



ARTHURANDERSEN

**Medical Services International Limited
and Subsidiary Undertaking**

Financial statements for the year ended 31 December 1999
together with auditors' and directors' reports

Registration number 1416977



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COMPANIES HOUSE

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Directors' report

For the year ended 31 December 1999

The directors present their report on the affairs of the group, together with the auditors' reports, for the year ended 31 December 1999.

Principal activities and business review

The group operates and manages a private hospital in London providing general medical facilities and leasing of medical equipment. The directors expect the general level of activity to increase in line with the growth in the private healthcare market.

Results and dividends

The profit for the year was £688,357 (1998 - £716,413). The directors can not propose a dividend for the year (1998 - £ nil.)

Directors

The directors of the company during the year ended 31 December 1999 are as listed below:

Dr. K.J. Zilkha (Chairman)

Dr. K. Hameed

Mr Hugh McGarel-Groves (resigned 31 January 2000)

Mr Alan Baker (resigned 21 September 1999)

Mr Khalaf Al Mazrooei

Mr Mubarak Matar

Directors' interests

The directors do not have any interests in the shares of group companies required to be disclosed under Schedule 7 of the Companies Act 1985.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The group is committed to involving all employees in the performance and development of the group. Employees are encouraged to discuss matters of interest to them, which affect the day-to-day operations of the group, with management. This is achieved through formal and informal meetings.

Supplier payment policy

The group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

Directors' report (continued)

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 group and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Year 2000

The group has not faced any disruptions in respect of the Year 2000 issue. All of the group's operational systems were fully compliant but continue to be monitored on an ongoing basis. The costs incurred in upgrading the group's operational systems were not significant and hence have not been quantified by the directors.

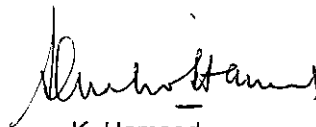
Directors' report (continued)

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Cromwell Hospital
Cromwell Road
London
SW5 0TU

By order of the Board,

A handwritten signature in black ink, appearing to read 'K. Hameed', is written over a horizontal line.

K. Hameed
Company secretary

24 January 2001

To the Shareholders of Medical Services International Limited:

We have audited the financial statements on pages 5 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

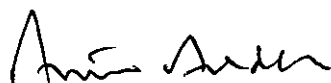
Basis of opinion

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 circumstances of the company and of the group, 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 affairs of the company and of the group at 31 December 1999 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

24 January 2001

Consolidated profit and loss account

For the year ended 31 December 1999

	Notes	1999 £	1998 £
Turnover	2	39,513,071	35,435,722
Operating charges	3	<u>(38,657,066)</u>	<u>(34,786,336)</u>
Operating profit for the year		856,005	649,386
Interest receivable		25,420	156,621
Interest payable and similar charges	5	<u>(148,068)</u>	<u>(137,456)</u>
Profit on ordinary activities before taxation		733,357	668,551
Tax on profit on ordinary activities	6	<u>(45,000)</u>	<u>47,862</u>
Retained profit for the year	14	688,357	716,413
Accumulated deficit, brought forward	14	<u>(31,658,748)</u>	<u>(32,375,161)</u>
Accumulated deficit, carried forward		<u>(30,970,391)</u>	<u>(31,658,748)</u>

All turnover and operating profit arose from continuing operations.

The group has no recognised gains or losses in either year other than its profit for that year.

The accompanying notes are an integral part of this consolidated profit and loss account.

Consolidated balance sheet

31 December 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible assets	7	<u>19,982,177</u>	<u>18,704,581</u>
Current assets			
Stocks	8	883,819	734,724
Debtors - due within one year	9	9,323,264	8,896,925
Cash at bank and in hand		226,713	116,857
		<u>10,433,796</u>	<u>9,748,506</u>
Creditors: Amounts falling due within one year	10	<u>(6,461,132)</u>	<u>(7,086,428)</u>
Net current assets		<u>3,972,664</u>	<u>2,662,078</u>
Total assets less current liabilities		<u>23,954,841</u>	<u>21,366,659</u>
Creditors: Amounts falling due after more than one year	11	<u>(26,925,232)</u>	<u>(25,025,407)</u>
Net liabilities		<u>(2,970,391)</u>	<u>(3,658,748)</u>
Capital and reserves			
Called-up equity share capital	13,14	28,000,000	28,000,000
Accumulated deficit	14	<u>(30,970,391)</u>	<u>(31,658,748)</u>
Total shareholders' deficit	14	<u>(2,970,391)</u>	<u>(3,658,748)</u>

The accompanying notes are an integral part of this consolidated balance sheet.

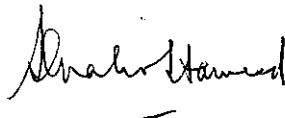
Company balance sheet

31 December 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible assets	7	<u>19,982,177</u>	<u>18,704,581</u>
Current assets			
Stocks	8	883,819	734,724
Debtors - due within one year	9	12,127,734	11,416,500
- due after one year	9	19,900,606	21,949,912
Cash at bank and in hand		<u>224,981</u>	<u>55,551</u>
		33,137,140	34,156,687
Creditors: Amounts falling due within one year	10	<u>(10,293,470)</u>	<u>(12,825,723)</u>
Net current assets		<u>22,843,670</u>	<u>21,330,964</u>
Total assets less current liabilities		42,825,847	40,035,545
Creditors: Amounts falling due after more than one year	11	<u>(45,926,233)</u>	<u>(43,779,031)</u>
Net liabilities		<u>(3,100,386)</u>	<u>(3,743,486)</u>
Capital and reserves			
Called-up equity share capital	13,14	28,000,000	28,000,000
Accumulated deficit	14	<u>(31,100,386)</u>	<u>(31,743,486)</u>
Total shareholders' deficit	14	<u>(3,100,386)</u>	<u>(3,743,486)</u>

By order of the Board

K. Hameed



Chief executive

K.J. Zilkha



Chairman

The accompanying notes are an integral part of this balance sheet.

24 January 2001

Consolidated cash flow

For the year ended 31 December 1999

	Notes	1999 £	1998 £
Net cash inflow from operating activities	15	2,661,452	231,438
Returns on investment and servicing of finance	16	(59,416)	126,146
Taxation	16	-	(49,787)
Capital expenditure	16	(3,967,413)	(4,971,476)
Cash outflow before management of liquid resources and financing		(1,365,377)	(4,663,679)
Management of liquid resources and financing			
Capital element of finance lease rental payments		(302,260)	(322,688)
Secured loan financing		1,680,375	1,057,000
Repayment of secured loan financing		(139,518)	-
Subordinated loan finance		542,000	-
Increase (decrease) in cash in the year	17	<u>415,220</u>	<u>(3,929,367)</u>

The accompanying notes are an integral part of this consolidated cash flow statement.

Reconciliation of net cash flow to movement in net debt

	Group	
	1999 £	1998 £
Increase/(Decrease) in cash	415,220	(3,929,367)
Cash inflow from secured loan financing	(2,082,856)	(1,057,000)
Cash outflow on finance leases	449,071	322,688
Non cash movements	(733,866)	(1,497,963)
Change in net debt	<u>(1,952,431)</u>	<u>(6,161,642)</u>
Net debt at beginning of year	<u>(25,513,292)</u>	<u>(19,351,650)</u>
Net debt at end of year	<u>(27,465,723)</u>	<u>(25,513,292)</u>

Notes to financial statements

31 December 1999

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

In respect of the going concern basis adopted by the directors, Medical Services International Limited and its subsidiary have a deficit on shareholders' funds at 31 December 1999 of £2,970,391 (1998 - £3,658,748). However, on the basis of the directors' assessment of expected 2000 and 2001 operating performance and taking into account the timing of debt maturities (see note 11) they have satisfied themselves that the group is in a position to trade profitably and can meet its financial obligations for the foreseeable future as they fall due. Accordingly, the directors have prepared the financial statements on a going concern basis.

b) Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings.

The company has taken advantage of the exemption in s230 of the Companies Act 1985 not to present its own profit and loss account. The company's profit for the financial year, determined in accordance with the Act was £643,100 (1998 - £643,956).

c) Tangible fixed assets

Fixed assets are stated at cost less depreciation.

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

Medical equipment	5-15 years
Plant and machinery	10-30 years
Furniture, fixtures and fittings	5-7 years
Motor vehicles	4 years
Computer hardware	4-10 years
Computer software	2-10 years
Leasehold premises	shorter of lease term and estimated useful life.

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.

d) Stocks

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

Notes to financial statements (continued)

1 Accounting policies (continued)

e) *Leased assets*

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives. Rentals under operating leases are charged on a straight-line basis over the lease terms, even if the payments are not made on such a basis.

f) *Pension costs and other post retirement benefits*

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

g) *Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the financial statements and by the tax authorities) has been calculated using the liability method. Deferred tax is provided on timing differences, which will probably reverse at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

2 Turnover

Turnover represents the invoiced value of medical and ancillary services rendered to patients in the United Kingdom exclusive of VAT and net of trade discounts.

3 Operating charges

Operating charges include:

	1999 £	1998 £
a) Auditors' remuneration		
i. audit fees	49,000	48,000
ii. non-audit fees	54,000	58,374
b) Depreciation and amounts written off tangible fixed assets	<u>2,889,405</u>	<u>2,293,957</u>

Notes to financial statements (continued)

4 Staff costs

The average monthly number of persons employed during the year was as follows:
(1998 numbers have been restated to include agency staff)

	1999 Number	Restated 1998 Number
Medical	442	403
Other	144	95
	<u>586</u>	<u>498</u>

Their aggregate remuneration comprised:

	1999 £	1998 £
Wages and salaries	16,193,130	14,847,013
Social security costs	1,069,043	909,826
Other pension costs	408,202	339,954
	<u>17,670,375</u>	<u>16,096,793</u>

Directors' remuneration:

Remuneration

The remuneration of the directors was as follows:

	1999 £	1998 £
Emoluments	479,826	429,334
Company contributions to money purchase pension schemes	32,035	29,213
	<u>511,861</u>	<u>458,547</u>

Pensions

The number of directors who were members of pension schemes was as follows:

	1999 Number	1998 Number
Money purchase schemes	1	1
Defined benefit schemes	1	1
	<u>2</u>	<u>2</u>

Notes to financial statements (continued)

4 Staff costs (continued)

Highest paid director

The amounts for remuneration noted above include the following in respect of the highest paid director:

	1999 £	1998 £
Emoluments	258,703	250,593
Company contributions to money purchase schemes	24,000	23,000
	<u>282,703</u>	<u>273,593</u>

5 Interest payable and similar charges

	1999 £	1998 £
Bank charges	39,642	30,475
Finance leases	108,426	106,981
	<u>148,068</u>	<u>137,456</u>

6 Tax on profit on ordinary activities

The tax charge (credit) is based on the profit for the year and comprises:

	1999 £	1998 £
Corporation tax	45,000	-
Repayment in respect of prior years	-	(47,862)
	<u>45,000</u>	<u>(47,862)</u>

Notes to financial statements (continued)

7 Tangible fixed assets

Group and company

	Leasehold premises £	Medical equipment £	Plant and machinery £	Furniture, fixtures and fittings £	Motor vehicles £	Computer software and hardware £	Leased assets £	Group and Company Total £
Cost								
1 January 1999	38,483	16,103,151	16,164,994	5,308,162	12,057	2,566,052	3,274,745	43,467,644
Additions	-	1,937,002	681,096	491,860	-	438,820	633,456	4,182,234
Disposals	-	(1,454,963)	(9,064)	(4,520)	-	(1,149,528)	(212,703)	(2,830,778)
31 December 1999	38,483	16,585,190	16,837,026	5,795,502	12,057	1,855,344	3,695,498	44,819,100
Depreciation								
1 January 1999	-	6,572,443	10,366,098	4,232,704	12,057	1,598,401	1,981,360	24,763,063
Charge for the year	-	1,445,885	520,265	391,300	-	251,337	280,618	2,889,405
Disposals	-	(1,439,730)	(9,064)	(4,520)	-	(1,149,528)	(212,703)	(2,815,545)
31 December 1999	-	6,578,598	10,877,299	4,619,484	12,057	700,210	2,049,275	24,836,923
Net book value								
1 January 1999	38,483	9,530,708	5,798,896	1,075,458	-	967,651	1,293,385	18,704,581
31 December 1999	38,483	10,006,592	5,959,727	1,176,018	-	1,155,134	1,646,223	19,982,177

8 Stocks

The following are included in the net book value of stocks:

	Group and Company	
	1999	1998
	£	£
Medical stocks	883,819	734,724

Notes to financial statements (continued)

9 Debtors

Included within debtors due within one year are:

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Trade debtors (net of provisions)	8,684,109	8,159,836	8,684,109	8,159,836
Amounts due from subsidiary undertaking	-	-	2,913,633	2,599,814
Other debtors	275,978	358,648	166,815	278,409
Prepayments and accrued income	363,177	378,441	363,177	378,441
	<u>9,323,264</u>	<u>8,896,925</u>	<u>12,127,734</u>	<u>11,416,500</u>

Included within debtors due after one year are:

	1999	1998	1999	1998
	£	£	£	£
Amounts due from subsidiary undertaking	<u>-</u>	<u>-</u>	<u>19,900,606</u>	<u>21,949,912</u>

10 Creditors: Amounts falling due within one year

Included within creditors falling due within one year are:

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Obligations under finance leases and hire purchases agreements	431,129	299,378	431,129	299,378
Bank overdraft	-	305,364	-	305,364
Bank loan	336,075	-	336,075	-
Trade creditors	3,221,023	3,778,943	3,000,899	3,678,600
Amounts due to subsidiary undertaking	-	-	4,097,464	5,839,638
Amounts owed to other group undertakings	35,977	39,885	35,975	39,885
Other creditors				
-UK corporation tax payable	45,000	-	-	-
-social security and PAYE	366,161	319,558	366,161	319,558
Accruals and deferred income	2,025,767	2,343,300	2,025,767	2,343,300
	<u>6,461,132</u>	<u>7,086,428</u>	<u>10,293,470</u>	<u>12,825,723</u>

Amounts owed to other group undertakings are interest free and have no fixed date for repayment.

Notes to financial statements (continued)

11 Creditors: Amounts falling due after more than one year

Included within creditors falling due after one year are:

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Obligations under finance leases and hire purchase agreements	1,028,941	875,897	1,028,941	875,897
Subordinated loans	24,691,510	24,149,510	24,691,510	24,149,510
Amounts due to subsidiary undertaking	-	-	19,001,001	18,753,624
Bank loan	1,204,781	-	1,204,781	-
	<u>26,925,232</u>	<u>25,025,407</u>	<u>45,926,233</u>	<u>43,779,031</u>

All subordinated loans are owed to the parent company. These loans are interest free and are repayable on 31 December 2007 or such later date as may be agreed between the parent company and the company.

The amount due to the subsidiary undertaking is unsecured and interest is payable quarterly in arrears at a rate not in excess of 2% above an agreed bank rate. The loan is repayable on demand at any time after 1 September 2017 or at an earlier time as agreed by Borrower and Lender.

Obligations under finance lease and hire purchase agreements of £1,028,941 (1998 - £875,897) are all repayable within two to five years.

12 Provisions for liabilities and charges

In the directors' opinion no provision for deferred taxation is required as any timing differences arising will probably not reverse.

The amount of unprovided deferred taxation is as follows:

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Accelerated capital allowances	1,723,892	1,989,624	1,723,892	1,989,624
Other timing differences	(65,031)	(22,553)	(65,031)	(22,553)
	<u>1,658,861</u>	<u>1,967,071</u>	<u>1,658,861</u>	<u>1,967,071</u>

Notes to financial statements (continued)

13 Called-up equity share capital

	Group		Company	
	1999 £	1998 £	1999 £	1998 £
<i>Authorised</i>				
40,000,000 ordinary shares of £1 each	<u>40,000,000</u>	<u>40,000,000</u>	<u>40,000,000</u>	<u>40,000,000</u>
<i>Issued and fully-paid</i>				
28,000,000 ordinary shares of £1 each	<u>28,000,000</u>	<u>28,000,000</u>	<u>28,000,000</u>	<u>28,000,000</u>

14 Movement in reserves and reconciliation of movement in shareholders' funds

Group	Equity share capital £	Profit and loss account £	Total shareholders funds £
Balance at 1 January 1999	28,000,000	(31,658,748)	(3,658,748)
Retained profit for the year	-	688,357	688,357
Balance at 31 December 1999	<u>28,000,000</u>	<u>(30,970,391)</u>	<u>(2,970,391)</u>
 Company			
Company	Equity share capital £	Profit and loss account £	Total shareholders funds £
Balance at 1 January 1999	28,000,000	(31,743,486)	(3,743,486)
Retained profit for the year	-	643,100	643,100
Balance at 31 December 1999	<u>28,000,000</u>	<u>(31,100,386)</u>	<u>(3,100,386)</u>

15 Reconciliation of operating profit to net cash inflow from operating activities

	Group	
	1999 £	1998 £
Operating profit	856,005	649,386
Depreciation charge for the year	2,889,405	2,293,957
Loss on disposal of assets	15,233	-
(Increase)/decrease in stocks	(149,095)	10,518
Increase in debtors	(474,339)	(2,672,771)
Decrease in creditors	(475,757)	(49,652)
Net cash inflow from operating activities	<u>2,661,452</u>	<u>231,438</u>

16 Analysis of cash flows

Notes to financial statements (continued)

	Group	
	1999	1998
	£	£
<i>Returns on investments and servicing of finance</i>		
Interest received	25,420	156,621
Interest paid	(40,144)	(30,475)
Interest element of finance lease rentals	(92,692)	-
Dividend received	48,000	-
Net cash inflow	(59,416)	126,146
<i>Taxation</i>		
UK corporation tax paid (net)	-	(49,787)
Net cash outflow	-	(49,787)
<i>Capital expenditure</i>		
Purchase of tangible fixed assets	(3,967,413)	(4,971,476)
Net cash outflow	(3,967,413)	(4,971,476)

17 Analysis of net debt

	31 December 1998 £	Cashflow £	Non cash flow movements £	31 December 1999 £
Cash	116,857	109,856	-	226,713
Overdrafts	(305,364)	305,364	-	-
Net cash	(188,507)	415,220	-	226,713
Debt due within one year	(299,378)	(33,816)	(434,010)	(767,204)
Debt due in more than one year	(25,025,407)	(1,599,969)	(299,856)	(26,925,232)
	(25,513,292)	(1,218,565)	(733,866)	(27,465,723)

Notes to financial statements (continued)

18 Guarantees and other financial commitments for Group and Company

a) Lease commitments

The minimum annual commitment under operating leases is as follows:

	Land and buildings		Other operating leases	
	1999	1998	1999	1998
	£	£	£	£
Operating leases expiring:				
- within 1 year	-	-	-	12,830
- between 1-5 years	-	-	38,079	33,101
- after 5 years	1,670,000	1,670,000	49,655	37,767
	<u>1,670,000</u>	<u>1,670,000</u>	<u>87,734</u>	<u>83,698</u>

b) Pension arrangements

The group operates a defined benefit pension scheme. The assets of the scheme are held separately from those of the group 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 5 April 1997 using the discounted income method. Principal long-term actuarial assumptions used were that the annual increases in pensions and salaries would be 5% and 3% respectively.

The valuation showed that using the discounted income method the value of the scheme's assets were £2,770,000 and the actuarial value of those assets represented 90% of the benefits due to members.

To eliminate the deficit, employers' contributions were increased from 8.7% to 10.4% in March 1996. The actuary has confirmed that this is an acceptable solution. No material variation will arise in the financial statements of the group based on this deficit.

The pension cost charge for the year was £408,202 (1998 - £339,954).

c) Capital commitments

Authorised future capital expenditure amounted to:

	1999	1998
	£	£
	-	-

Notes to financial statements (continued)

19 Ultimate parent company

The company's ultimate parent company is 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.

The financial statements of this company are not available to the public.

20 Subsequent Events

a) Pension arrangements

Subsequent to the year end, the group has received a draft triennial valuation of the defined benefit pension scheme referred to in note 18. This has been conducted as at 5 April 2000 using both the Minimum Funding Requirement method and the discounted income method.

The valuation using the discounted income method showed that actuarial value of the scheme's assets were £4,737,000, representing 72% of the benefits due to members.

Based on this draft valuation, to eliminate the deficit arising under the discounted income method, the actuary is currently proposing that the employer's contributions are increased from 10.4% to 15.9%.

b) VAT arrangements

The group are party to certain long term purchase agreements with its subsidiary, Cromwell Medical Services Ltd, which are currently the subject of a legal challenge by H M Customs & Excise. The group's maximum exposure in respect of this is £990,000.