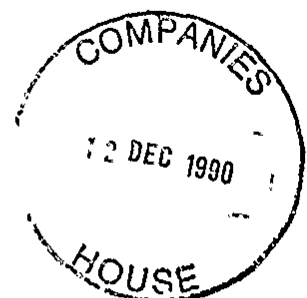


Directors' Report and Accounts

MEDICAL SERVICES INTERNATIONAL LIMITED

December 31, 1989

Ernst & Young



## MEDICAL SERVICES INTERNATIONAL LIMITED

### DIRECTORS' REPORT

Directors: A. Nizami (Retired 15.5.90)  
M. A. Faruqui  
K. J. Zilkha (Appointed 1.3.90)  
H. Simon (Appointed 1.3.90)  
K. Hameed (Appointed 15.5.90)  
H. M. Kazmi (Appointed 15.5.90)  
Secretary: N. Mahmud

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

The directors present their report and the audited accounts for the year ended 31 December 1989.

### PRINCIPAL ACTIVITIES

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

### FUTURE FUNDING.

The majority shareholder of the holding company has given an undertaking that he will provide sufficient funds in the future, either by way of equity or loan capital, that may be required for the ongoing activity of the hospital.

### RESULTS AND DIVIDENDS

The loss for the year is £1,976,452 and is dealt with as shown in the profit and loss account. The directors do not propose a dividend for the year.

### SHARE CAPITAL AND SUBORDINATED LOANS

During the year the holding company provided an interest free subordinated loan for an indefinite period of £1 million which was made available on 23 June 1989.

By an Ordinary Resolution passed on 30 June 1989, the original subordinated loan of £2 million provided on 1 December 1986 was converted into share capital of the company, by issuing 2 million ordinary shares of £1 each.

MEDICAL SERVICES INTERNATIONAL LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS

The directors of the company during the year ended 31 December 1989 were those listed above.

DIRECTORS' INTERESTS

None of the directors at 31 December 1989 had any interest in the share capital of the company during the year.

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 and Young who 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

N. Mahmud

Secretary

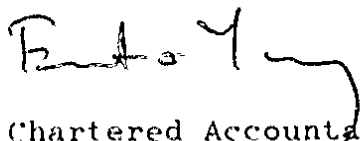
Dated this 10th day of July 1990.

# Ernst & Young

## 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 December 31, 1989, and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants

London

Dated this 10th day of July 1990

MEDICAL SERVICES INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED DECEMBER 31, 1989

	Note	1989 £	1988 £
TURNOVER	3	24,968,558	23,123,411
OPERATING CHARGES	4	25,565,070	23,464,227
OPERATING LOSS FOR THE YEAR		596,512	340,816
Interest payable and similar charges	6	1,379,940	1,020,406
LOSS FOR THE YEAR		£ 1,976,452	£1,361,222
STATEMENT OF ACCUMULATED DEFICIT			
Loss for the year		1,976,452	1,361,222
Accumulated deficit at beginning of year		30,085,736	28,724,514
Accumulated deficit at end of year		£32,062,188	£30,085,736

MEDICAL SERVICES INTERNATIONAL LIMITED

BALANCE SHEET - DECEMBER 31, 1989.

	Note	1989 £	1988 £
FIXED ASSETS			
Tangible assets	8	8,094,628	8,394,489
CURRENT ASSETS			
Stocks		618,219	500,803
Debtors	9	6,209,051	5,857,471
Cash at bank and in hand		6,847	216,421
		6,834,117	6,574,695
CREDITORS - amounts falling due within one year.	10	(7,965,367)	(6,326,980)
NET CURRENT LIABILITIES		(1,131,250)	(352,285)
TOTAL ASSETS LESS CURRENT LIABILITIES		£6,963,378	£8,042,204
CREDITORS - amounts falling due after more than one year.	12	6,025,566	6,127,940
CAPITAL AND RESERVES			
Called-up share capital	11	28,000,000	26,000,000
Subordinated loans	11	5,000,000	6,000,000
Profit and loss account - deficit		(32,062,188)	(30,085,736)
		937,812	1,914,264
K. Zilkha ) <i>K. Zilkha</i>			
H. M. Kazmi ) Directors			
Dated this 10th day of July 1990			
		£6,963,378	£8,042,204

MEDICAL SERVICES INTERNATIONAL LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 1989.

	1989 £	1988 £
SOURCE OF FUNDS		
FROM OPERATIONS		
Excess of expenditure over income	(1,976,452)	(1,361,222)
Less: Excess of pension funding over regular cost	( 49,000)	-
Less: Profit on sale of fixed assets	( 20,089)	( 5,115)
Add: Depreciation	1,705,076	1,649,534
Total (deficit)/surplus from operations	( 340,465)	283,197
OTHER SOURCES		
Subordinated loan	1,000,000	2,000,000
Sale of fixed assets	69,635	5,115
Total sources of funds	729,170	2,288,312
FUNDS APPLIED		
Creditors - amounts falling due after one year	( 102,374)	(133,460)
Purchase of fixed assets	(1,454,761)	(1,125,506)
(DECREASE) INCREASE IN WORKING CAPITAL	( 827,965)	£1,029,346
Arising from movements in:		
Stocks	117,416	124,435
Debtors	302,580	1,420,792
Creditors - amounts falling due within one year	316,782	(1,046,316)
	736,778	498,911
Bank balances and cash	(1,564,743)	530,435
	£( 827,965)	£1,029,346

MEDICAL SERVICES INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS - DECEMBER 31, 1989

1 FUNDAMENTAL ACCOUNTING CONCEPT

The accounts have been prepared under the going concern concept because the shareholders of the parent company have agreed to provide funds for the company to meet its liabilities as they fall due.

2 ACCOUNTING POLICIES

(a) Accounting convention.

The accounts are prepared under the historical cost convention.

(b) Depreciation and amortisation.

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

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

No depreciation is made in respect of the 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 making due allowance for any obsolete or slow-moving items.

(d) Leased assets

Assets held under leasing arrangements that transfer substantially all the risk and rewards of ownership to the company are capitalised. The capital element of the related rental obligations is included in creditors. The interest element of the 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, 1989

### (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.

### 3 TURNOVER

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

### 4 OPERATING CHARGES include

	1989 £	1988 £
Directors' emoluments (see below)		
Auditors' remuneration	40,000	50,000
Depreciation (including depreciation of assets held under finance leases £98,514 (1988 - £133,139))	1,705,076	1,649,534
Hire of plant and equipment	173,197	171,665
Other operating lease expense	2,418,879	2,136,738
Staff costs (note 5)	10,619,378	9,842,792

The company has borne a management charge of £217,639 (1988 - £186,145) from its parent company, IMC Holdings (Grand Cayman) Limited, in respect of the services of one member of the board of directors.

### 5 STAFF COSTS

	1989 £	1988 £
Wages and salaries	9,600,876	8,867,345
Social security costs	823,671	749,619
Other pension costs	194,831	225,828
	<u>£10,619,378</u>	<u>£9,842,792</u>

# MEDICAL SERVICES INTERNATIONAL LIMITED

## NOTES ON THE ACCOUNTS - DECEMBER 31, 1989

### 6 INTEREST PAYABLE AND SIMILAR CHARGES

	1989 £	1988 £
Repayable within five years		
Bank loan and overdraft interest	1,340,519	985,864
Bank charges	42,273	31,677
Finance lease charges	22,220	30,036
Interest receivable	(25,072)	(27,171)
	<hr/>	<hr/>
	£1,379,940	£1,020,406
	<hr/>	<hr/>

### 7 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 is taking a contributions holiday for the 12 months of 1990.

## MEDICAL SERVICES INTERNATIONAL LIMITED

## NOTES ON THE ACCOUNTS - DECEMBER 31, 1989

## 8 FIXED ASSETS

	Leasehold premises	Medical equipment	Plant and machinery	Furniture, fixtures, and fittings	Motor vehicles	Computer software	Leased assets	Total
	£	£	£	£	£	£	£	£
Cost								
At January 1, 1989	38,483	2,672,814	13,173,396	3,943,854	104,883	109,716	3,262,091	23,305,237
Additions for the year	-	350,296	660,960	413,944	-	29,561	-	1,454,761
Disposals for the year	-	(289,276)	(4,827)	(17,678)	-	-	(159,505)	(471,286)
At December 31 1989	<u>38,483</u>	<u>2,733,834</u>	<u>13,829,529</u>	<u>4,340,120</u>	<u>104,883</u>	<u>139,277</u>	<u>3,102,586</u>	<u>24,288,712</u>
Depreciation								
At January 1, 1989	-	1,802,075	6,891,889	2,934,283	49,470	107,235	3,125,796	14,910,748
Charge of year	-	294,919	878,672	390,107	26,221	16,642	98,514	1,705,075
Disposals for the year	-	(248,759)	(1,911)	(15,995)	-	-	(155,074)	(421,739)
At December 31 1989	<u>-</u>	<u>1,848,235</u>	<u>7,768,650</u>	<u>3,308,395</u>	<u>75,691</u>	<u>123,877</u>	<u>3,069,236</u>	<u>16,194,084</u>
Net book amount								
at December 31 1989	£38,483	£ 885,599	£6,060,879	£1,031,725	£29,192	£15,400	£33,350	£8,094,628
December 31, 1988	<u>£38,483</u>	<u>£870,739</u>	<u>£6,281,507</u>	<u>£1,009,571</u>	<u>£55,413</u>	<u>£2,481</u>	<u>£136,295</u>	<u>£8,394,489</u>

The leasehold premises purchased on 30 October 1979 have been mortgaged; the lease is for a term of 125 years.

As mentioned in note 2(d), assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the company are capitalised. This policy arises due to the adoption of provisions contained in Statement of Standard Accounting Practice 21 - Accounting for leases and hire purchase contracts. Leased assets comprise medical equipment, net book value £33,350. (1988 - £136,295)

# MEDICAL SERVICES INTERNATIONAL LIMITED

## NOTES ON THE ACCOUNTS - DECEMBER 31, 1989

### 9 DEBTORS

	1989 £	1988 £
Due within one year:		
Trade debtors	5,252,046	4,936,150
Other debtors	156,467	163,815
Prepayments	800,538	728,650
Amounts due from group company	-	28,856
	<u>6,209,051</u>	<u>5,857,471</u>

#### (a) Loan to an officer of the company

Other debtors at December 31, 1989 include £20,000 in respect of a loan to one officer.

### 10 CREDITORS - amounts falling due within one year

	1989 £	1988 £
Leasing obligations under finance leases	102,374	127,154
Bank overdraft	4,534,742	3,179,573
Trade Creditors	1,945,348	2,435,239
Amount due to group company	8,783	-
Accruals	1,101,379	905,568
Payroll taxes	157,250	154,946
Social security	115,491	124,500
	<u>£ 7,965,367</u>	<u>£6,926,980</u>

A fixed and floating charge exists over the stock and trade debtors of the company in connection with the bank overdraft.

# MEDICAL SERVICES INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS - DECEMBER 31, 1989

## 11 SHARE CAPITAL AND SUBORDINATED LOANS

	1989	1988
Ordinary shares of £1 each - authorised	£40,000,000	£40,000,000
Issued and fully paid	£28,000,000	£26,000,000
Subordinated loans	£ 5,000,000	£ 6,000,000

Subordinated loans of £2 million provided by the holding company on 1 December 1986 were converted into Ordinary Share Capital on June 30, 1989.

The holding company provided an interest free subordinated loan for an indefinite period of £1 million on 23 June 1989.

## 12 CREDITORS - amounts falling due after more than one year

	1989 £	1988 £
Obligations under finance leases	25,566	127,940
Bank loan	6,000,000	6,000,000
	<u>6,025,566</u>	<u>6,127,940</u>

The bank loan is repayable in full on December 31, 1991 although the lending bank has the option to request repayment on demand. The holding company has pledged as security an equivalent sum deposited with the lending bank as well as providing an unlimited corporate guarantee. Interest is at 5/16% above the rate paid on the matching deposit placed with the lending bank who retains the right to vary the margin.

## 13 TAXATION

The company is currently negotiating with the Inland Revenue the amount of tax losses available to be carried forward. The directors estimate that such tax losses amount to approximately £25 million. Potential deferred tax arising in respect of accelerated capital allowances amounts to approximately £4 million.

# MEDICAL SERVICES INTERNATIONAL LIMITED

## NOTES ON THE ACCOUNTS - DECEMBER 31, 1989

### 14 OBLIGATIONS UNDER FINANCE LEASES

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

	1989 £	1988 £
Within one year	102,374	127,154
Within two to five years	25,566	127,940
	<u>£127,940</u>	<u>£255,094</u>

### 15 EMPLOYEES

The average number of employees in each week in the year was 661 (1988 - 665) and is broken down into the following categories:

	1989 Number of employees	1988 Number of employees
Medical	485	488
Other	176	177
	<u>661</u>	<u>665</u>

The number of employee of the company other than directors whose emoluments, excluding pension contributions, exceeded £30,000 was as follows:

	1989 Number of Employees	1988 Number of Employees
£30,001 to £35,000	1	4
£35,001 to £40,000	2	-
£40,001 to £45,000	3	-
£45,001 to £50,000	-	1
£50,001 to £55,000	3	-
£55,001 to £60,000	-	1
£60,001 to £70,000	-	1
£70,001 to £100,000	1	-
£100,001 to £105,000	1	-

MEDICAL SERVICES INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS - DECEMBER 31, 1989

16 FINANCIAL COMMITMENTS

Authorised future capital expenditure amounted to:

	1989 £	1988 £
Contracted	1,629,060	159,441
Not contracted	839,529	1,406,365
	<u>£2,468,589</u>	<u>£1,565,806</u>

The annual commitment under operating leases is as follows:

	Land and buildings		Other operating leases	
	1989 £	1988 £	1989 £	1988 £
Leases expiring:				
Within one year	77,025	145,000	23,295	2,453
Within two to five years	-	-	77,856	100,121
Thereafter	2,261,750	2,205,468	1,894	9,585
	<u>2,338,775</u>	<u>£2,350,468</u>	<u>103,045</u>	<u>£112,159</u>

17 CONTINGENCIES

A fixed and floating charge exists over the assets of the company (except for stock and trade debtors mentioned in note 10) as a result of the borrowing arrangements made by the holding company.

18 HOLDING COMPANY

The company is a wholly-owned subsidiary of IMC Holdings (Grand Cayman) Limited, a company incorporated in Grand Cayman, British West Indies.