

CARE CONTINUUMS LIMITED

Report and Financial Statements

30 November 1996



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

REPORT AND FINANCIAL STATEMENTS 1996

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REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

I P Reynolds	(appointed 21 June 1996)
E A Millard	(appointed 21 June 1996)
D A Wakefield	(resigned 21 June 1996)
J D Lambert	(resigned 21 June 1996)
D Noon	(resigned 21 June 1996)
A Bailey	(resigned 21 June 1996)

SECRETARY

Mrs J Lambert

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 1996.

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 loss for the year attributable to shareholders amounts to £1,547 (1995 - profit £25,141). The directors do not recommend the payment of a dividend (1995 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 30 November 1996 were those listed on page 1. None of the directors had any beneficial interest 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.

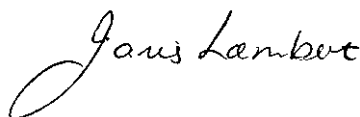
The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

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

Price Waterhouse resigned as auditors of the company during the year and Deloitte & Touche were appointed by resolution in their place. A resolution to reappoint Deloitte & Touche will be proposed at the forthcoming Annual General Meeting.

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



Janis Lambert
Secretary

11th April 1997

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 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. 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



Janis Lambert
Secretary

11th April 1997

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

Delath & Tack

Chartered Accountants and
Registered Auditors

BT April 1997

PROFIT AND LOSS ACCOUNT

Year ended 30 November 1996

		Period from 6 December 1994 to 30 November	
	Note	1996 £	1995 £
Turnover	2	1,074,317	459,912
Operating expenses		(793,909)	(343,258)
OPERATING PROFIT		280,408	116,654
Administrative expenses		(264,633)	(79,130)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	15,775	37,524
Tax on profit on ordinary activities	6	(17,322)	(12,383)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(1,547)</u>	<u>25,141</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 (loss)/profit attributable to shareholders of the company.

BALANCE SHEET
30 November 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Tangible assets	7	16,297	20,535
		<u>16,297</u>	<u>20,535</u>
CURRENT ASSETS			
Debtors	8	133,628	177,584
Cash at bank and in hand		3,045	3,361
		<u>136,673</u>	<u>180,945</u>
CREDITORS: amounts falling due within one year	9	(129,374)	(151,214)
NET CURRENT ASSETS		<u>7,299</u>	<u>29,731</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>23,596</u>	<u>50,266</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	10	-	(25,123)
NET ASSETS		<u>23,596</u>	<u>25,143</u>
CAPITAL AND RESERVES			
Called up share capital	11	2	2
Profit and loss account	12	23,594	25,141
TOTAL SHAREHOLDERS' FUNDS		<u>23,596</u>	<u>25,143</u>

These financial statements were approved by the Board of Directors on 11th April 1997.

Signed on behalf of the Board of Directors


 I P Reynolds
 Director

NOTES TO THE ACCOUNTS

Year ended 30 November 1996

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 cashflows in accordance with Financial Reporting Standard Number 1 as Priory Hospitals Holdings Limited, the only undertaking in the UK to consolidate the results of the company, has published a consolidated statement of cashflows which includes the cashflows 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	2 to 5 years
Motor vehicles	5 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 Hospitals Holdings 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:

	1996	1995
	£	£
Auditors' remuneration - audit services	2,400	2,000
Depreciation	16,866	6,417
Amortisation of preopening expenses	54,768	22,822
Operating lease charges		
buildings	63,996	27,566

NOTES TO THE ACCOUNTS
Year ended 30 November 1996

4. DIRECTORS

None of the directors received any remuneration during the year (1995 - £nil).

5. STAFF COSTS

	1996 £	1995 £
Wages and salaries	506,554	187,217
Social security costs	51,854	18,625
Pension costs	9,358	490
	<u>567,766</u>	<u>206,332</u>

The average number of persons employed by the company during the year, including executive directors, was 34 (1995 -25).

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge based on profit for the year comprises:

	1996 £	1995 £
UK corporation tax (33%)	13,877	(12,740)
Adjustment in respect of prior years	3,445	25,123
	<u>17,322</u>	<u>12,383</u>

The charge is disproportionately high due to significant items which are not deductible for tax purposes.

7. TANGIBLE FIXED ASSETS

	Fixtures, fittings, tools and equipment £
Cost	
At 1 December 1995	26,952
Additions	12,628
At 30 November 1996	<u>39,580</u>
Depreciation	
At 1 December 1995	6,417
Charge for the year	16,866
At 30 November 1996	<u>23,283</u>
Net book value	
At 30 November 1996	<u>16,297</u>
At 30 November 1995	<u>20,535</u>

NOTES TO THE ACCOUNTS
Year ended 30 November 1996

8. DEBTORS

	1996 £	1995 £
Trade debtors	89,594	91,361
Amounts due from parent company	22,748	2
Pre-opening expenses	18,263	73,030
Corporation tax	-	12,740
Prepayments	3,023	451
	<u>133,628</u>	<u>177,584</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Amounts owed to immediate holding company	-	83,539
Other creditors	1,381	2,120
Taxation and social security	13,378	14,399
Corporation tax	13,877	-
Accruals	100,738	51,156
	<u>129,374</u>	<u>151,214</u>

10. DEFERRED TAXATION

	£
Balance at 1 December 1995	25,123
Adjustment in respect of prior years	<u>(25,123)</u>
Balance at 30 November 1996	<u>-</u>

The amounts of deferred taxation provided and unprovided in the accounts are as follows:

	Provided 1996 £	Provided 1995 £	Not provided 1996 £	Not provided 1995 £
Short term timing differences	-	25,123	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	25,123	-	-
	<u>-</u>	<u>25,123</u>	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS
Year ended 30 November 1996

11. CALLED UP SHARE CAPITAL

	1996 £	1995 £
Ordinary shares of £1 each:		
Authorised	100	100
Allotted and fully paid	2	2

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

	Share capital £	Profit and loss account £	Total 1996 £	Total 1995 £
At 1 December 1995	2	25,141	25,143	-
(Loss)/profit for the year	-	(1,547)	(1,547)	25,141
Share issuance	-	-	-	2
At 30 November 1996	2	23,594	23,596	25,143

13. FINANCIAL COMMITMENTS

Operating lease commitments

	Land and buildings 1996 £	Land and buildings 1995 £
Leases which expire:		
Within one year	21,332	-
Between two and five years	-	85,328

14. ULTIMATE PARENT COMPANY

The ultimate parent company is Priory Hospitals Holdings Limited, registered in England and Wales. Its previous parent company registered in the United States of America. Copies of the group accounts can be obtained from the registered office.