Reg.

Speciality Care (Rehab) Limited

Directors' report and financial statements

30 June 1996

Registered number 2965073

Speciality Care (Rehab) Limited

Directors' report and financial statements

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Speciality Care (Rehab) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 1996.

Principal activities

The principal activities of the company during the year were the provision of rehabilitation and psychiatric services for the care of clients with traumatic brain injury and psychiatric conditions.

Proposed dividend and transfer to reserves

The directors recommend a final dividend of £220,000. The profit for the year after dividends retained by the company was £554,822.

Directors and directors' interests

The directors who held office during the year were as follows:

TF Nicholson
DG Cormack
DM Harte
AL Robinson (appointed 7 June 1996)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company at 30 June 1996. Their interests in the shares of the company's parent company, Speciality Care PLC, are disclosed in the financial statements of that company.

Speciality Care (Rehab) Limited

Directors' report

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company, is to be proposed at the forthcoming Annual General Meeting.

By order of the board

DG Cormack
Secretary

Hamilton House
1 Temple Avenue
LONDON
EC4Y OHA

22 January 1997

Speciality Care (Rehab) Limited

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 and of the profit or loss of the company for that year. 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, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors' report to the members of Speciality Care (Rehab) Limited

We have audited the financial statements on pages 4 to 12.

Respective responsibilities of directors and auditors

As described above 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 as at 30 June 1996 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors
Bradford

22 January 1997

Speciality Care (Rehab) Limited

Profit and loss account

for the year ended 30 June 1996

	Note		Year ended 30 June 1996		9 months ended 30 June 1995
		£	£	£	£
Turnover					
Continuing operations			3,795,262		1,307,663
Acquisitions			264,566		-
			4,059,828		1,307,663
Cost of sales			(2,289,384)		(591,830)
Gross profit			1,770,444		715,833
Administrative expenses			(415,536)		(106,891)
Operating profit					
Continuing operations		1,312,171		-	
Acquisitions		42,737		-	
	5		1,354,908		608,942
Other interest receivable and similar income			3,478		-
Interest payable and similar charges	6		(429,065)		(134,395)
Profit on ordinary activities before taxation	2-4		929,321		474,547
Tax on profit on ordinary activities	7		(154,499)		(160,000)
Profit for the financial year			774,822		314,547
Dividends	8		(220,000)		(200,000)
Retained profit for the financial year			554,822		114,547

There were no recognised gains or losses other than the profit for the year.

All of the turnover and operating profit for the year relates to continuing operations.

Reconciliation of movements in shareholders' funds

for the year ended 30 June 1996

Profit for the financial year	554,822	314,547
Dividends	-	(200,000)
	554,822	114,547
New share capital subscribed	-	2
Opening shareholders' funds	114,549	-
Closing shareholders' funds	669,371	114,549

Speciality Care (Rehab) Limited

Balance sheet
at 30 June 1996

	Note	1996 £	1996 £	1995 £	1995 £
Fixed assets					
Tangible assets	9		**8,332,214**		6,058,098
Current assets					
Stocks	10	**11,736**		7,639	
Debtors	11	**559,772**		350,362	
Cash at bank and in hand		**47,771**		978	
		619,279		358,979	
Creditors: amounts falling due within one year	12	**(3,974,756)**		(1,086,628)	
Net current liabilities			**(3,355,477)**		(727,649)
Total assets less current liabilities			**4,976,737**		5,330,449
Creditors: amounts falling due after more than one year	13		**(4,226,366)**		(5,215,900)
Provisions for liabilities and charges	14		**(81,000)**		-
Net assets			**669,371**		114,549
Capital and reserves					
Called up equity share capital	15		**2**		2
Profit and loss account			**669,369**		114,547
Shareholders' funds - equity			**669,371**		114,549

These financial statements were approved by the board of directors on 22 January 1997 and were signed on its behalf by:

Timothy F Nicholson

TF Nicholson
Director

Speciality Care (Rehab) Limited

Notes
(forming part of the financial statements)

1 **Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, modified to include the revaluation of certain land and freehold property.

The company is exempt from the requirement of Financial Reporting Standard No.1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Speciality Care PLC and its cash flows are included within the consolidated cash flow statement of that company.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	Nil% per annum
Plant, equipment and motor vehicles	-	15% per annum to 33.33% per annum

No depreciation is provided on freehold property on the basis that the directors consider it essential to maintain the buildings to such a standard that their residual values are at least equal to their book value.

Goodwill

Goodwill relating to a business purchased by the company, is amortised over the directors' estimate of its useful life.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes *(continued)*

1 **Accounting policies** *(continued)*

Stocks

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services during the year. Turnover is attributed to the provision of rehabilitation and psychiatric services for the care of clients with traumatic brain injury and psychiatric conditions.

2 **Profit on ordinary activities before taxation**

	1996	1995
	£	£
Profit on ordinary activities before taxation is stated		
after charging		
Auditors' remuneration	-	-
Depreciation and other amounts written off tangible fixed assets:		
Owned	**49,017**	13,069
Leased	**1,823**	-

The auditors' remuneration is discharged by Speciality Care PLC, the parent company.

3 **Remuneration of directors**

	1996	**1995**
	£	**£**
Directors' emoluments:		
As directors	-	-

Speciality Care (Rehab) Limited

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1996	1995
Health care (including part time employees)	**135**	48
Administration	**4**	1
Directors	**3**	3
	142	52

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	**1,607,033**	455,436
Social security costs	**134,641**	27,017
Pension costs (see note 17)	**13,011**	-
	1,754,685	482,453

5 Analysis of continuing operations

Included in the total figure for continuing operations for 1996 are amounts of £175,469 for cost of sales and £46,360 for administrative expenses in respect of the results of businesses acquired during the year.

6 Interest payable and similar charges

	1996	1995
	£	£
On bank loans, overdrafts and other loans wholly repayable within five years	**-**	6,476
On all other loans	**428,360**	127,919
Finance charges payable in respect of finance leases and hire purchase contracts	**705**	-
	429,065	134,395

Speciality Care (Rehab) Limited

Notes *(continued)*

7 **Taxation**

	1996	1995
	£	£
UK corporation tax at 25% on the profit for the year on ordinary activities	-	160,000
Deferred taxation	81,000	-
Group relief payable at 33%	233,499	-
Overprovision of corporation tax in respect of prior years	(160,000)	-
	154,499	160,000

8 **Dividends**

	1996	1995
	£	£
First and final proposed at £110,000 *(1995 : £100,000)* per share	220,000	200,000

9 **Tangible fixed assets**

	Freehold land and buildings	Plant, equipment and motor vehicles	Total
	£	£	£
Cost			
At beginning of year	5,792,983	278,184	6,071,167
Additions	2,168,699	156,257	2,324,956
At end of year	7,961,682	434,441	8,396,123
Depreciation and diminution in value			
At beginning of year	-	13,069	13,069
Charge for year	-	50,840	50,840
At end of year	-	63,909	63,909
Net book value			
At 30 June 1996	**7,961,682**	**370,532**	**8,332,214**
At 30 June 1995	5,792,983	265,115	6,058,098

The cost of land and buildings includes capitalised personnel costs of £24,841 *(1995 : £24,841)* and interest capitalised of £10,000 *(1995 : £10,000)*.

Included in the total net book value of plant, equipment and motor vehicles is £10,677 *(1995 : £nil)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £1,823 *(1995 : £nil)*.

Speciality Care (Rehab) Limited

Notes *(continued)*

10 Stocks

	1996 £	1995 £
Food, cleaning and sundry stocks	**11,736**	7,639

11 Debtors

	Due within one year 1996 £	1995 £
Trade debtors	**451,379**	229,902
Other debtors	**35,488**	17,646
Prepayments and accrued income	**72,905**	102,814
	559,772	350,362

12 Creditors: amounts falling due within one year

	1996 £	1995 £
Bank overdrafts	**122,860**	52,963
Bank loans	**517,300**	380,000
Obligations under finance leases and hire purchase contracts	**2,625**	-
Trade creditors	**201,948**	257,923
Amount owed to parent undertaking	**2,479,251**	116,122
Other creditors including taxation and social security:		
Corporation tax	**-**	160,000
Other creditors	**106,817**	44,502
Accruals and deferred income	**73,955**	75,118
Deferred consideration	**470,000**	-
	3,974,756	1,086,628

The bank overdrafts are secured by a legal mortgage over the land and buildings of the company.

13 Creditors: amounts falling due after more than one year

	1996 £	1995 £
Bank loans	4,219,930	3,340,900
Obligations under finance leases and hire purchase contracts	6,436	-
Amounts owed to parent undertaking	-	1,375,000
Deferred consideration	-	500,000
	4,226,366	5,215,900

The bank loans are secured by a legal charge over the company's properties. Interest is payable on the finance at a commercial rate.

The loan is repayable as follows:

	1996 £	1995 £
Within one year	517,300	380,000
In the second to fifth years	2,069,200	1,900,000
Over five years	2,150,730	1,440,900
	4,737,230	3,720,900

14 Provisions for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1996		1995	
	Provided £	Unprovided £	Provided £	Unprovided £
Difference between accumulated depreciation and amortisation and capital allowances	81,000	-	-	-

15 Called up equity share capital

	1996 £	1995 £
Authorised		
Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	2	2

Speciality Care (Rehab) Limited

Notes *(continued)*

16 Commitments

Capital commitments at the end of the financial year for which no provision has been made.

	1996	1995
	£	£
Contracted	**176,000**	-
Authorised but not contracted	**-**	675,000

17 Pension Scheme

The company operates various defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the company to the funds and amounted to £13,011 *(1995 : £nil)*.

18 Ultimate parent company

Speciality Care PLC, a company registered in England and Wales, is the ultimate parent company.