	40	61
Pension costs	14	16
	<u>692</u>	<u>814</u>

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	14 months ended 30 November 1997 £'000	12 months ended 29 September 1996 £'000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation	39	87
Auditors' remuneration - audit fees	7	4
- non audit fees	-	1
Hire of plant and machinery - operating leases	1	4
	<u>47</u>	<u>96</u>

5. LOSS ON TERMINATION OF OPERATIONS

The £240,000 loss on termination of operations is made up of £35,000 relating to the write off of bad debts, £25,000 relating to the write down of stock and fixed assets, and a provision of £180,000 which has been made in respect of the future losses arising from the closure of the business in December 1997.



NOTES TO THE ACCOUNTS

Fourteen months ended 30 November 1997

6. TAX ON LOSS ON ORDINARY ACTIVITIES

14 months ended 30 November 1997 £'000	12 months ended 29 September 1996 £'000
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United Kingdom corporation tax at 31% (1996 - 33%)

-	-
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The company has unutilised trading losses of £650,000 (1996 - £137,000) available for surrender to consortium shareholders.

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 30 September 1996	3,905	587	4,492
Reclassifications	(11)	11	-
Additions	-	2	2
Disposals	-	(377)	(377)
Provision for the period	(3,064)	-	(3,064)
At 30 November 1997	830	223	1,053
Accumulated depreciation			
At 30 September 1996	-	232	232
Charge for the period	-	39	39
Disposals	-	(192)	(192)
At 30 November 1997	-	79	79
Net book value			
At 30 November 1997	830	144	974
At 29 September 1996	3,905	355	4,260

The net book value of fixtures and fittings includes an amount of £20,000 (1996 - £23,000) in respect of assets held under finance leases.

8. STOCKS

	30 November 1997 £'000	29 September 1996 £'000
Consumables	-	81



NOTES TO THE ACCOUNTS

Fourteen months ended 30 November 1997

9. DEBTORS

	30 November 1997 £'000	29 September 1996 £'000
Trade debtors	18	220
Prepayments and accrued income	19	36
Other debtors	1	21
	<u>38</u>	<u>277</u>

Other debtors includes prepaid pension contributions of £nil (1996 - £1,000).

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 November 1997 £'000	29 September 1996 £'000
Debenture loans	1,111	788
Trade creditors	21	158
Obligation under finance leases (note 11)	5	4
Other taxes and social security costs	9	20
Accruals	11	43
Provision for closure costs of acute medical and surgical services	180	404
	<u>1,337</u>	<u>1,417</u>

£1,111,000 (1996 - £788,000) is owed to related companies which is secured by debentures creating fixed and floating charges over the company's property, assets and undertaking.

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30 November 1997 £'000	29 September 1996 £'000
Loan stock (2003) repayable after five years other than by instalments	3,750	3,750
Obligation under finance leases	11	17
	<u>3,761</u>	<u>3,767</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 shareholders. No interest is payable on the loan stock.



NOTES TO THE ACCOUNTS

Fourteen months ended 30 November 1997

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Obligations under finance lease contracts

	30 November 1997 £'000	29 September 1996 £'000
Amounts payable within:		
One year	7	7
Two to five years	12	21
	<u>19</u>	<u>28</u>
Less interest relating to future finance periods	(3)	(7)
	<u>16</u>	<u>21</u>
Finance leases are analysed as follows:		
Creditors: amounts falling due within one year	5	4
amounts falling due after more than one year	11	17
	<u>16</u>	<u>21</u>

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

	30 November 1997 £'000	29 September 1996 £'000
At 29 September 1996	21	25
Capital element of finance lease rental payments	(5)	(4)
At 30 November 1997	<u>16</u>	<u>21</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

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

	Provided 1997 £'000	Provided 1996 £'000	Not Provided 1997 £'000	Not provided 1996 £'000
Capital allowances in advance of depreciation	9	4	-	-
Tax losses	(9)	(4)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



NOTES TO THE ACCOUNTS
Fourteen months ended 30 November 1997

13. CALLED UP SHARE CAPITAL

	30 November 1997 £'000	29 September 1996 £'000
Authorised:		
250 'A' ordinary shares of £1 each	250	250
250 'B' ordinary shares of £1 each	250	250
	<u>500</u>	<u>500</u>
Called up, allotted and fully paid:		
150 'A' ordinary shares of £1 each	150	150
150 'B' ordinary shares of £1 each	150	150
	<u>300</u>	<u>300</u>

14. PROFIT AND LOSS ACCOUNT

	£'000
At 30 September 1996	(822)
Deficit for the period	<u>(3,546)</u>
At 30 November 1997	<u>(4,368)</u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	30 November 1997 £'000	29 September 1996 £'000
Opening shareholders' (deficit)/funds	(522)	128
Deficit attributable to shareholders	<u>(482)</u>	<u>(650)</u>
Closing shareholders' deficit	<u>(1,004)</u>	<u>(522)</u>



NOTES TO THE ACCOUNTS

Fourteen months ended 30 November 1997

16. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	14 months ended 30 November 1997 £'000	12 months ended 29 September 1996 as restated (see note 24) £'000
Operating loss	(242)	(246)
Depreciation	39	87
Finance lease interest	3	3
Decrease in stocks	56	11
Decrease in debtors	204	15
(Decrease)/increase in creditors	(180)	4
Decrease in provision	(404)	-
Loss on disposal of fixed assets	49	-
	<hr/>	<hr/>
Net cash outflow from operating activities	(475)	(126)

17. FINANCING

	14 months ended 30 November 1997 £'000	12 months ended 29 September 1996 £'000
Debt due within one year:		
Increase in debenture loans	323	280
Capital element of finance lease rental payments	(5)	(4)
	<hr/>	<hr/>
Net cash inflow from financing	318	276



NOTES TO THE ACCOUNTS

Fourteen months ended 30 November 1997

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	14 months ended 30 November 1997 £'000	12 months ended 29 September 1996 £'000
(Decrease) / increase in cash in the period	(26)	43
Cash inflow from increase in net debt	(318)	(276)
Movement in net debt in the period	(344)	(233)
Net debt at start of period	(4,515)	(4,282)
Net debt at end of period	(4,859)	(4,515)

19. ANALYSIS OF CHANGES IN NET DEBT

	At 30 September 1996 £'000	Cash flows £'000	Other changes £'000	At 30 November 1997 £'000
Cash in hand and at bank	44	(26)	-	18
Debt due after one year	(3,750)	-	-	(3,750)
Debt due within one year	(788)	(323)	-	(1,111)
Finance leases	(21)	5	-	(16)
	(4,515)	(344)	-	(4,859)

20. PENSION COMMITMENTS

The company operates a defined benefit pension scheme for eligible employees, which is now closed to new entrants. 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 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 costs 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 period amounted to £14,000 (1996 - £16,000).



NOTES TO THE ACCOUNTS

Fourteen months ended 30 November 1997

21. OTHER FINANCIAL COMMITMENTS

At 30 November 1997 the company had annual commitments under non-cancellable operating leases as follows:

	1997		1996	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire in over five years	-	-	-	6

22. CONTINGENT LIABILITIES

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 terminated on 7 May 1998. No liability now arises from this transaction.

23. RELATED COMPANIES

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

24. 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.