

Directors' Report and Accounts

MEDICAL SERVICES INTERNATIONAL LIMITED

December 31, 1991

Company Registration Number 1416977



MEDICAL SERVICES INTERNATIONAL LIMITED

DIRECTORS' REPORT

DIRECTORS: K.J. Zilkha
K. Hameed
M. Al-Sayed (appointed 9.2.91)
A. Azad (appointed 9.2.91)
M.A. Faruqui (removed 16.12.91)
H.M. Kazmi (resigned 27.7.91)
J. Morrell (appointed 16.12.91)

SECRETARY: D.T.E. Youngman (appointed 8.2.91)
N. Mahmud (resigned 8.2.91)

Registered Office: Cromwell Hospital, Cromwell Road, London SW5
OTU.

The directors present their report and the audited accounts for the year ended December 31 1991.

PRINCIPAL ACTIVITIES

The company operates and manages a private hospital in London providing general medical facilities.

RESULTS AND DIVIDENDS

The loss for the year of £1,412,709 (1990 - £2,450,620) is dealt with as shown in the profit and loss account. The directors do not propose a dividend for the year.

SHARE CAPITAL AND FINANCING

There were no movements in share capital during the year. The Company received during the year, additional interest free subordinated loans amounting to £14,900,000 for an indefinite period of time.

DIRECTORS

The directors of the company during the year ended December 31 1991 were those listed above.

MEDICAL SERVICES INTERNATIONAL LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

None of the directors at December 31 1991 had any interest in the share capital of the company during the year.

FIXED ASSETS

Changes in fixed assets during the year are detailed in note 7 of the accounts.

DISABLED PERSONS

It is the company's policy to give full consideration to suitable applications for employment for disabled persons.

Opportunities also exist for employees of the company who become disabled to continue their employment or to be trained for other positions within the company.

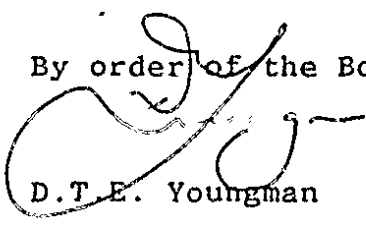
EMPLOYEE INVOLVEMENT

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

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and therefore a resolution proposing the re-appointment of Ernst & Young will be submitted at the annual general meeting.

By order of the Board



D.T.E. Youngman

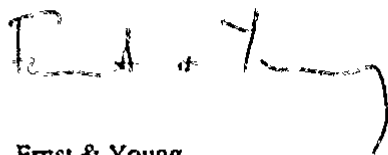
Secretary

26 August 1992

REPORT OF THE AUDITORS
to the members of Medical Services International Limited

We have audited the accounts on pages 4 to 14 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1991 and of the loss and source and application of funds of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young

Chartered Accountants

Registered Auditor

London

26 August 1992

MEDICAL SERVICES INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1991

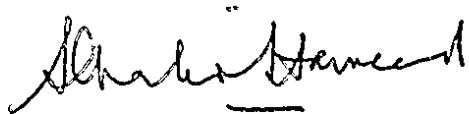
	NOTE	1991 £	1990 £
TURNOVER	2	22,939,763	26,996,256
OPERATING CHARGES	3	23,085,114	27,689,061
OPERATING LOSS FOR THE YEAR		145,351	692,805
Interest (receivable)/payable and similar charges	5	(80,467)	1,757,815
		64,884	2,450,620
Exceptional loss	18	1,347,822	-
LOSS FOR THE YEAR		£1,412,706	£2,450,620
STATEMENT OF RETAINED LOSS			
Loss for the year		1,412,706	2,450,520
Balance brought forward		34,512,808	32,762,188
Balance at end of year		£35,925,514	£34,512,808

The notes on pages 7 to 14 form an integral part of these accounts

MEDICAL SERVICES INTERNATIONAL LIMITED

BALANCE SHEET - DECEMBER 31, 1991

	NOTE	1991 £	1990 £
FIXED ASSETS			
Tangible assets	7	9,531,754	8,274,044
CURRENT ASSETS			
Stocks		659,095	573,355
Debtors	8	4,368,106	4,926,169
Cash at bank and in hand		1,484,569	78,044
		6,511,770	5,577,568
CREDITORS - amounts falling due within one year	9	4,063,448	15,282,566
NET CURRENT ASSETS/(LIABILITIES)		2,448,322	(9,704,998)
TOTAL ASSETS LESS CURRENT LIABILITIES		£11,980,076	(£1,430,954)
CREDITORS - amounts falling due after more than one year	10	5,590	81,854
CAPITAL AND RESERVES			
Called-up share capital	11	28,000,000	28,000,000
Retained loss		(35,925,514)	(34,512,808)
		(7,925,514)	(6,512,808)
SUBORDINATED LOANS	11	19,900,000	5,000,000
		£11,980,076	(£1,430,954)



K.HAMEED , Chief Executive



K.ZILKHA , Chairman

The notes on pages 7 to 14 form an integral part of these accounts

MEDICAL SERVICES INTERNATIONAL LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1991

	1991 £	1990 £
SOURCE OF FUNDS		
FROM OPERATIONS		
Loss for the year	(1,412,706)	(2,450,620)
Add: Loss/(profit) on sale of fixed assets	12,374	(6,541)
Add: Depreciation	1,487,199	1,587,577
Total generated/(absorbed) by operations	86,867	(369,584)
OTHER SOURCES		
Subordinated loan from holding company	14,900,000	-
Sale of fixed assets	1,745	38,151
Total sources of funds	14,988,612	(831,433)
FUNDS APPLIED		
Creditors - amounts falling due after one year	(76,264)	(5,943,712)
Purchase of fixed assets	(2,759,028)	(1,798,603)
INCREASE/(DECREASE) IN WORKING CAPITAL	£12,153,320	(£8,573,748)
Arising from Movements in:		
Stocks	85,740	(44,864)
Debtors	(558,063)	(1,282,882)
Creditors	11,219,118	(6,426,942)
.	10,746,795	(7,754,688)
Bank balances and cash	1,406,525	(819,060)
	£12,153,320	(£8,573,748)

The notes on pages 7 to 14 form an integral part of these accounts

MEDICAL SERVICES INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS - DECEMBER 31, 1991

1 ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention and are in accordance with applicable accounting standards.

(b) Depreciation and amortisation.

Depreciation is provided by the straight line method based on the estimated useful lives of assets as follows:

Medical equipment	5 - 7 years
Plant and Machinery	10 - 25 years
Furniture, fixtures and fittings	7 years
Motor vehicles	4 years
EDP hardware and software	2 - 7 years

Depreciation is not provided in respect of leasehold premises with a term greater than 50 years.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or the periods of the leases where these are shorter.

(c) Stocks

Stocks are valued at the lower of cost and net realisable value after due allowance for any obsolete or slow-moving items.

(d) Leased assets

Assets held under leasing arrangements, that transfer substantially all the risks and rewards of ownership to the company, are capitalised. The capital element of the related rental obligations is charged to the profit and loss account so as to produce a constant periodic rate of charge.

Rentals in respect of all other leases are charged to the profit and loss account as incurred.

MEDICAL SERVICES INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS - DECEMBER 31, 1991

(e) Pension costs

Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched, so far as is possible, to the service lives of the employees concerned. Any excess or deficiency of the actuarial value of assets over the actuarial value of liabilities of the pension scheme is allocated over the average remaining service lives of current employees.

2 TURNOVER

Turnover represents the invoiced value of services rendered to patients exclusive of VAT.

3 OPERATING CHARGES include

	1991 £	1990 £
Directors' emoluments (see below)	141,764	18,000
Auditors' remuneration	38,500	40,000
Depreciation (including a write back of depreciation of assets held under finance leases £30,606 (1990 charge of £109,856))	1,487,199	1,587,577
Hire of plant and equipment	194,437	189,849
Operating lease expenses	1,705,172	2,392,832
Staff costs (note 4)	10,024,149	11,114,812

The emoluments of the Chairman, excluding pension contributions amounted to £18,000 (1990 - £12,000).

Emoluments of the highest paid director, excluding pension contributions amounted to £95,820. In 1990 the company paid a management charge of £197,671 to its parent company in respect of the services of one member of the board of directors.

Directors emoluments fell within the following ranges :

	1991 Number of directors	1990 Number of directors
£ Nil to £5,000	1	3
£5,001 to £10,000	2	1
£10,001 to £15,000	-	1
£15,001 to £20,000	1	-
£105,001 to £110,000	1	-
£195,001 to £200,000	-	1

MEDICAL SERVICES INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS - DECEMBER 31, 1991

4 STAFF COSTS

	1991 £	1990 £
Wages and salaries	9,062,374	10,007,247
Social security costs	793,298	877,364
Other pension costs	168,477	230,201
	-----	-----
	£10,024,149	£11,114,812
	-----	-----

5 INTEREST PAYABLE AND SIMILAR CHARGES

	1991 £	1990 £
Repayable within five years		
Bank loan and overdraft interest	7,605	1,701,190
Bank charges	19,991	44,060
Finance lease charges	-	33,789
Interest receivable	(108,063)	(21,224)
	-----	-----
	(£80,467)	£1,757,815
	-----	-----

6 PENSION COMMITMENTS

The company operates a defined benefit pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions to the scheme are determined with the advice of independent qualified actuaries on the basis of triennial valuations. The most recent valuation was conducted as at April 6 1989 using the projected unit credit method. Principal long term actuarial assumptions used were that the annual rate of return on investments would be 9% and that annual increases in pensions and salaries would be 3% and 8% respectively.

The valuation showed that the aggregate market value of the scheme's assets was £1,075,674 and the actuarial value of those assets represented 120% overall of the benefits due to members calculated on the basis of pensionable salaries and completed service as at the date of valuation. This surplus is being amortised over members' future working lifetimes. On the recommendation of the actuaries, the company took a contributions holiday during 1990. The company recommenced payment of contributions from January 1 1991.

MEDICAL SERVICES INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS - DECEMBER 31, 1991

7 FIXED ASSETS

	Leasehold premises	Medical Equipment	Plant and machinery	Furniture fixtures & fittings	Motor vehicles	Computer hardware & software	Leased assets	Total
	£	£	£	£	£	£	£	£
Cost								
At 1 January 1991	38,483	2,827,161	12,571,757	4,777,107	52,590	2,380,165	3,309,126	25,956,389
Additions for the year	-	1,561,285	317,639	137,023	46,057	697,024	-	2,759,028
Disposals for the year	-	-	(12,699)	-	-	(5,242)	-	(17,941)
At 31 December 1991	38,483	4,388,446	12,876,697	4,914,130	98,647	3,071,947	3,309,126	28,697,476
Depreciation								
At 1 January 1991	-	2,037,494	7,896,479	3,641,449	52,590	875,241	3,179,092	17,682,345
Charge for the year	-	272,833	616,701	271,665	9,322	347,284	(30,606)	1,487,199
Disposals for the year	-	-	-	-	-	(3,822)	-	(3,822)
At 31 December 1991	-	2,310,327	8,513,180	3,913,114	61,912	1,218,703	3,148,486	19,165,722
Net book value at								
31 December 1991	£38,483	£2,078,119	£4,363,517	£1,001,016	£36,735	£1,853,244	£160,640	£9,531,754
31 December 1990	£38,483	£789,667	£6,177,188	£1,135,658	-	£3,014	£130,034	£8,274,044

MEDICAL SERVICES INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS - DECEMBER 31, 1991

8 DEBTORS

	1991 £	1990 £
Due within one year:		
Trade debtors	3,914,934	4,435,725
Other debtors	197,615	160,015
Prepayments	240,412	315,284
Amounts due from group company	15,145	15,145
	-----	-----
	£4,368,106	£4,926,169
	-----	-----

9 CREDITORS - amounts falling due within one year

	1991 £	1990 £
Leasing obligations under finance leases	75,824	104,539
Bank Overdraft	-	5,424,999
Bank Loan	-	6,000,000
Trade Creditors	1,392,215	1,618,847
Amounts due to group company	912,093	580,250
Accruals	1,393,849	1,271,575
Payroll taxes	168,408	156,833
Social security	121,059	125,523
	-----	-----
	£4,063,448	£15,282,566
	-----	-----

The bank loan and overdraft were repaid in full on January 7, 1991 from funds received from the holding company. Charges existing at December 31, 1991 over the stock and trade debtors in connection with bank advances are in the process of being removed from the register of charges.

10 CREDITORS - amounts falling due after more than one year

	1991 £	1990 £
Obligations under finance leases	5,590	81,854
	-----	-----
	£5,590	£81,854
	-----	-----

MEDICAL SERVICES INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS - DECEMBER 31, 1991

11 SHARE CAPITAL AND SUBORDINATED LOANS

	1991 £	1990 £
Ordinary shares of £1 each - authorised	£40,000,000	£40,000,000
Issued and fully paid	£28,000,000	£28,000,000
Subordinated loans	£19,900,000	£5,000,000

The holding company has provided interest free subordinated loans for an indefinite period of time. During 1991 further interest free subordinated loans amounting to £14,900,000 were provided by the holding company.

12 TAXATION

Tax losses agreed with the Inland Revenue and available for carry forward at December 31, 1991 amount to £26,633,715 (1990 - £25,659,803). Potential deferred taxation arising in respect of accelerated capital allowances has not been provided because it is offset by available tax losses.

13 OBLIGATIONS UNDER FINANCE LEASES

The capital amounts due under finance lease obligations are as follows:

	1991 £	1990 £
Within one year	75,824	104,539
Within two to three years	5,590	81,854
	£81,414	£186,393

MEDICAL SERVICES INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS - DECEMBER 31, 1991

14 EMPLOYEES

The average number of employees in each week in the year was 541 (1990 - 655) and is broken down into the following categories:

	1991 Number of employees	1990 Number of employees
Medical	396	480
Other	145	175
	-----	-----
	541	655
	-----	-----

15 FINANCIAL COMMITMENTS

Authorised future capital expenditure amounted to:

	1991 £	1990 £
Contracted	1,024,818	2,957,434
Not contracted	697,307	1,178,143
	-----	-----
	£1,722,125	£4,135,577
	-----	-----

The annual commitment under operating leases is as follows:

	Land & Buildings		Other Operating Leases	
	1991 £	1990 £	1991 £	1990 £
Leases expiring:				
Within one year	-	60,215	10,289	14,949
Within two to five years	-	-	58,762	52,134
Thereafter	1,615,110	2,239,060	21,011	26,474
	-----	-----	-----	-----
	£1,615,110	£2,299,275	£90,062	£93,557
	-----	-----	-----	-----

16 CONTINGENCIES

A fixed and floating charge exists over the assets of the company (except for stock and trade debtors mentioned in note 9) as a result of the borrowing arrangements made by the holding company.

MEDICAL SERVICES INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS - DECEMBER 31, 1991

17 HOLDING COMPANY

The company is a wholly-owned subsidiary of IMC Holdings (Grand Cayman) Limited, a company incorporated in Grand Cayman , British West Indies and located at the Bank of Nova Scotia building , George Town , Grand Cayman .

18 EXCEPTIONAL LOSS

On July 5, 1991 Bank of Credit and Commerce International ceased trading in the United Kingdom and was subsequently placed in liquidation. On this date the company had balances of £1,347,822 with Bank of Credit and Commerce International. The directors consider that recovery of these balances is unlikely.