



CARE CONTINUUMS LIMITED

Report and Financial Statements

30 November 1997

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



REPORT AND FINANCIAL STATEMENTS 1997

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REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

I P Reynolds (resigned 27 August 1997)
E A Millard
J R W Ansdell (appointed 31 July 1997)
C J Sandham (appointed 29 September 1997)

SECRETARY

P D A Green (appointed 1 July 1997)

REGISTERED OFFICE

Broadwater Park
Denham
Uxbridge
Middlesex UB9 5HP

BANKERS

The Royal Bank of Scotland plc
London City Office
62-63 Threadneedle Street
London EC2R 8LA

SOLICITORS

Eversheds
1 Royal Standard Place
Nottingham NG1 6FZ

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 year ended 30 November 1997.

PRINCIPAL ACTIVITY

The company's principal activity throughout the year was the provision of psychiatric hospital services for NHS patients requiring treatment in a controlled environment.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Both the level of business and the year end financial position were satisfactory. The directors continue to seek new opportunities for expansion and development of the business.

RESULTS AND DIVIDENDS

The profit for the year attributable to shareholders amounts to £81,144 (1996 - loss £1,547). The directors do not recommend the payment of a dividend (1996 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 30 November 1997 were those listed on page 1. None of the directors had any beneficial interests in the share capital of the company during the year. The directors' interests in the ultimate parent company are shown in that company's financial statements.

EMPLOYEE INVOLVEMENT

The company is committed to involving all employees in its performance and development. Employees are encouraged to discuss with management matters of interest to the employees and subjects affecting day to day operations of the company.

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

AUDITORS

A resolution to reappoint Deloitte & Touche as auditors of the company will be proposed at the forthcoming Annual General Meeting.

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



PDA Green
Secretary

18th January 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;
- state whether applicable accounting standards have been followed;
- 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.

By order of the Board

PDA Green
Secretary

18th January 1999



CARE CONTINUUMS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 10 which have been prepared under the accounting policies set out on page 7.

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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

18 January 1999

PROFIT AND LOSS ACCOUNT
Year ended 30 November 1997

	Note	1997 £	1996 £
Turnover	2	1,072,635	1,074,317
Operating expenses		(769,140)	(793,909)
OPERATING PROFIT		<u>303,495</u>	<u>280,408</u>
Administrative expenses		(225,996)	(264,633)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>77,499</u>	<u>15,775</u>
Tax on profit on ordinary activities	6	<u>3,645</u>	<u>(17,322)</u>
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u><u>81,144</u></u>	<u><u>(1,547)</u></u>

All turnover and operating profit derive from continuing operations.


There are no recognised gains or losses in either the current or preceding year other than the profit/(loss) attributable to shareholders of the company.

BALANCE SHEET
30 November 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	7	6,501	16,297
CURRENT ASSETS			
Debtors	8	181,584	133,628
Cash at bank and in hand		33,399	3,045
		214,983	136,673
CREDITORS: amounts falling due within one year	9	(116,744)	(129,374)
NET CURRENT ASSETS		98,239	7,299
TOTAL ASSETS LESS CURRENT LIABILITIES		104,740	23,596
CAPITAL AND RESERVES			
Called up share capital	10	2	2
Profit and loss account	11	104,738	23,594
TOTAL EQUITY SHAREHOLDERS' FUNDS		104,740	23,596

These financial statements were approved by the Board of Directors on 18th January 1999.

Signed on behalf of the Board of Directors


Director


NOTES TO THE ACCOUNTS
Year ended 30 November 1997
1. ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The company has not presented a statement of cash flows in accordance with Financial Reporting Standard Number 1 as Priory Healthcare Limited, the only undertaking in the UK to consolidate the results of the company, has published a consolidated statement of cash flows which includes the cash flows of the company.

Depreciation

The cost of fixed assets is written off by equal instalments over their expected useful lives as follows:

Fixtures, fitting and equipment two to five years

Leases

Payments in respect of operating leases are charged to the profit and loss account as incurred.

Pensions

The company is a member of a group defined benefit pension scheme which requires contributions to be made to a separately administered fund. Contributions to the fund are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the group. The regular cost is attributed to individual years using the current unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are spread over the average expected working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet. The actuarial statement for the pension fund is given in the consolidated accounts of the ultimate parent company, Priory Healthcare Limited.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Pre-opening expenses

Pre-opening costs incurred prior to the opening of new hospitals are amortised over the original contract period.

2. TURNOVER

Turnover comprises the invoice value of services supplied by the company excluding VAT. All services have been carried out in the United Kingdom and relate to the principal activities of the company.

3. OPERATING PROFIT

Operating profit is stated after charging the following:

	1997	1996
	£	£
Auditors' remuneration - audit services	2,400	2,400
- other services	1,500	-
Depreciation	6,287	16,866
Amortisation of preopening expenses	18,263	54,768
Operating lease charges		
buildings	65,270	63,996
other	1,354	-
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 30 November 1997

4. DIRECTORS

None of the directors received any remuneration during the year (1996 - £nil).

5. STAFF COSTS

	1997 £	1996 £
Wages and salaries	485,654	506,554
Social security costs	45,591	51,854
Pension costs	11,065	9,358
	<u>542,310</u>	<u>567,766</u>

The average number of persons employed by the company during the year, including executive directors, was 34 (1996 - 34).

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge based on profit for the year comprises:

	1997 £	1996 £
UK corporation tax at 31% (1996 - 33%)	-	13,877
Adjustment in respect of prior years	3,645	3,445
	<u>3,645</u>	<u>17,322</u>

UK corporation tax is charged at the rate of 33% to 31 March 1997 and 31% thereafter (1996 - 33%).

The charge is disproportionate because the company is not paying for group relief.


NOTES TO THE ACCOUNTS
Year ended 30 November 1997
7. TANGIBLE FIXED ASSETS

	Fixtures, fittings, tools and equipment £
Cost	
At 1 December 1996	39,580
Additions	3,548
Disposals	(8,469)
At 30 November 1997	<u>34,659</u>
Depreciation	
At 1 December 1996	23,283
Charge for the year	6,287
Disposals	(1,412)
At 30 November 1997	<u>28,158</u>
Net book value	
At 30 November 1997	<u>6,501</u>
At 30 November 1996	<u>16,297</u>

8. DEBTORS

	1997 £	1996 £
Trade debtors	92,883	89,594
Amounts due from immediate holding company	75,267	22,748
Amounts due from intermediate holding company	6,496	-
Pre-opening expenses	-	18,263
Corporation tax	3,645	-
Prepayments	3,293	3,023
	<u>181,584</u>	<u>133,628</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Trade creditors	14,355	-
Other creditors	1,409	1,381
Taxation and social security	-	13,378
Corporation tax	-	13,877
Accruals	100,980	100,738
	<u>116,744</u>	<u>129,374</u>

NOTES TO THE ACCOUNTS
Year ended 30 November 1997

10. CALLED UP SHARE CAPITAL

	1997	1996
	£	£
Ordinary shares of £1 each: 100 authorised	100	100
2 allotted and fully paid	2	2

11. COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Share capital	Profit and loss account	Total 1997	Total 1996
	£	£	£	£
At 1 December 1996	2	23,594	23,596	25,143
Profit/(loss) for the year	-	81,144	81,144	(1,547)
At 30 November 1997	2	104,738	104,740	23,596

12. FINANCIAL COMMITMENTS

Operating lease commitments

	Land and buildings 1997	Other 1997	Land and buildings 1996	Other 1996
	£	£	£	£
Leases which expire:				
Within one year	-	-	21,332	-
Between two and five years	65,920	8,124	-	-

13. SECURITY AND CONTINGENT LIABILITIES

The group's bank loan and overdraft are secured by fixed and floating charges over the assets of the group.

14. TRANSACTIONS WITH RELATED PARTIES

In accordance with the exemption extended in FRS 8 "Related Party Disclosures", the company has not disclosed transactions or balances between itself and Priory Healthcare Limited and its subsidiary undertakings on the basis that 90 per cent or more of the voting rights of these companies are controlled within the group. The consolidated financial statements in which the company is included are publicly available at the address given below.

15. ULTIMATE PARENT COMPANY

The ultimate parent company is Priory Healthcare Limited, registered in England and Wales. Copies of the group accounts can be obtained from the registered office.