

# Medical Services International Limited

Financial statements 31 December 1996  
together with auditors' and directors' reports

Registration number: 1416977



# Directors' report

For the year ended 31 December 1996

The directors present their report and the audited financial statements for the year ended 31 December 1996.

## Principal activities and business review

The company operates and manages a private hospital in London providing general medical facilities. 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 £1,052,879 (1995 - £165,996). Rent amounting to £766,844 (1995 - £1,446,000) was waived during the year by a group company. The directors cannot propose a dividend for the year (1995 - £nil).

## Directors

The directors of the company during the year ended 31 December 1996 are as listed below:

Dr. K.J. Zilkha (Chairman)  
Dr. K. Hameed  
Mr Alan Baker  
Mr Khalaf Al Mazrooei

Mr Hugh McGarel-Groves was appointed a director subsequent to the year end on 15 April 1997.

## Directors' interests

None of the directors at 31 December 1996 had any interest in the share capital of the company during this year.

## 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 company continues and that appropriate training is arranged. It is the policy of the company 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 company is committed to involving all employees in the performance and development of the company. Employees are encouraged to discuss matters of interest to them, which affect the day-to-day operations of the company, with management.

## Supplier payment policy

The company'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 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, 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 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### 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,



K. Hameed

Company secretary

December 1997

# Auditors' report

## **To the Shareholders of Medical Services International Limited:**

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

### **Respective responsibilities of directors and auditors**

As described in their report, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on the financial 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 circumstances of the company, 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.

### **Fundamental uncertainty**

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the deficit on capital and reserves at 31 December 1996 of £4,918,720 (1995 - £5,971,599). The parent company has provided interest free subordinated loans repayable on 1 January 2000 or such later date as may be agreed between the parent company and the company. See note 11 for further details. Our opinion is not qualified in this respect.

## Auditors' report (continued)

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its 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

December 1997

## Profit and loss account

For the year ended 31 December 1996

	Notes	1996 £	1995 £
Turnover	2	31,516,711	27,280,983
Operating charges	3	(30,549,736)	(26,871,141)
Operating profit for the year		966,975	409,842
Interest receivable		154,416	145,033
Interest payable and similar charges	5	(17,555)	(58,904)
Profit before taxation		1,103,836	495,971
Tax on profit on ordinary activities	6	(50,957)	(329,975)
Retained profit for the year	14	1,052,879	165,996
Accumulated deficit, brought forward	14	(33,971,599)	(34,137,595)
Accumulated deficit, carried forward		(32,918,720)	(33,971,599)

All turnover and operating profit result from continuing operations.

The company 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 profit and loss account.

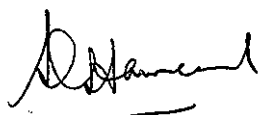
# Balance sheet

31 December 1996

	Notes	1996 £	1995 £
<b>Fixed assets</b>			
Tangible assets	7	14,430,233	13,035,329
<b>Current assets</b>			
Stocks	8	680,847	678,857
Debtors	9	5,008,981	4,509,099
Cash at bank and in hand		2,921,717	3,459,946
		8,611,545	8,647,902
<b>Creditors: Amounts falling due within one year</b>	10	(4,867,988)	(4,562,320)
<b>Net current assets</b>		3,743,557	4,085,582
<b>Total assets less current liabilities</b>		18,173,790	17,120,911
<b>Creditors: Amounts falling due after more than one year</b>	11	23,092,510	23,092,510
<b>Capital and reserves</b>			
Called-up equity share capital	13,14	28,000,000	28,000,000
Accumulated deficit	14	(32,918,720)	(33,971,599)
<b>Total shareholders' deficit</b>	14	(4,918,720)	(5,971,599)
		18,173,790	17,120,911

By order of the Board

K. Hameed



Chief executive

K.J. Zilkha



Chairman

December 1997

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

## Cash flow statement

For the year ended 31 December 1996

	Notes	1996 £	1995 £
<b>Net cash inflow from operating activities</b>	15	2,926,050	2,745,125
<b>Returns on investment and servicing of finance</b>			
Interest received		154,416	145,033
Interest paid		(17,555)	(11,066)
<b>Taxation</b>			
UK tax paid		(47,861)	(37,580)
<b>Capital expenditure</b>	16	<u>(3,553,279)</u>	<u>(2,530,330)</u>
<b>Cash (outflow) inflow before management of liquid resources and financing</b>		(538,229)	311,182
<b>Financing</b>			
Loan from holding company		<u>-</u>	<u>662,510</u>
<b>(Decrease)/increase in cash in the year</b>	17	<u><u>(538,229)</u></u>	<u><u>973,692</u></u>

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



# Notes to financial statements

31 December 1996

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

### b) Tangible fixed assets

Fixed assets are shown at cost less depreciation.

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

Medical equipment	5-12 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.

### 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 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.

## Notes to financial statements (continued)

### 1 Accounting policies (continued)

#### e) 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 company 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.

#### f) 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.

Included in turnover for the year is an amount of £330,000 (1995 - nil) which represents an interim amount received in respect of monies due from the Bank of Credit and Commerce International Limited ("BCCI") written off in a previous period.

### 3 Operating charges

Operating charges include:

	1996 £	1995 £
a) Auditors' remuneration		
i. audit fees	48,000	48,000
ii. non-audit fees	62,881	23,700
b) Depreciation and amounts written off tangible fixed assets	2,022,484	1,476,368
c) Other operating lease expenses	63,449	70,034

## Notes to financial statements (continued)

### 4 Staff costs

	1996	1995 £
Wages and salaries	12,359,817	11,220,695
Social security costs	867,202	919,648
Other pension costs	185,656	167,605
	<u>13,412,675</u>	<u>12,307,948</u>

The emoluments of the chairman, excluding pension contributions amounted to £35,000 (1995 - £35,000).

Emoluments of the highest paid director, excluding pension contributions amounted to £215,107 (1995 - £144,971).

Directors' emoluments (excluding pension contributions) fell within the following ranges:

	1996 Number	1995 Number
£ 5,001 - £ 10,000	2	2
£ 30,001 - £ 35,000	1	1
£140,001 - £145,000	-	1
£215,001 - £220,000	1	-
	<u>1</u>	<u>-</u>

The average monthly number of persons employed during the year was as follows:

	1996 Number	1995 Number
Medical	294	280
Other	144	174
	<u>438</u>	<u>454</u>

### 5 Interest payable and similar charges

	1996 £	1995 £
Bank charges	17,555	11,066
Interest on overdue tax	-	47,838
	<u>17,555</u>	<u>58,904</u>

## Notes to financial statements (continued)

### 6 Tax on profit on ordinary activities

	1996 £	1995 £
The tax charge is based on the profit for the year and comprises:		
Corporation tax at 33% (1995 - 33%)	50,957	47,861
Adjustment of current taxation in respect of prior years	-	282,114
	<u>50,957</u>	<u>329,975</u>

An adjustment of £282,114 arose in 1995 following the agreement of previous years corporation tax returns with the Inland Revenue.

### 7 Tangible fixed assets

	Leasehold premises £	Medical equipment £	Plant and machinery £	Furniture, fixtures and fittings £	Motor vehicles £	Computer software & hardware £	Leased assets £	Total £
<b>Cost</b>								
1 January 1996	38,483	11,507,357	14,246,845	5,429,539	67,037	2,673,303	2,998,112	36,960,676
Additions	72,495	1,956,296	1,185,190	199,710	-	153,587	-	3,567,278
Disposals	(1,248)	(1,630,372)	(464,981)	(1,459,482)	(34,000)	(310,339)	(1,200,325)	(5,100,747)
31 December 1996	<u>109,730</u>	<u>11,833,281</u>	<u>14,967,054</u>	<u>4,169,767</u>	<u>33,037</u>	<u>2,516,551</u>	<u>1,797,787</u>	<u>35,427,207</u>
<b>Depreciation</b>								
1 January 1996	-	4,440,630	9,843,089	4,774,490	67,037	1,803,751	2,996,350	23,925,347
Charge	-	978,301	311,360	270,060	-	462,763	-	2,022,484
Disposals	-	(1,514,749)	(445,308)	(1,448,330)	(34,000)	(308,359)	(1,200,111)	(4,950,857)
31 December 1996	<u>-</u>	<u>3,904,182</u>	<u>9,709,141</u>	<u>3,596,220</u>	<u>33,037</u>	<u>1,958,155</u>	<u>1,796,239</u>	<u>20,996,974</u>
<b>Net book value</b>								
1 January 1996	<u>38,483</u>	<u>7,066,727</u>	<u>4,403,756</u>	<u>655,049</u>	<u>-</u>	<u>869,552</u>	<u>1,762</u>	<u>13,035,329</u>
31 December 1996	<u>109,730</u>	<u>7,929,099</u>	<u>5,257,913</u>	<u>573,547</u>	<u>-</u>	<u>558,396</u>	<u>1,548</u>	<u>14,430,233</u>

### 8 Stocks

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

	1996 £	1995 £
Medical stocks	<u>680,847</u>	<u>678,857</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

## Notes to financial statements (continued)

### 9 Debtors

Included within debtors due within one year are:

	1996 £	1995 £
Trade debtors (net of provisions)	4,572,350	3,803,819
Other debtors	170,255	148,429
Prepayments and accrued income	266,376	556,851
	<u>5,008,981</u>	<u>4,509,099</u>

### 10 Creditors: Amounts falling due within one year

Included within creditors falling due within one year are:

	1996 £	1995 £
Trade creditors	1,786,939	2,364,546
Amounts owed to other group undertakings	36,257	-
Other creditors		
- UK corporation tax payable	380,909	377,813
- social security and PAYE	354,740	283,321
VAT	184,131	353,510
Accruals and deferred income	2,125,012	1,183,130
	<u>4,867,988</u>	<u>4,562,320</u>

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

### 11 Creditors: Amounts falling due after more than one year

Included within creditors falling due after one year are:

	1996 £	1995 £
Subordinated loans	19,900,000	19,900,000
Amounts due to parent company.	3,192,510	3,192,510
	<u>23,092,510</u>	<u>23,092,510</u>

The parent company has provided interest free subordinated loans repayable on 1 January 2000 or such later date as may be agreed between the parent company and the company. The other amount due to the parent company is interest free and the terms of its availability will be reviewed on 31 March 1998.

## Notes to financial statements (continued)

### 12 Provisions for liabilities and charges

Following agreement of the previous years corporation tax returns with the Inland Revenue (note 6), the directors have been able to assess the need for any provision for deferred taxation.

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:

	1996 £	1995 £
Accelerated capital allowances	1,700,601	1,769,437
Tax losses available	(208,406)	(237,837)
Other timing differences	(129,792)	(211,018)
	<u>1,362,403</u>	<u>1,320,582</u>

### 13 Equity share capital

	1996 £	1995 £
<i>Authorised</i>		
40,000,000 ordinary shares of £1 each	<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>

### 14 Reconciliation of movement in shareholders' funds

	Equity share capital £	Profit and loss account £	Total shareholders funds £
Balance at 1 January 1996	28,000,000	(33,971,599)	(5,971,599)
Retained profit for the year	-	1,052,879	1,052,879
Balance at 31 December 1996	<u>28,000,000</u>	<u>(32,918,720)</u>	<u>(4,918,720)</u>

## Notes to financial statements (continued)

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

	1996 £	1995 £
Operating profit	966,975	409,842
Depreciation charge for the year	2,022,484	1,476,368
Loss on disposal of assets	139,990	9,965
(Increase) decrease in stocks	(1,990)	50,607
(Increase) in debtors	(499,882)	(42,119)
Increase in creditors	298,473	840,462
<b>Net cash inflow from operating activities</b>	<b>2,926,050</b>	<b>2,745,125</b>

### 16 Capital expenditure

	1996 £	1995 £
Purchase of tangible fixed assets	(3,563,179)	(2,585,793)
Sale of tangible fixed assets	9,900	55,463
	<b>(3,553,279)</b>	<b>(2,530,330)</b>

### 17 Analysis of changes in net debt during the year

	1996 £	1995 £
Balance at beginning of year	3,459,946	2,486,254
Net cash (outflow)/inflow	(538,229)	973,692
<b>Balance at end of year</b>	<b>2,921,717</b>	<b>3,459,946</b>

There were no changes to the net debt position of the company except for the movement on the cash balances shown above.

## Notes to financial statements (continued)

### 18 Guarantees and other financial commitments

#### a) Lease commitments

The minimum annual commitment under operating leases is as follows:

	Land & buildings		Other operating leases	
	1996	1995	1996	1995
	£	£	£	£
Operating leases expiring:				
- within 1 year	-	-	15,839	6,037
- between 1-5 years	-	-	45,674	62,061
- after 5 years	1,577,000	1,539,000	1,936	1,936
	<u>1,577,000</u>	<u>1,539,000</u>	<u>63,449</u>	<u>70,034</u>

Rent of £766,844 (1995 - £1,446,000), included under land and buildings above, was waived by a group company during the year.

#### b) Pension arrangements

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 6 April 1995 using the discounted income method. Principal long term actuarial assumptions used were that the annual increases in pensions and salaries would be 7% and 3% respectively.

The valuation showed that using the discounted income method the value of the scheme's assets were £2,227,000 and the actuarial value of those assets represented 98% of the benefits due to members.

To eliminate the deficit, employers' contributions were increased from 8.1% to 8.7% in March 1996. The actuary has confirmed that this is an acceptable solution. No material variation will arise in the financial statements of the company based on this deficit.

The pension cost charge for the year was £185,656 (1995 - £167,605) made up of a regular cost of £195,656 less variation of £10,000.

The most recent actuarial valuation was completed prior to the announcement in the Budget that pension schemes will be unable to reclaim tax credits on UK dividends. The directors' view, based on initial actuarial advice, is that reflection of this new factor would not significantly alter the pension charge for the period and the amounts in the balance sheet at 31 December 1996. The directors are considering the implications of the Budget for future funding of the pension scheme and the associated costs to the company.



## Notes to financial statements (continued)

### 18 Guarantees and other financial commitments (continued)

#### c) Capital commitments

Authorised future capital expenditure amounted to:

	1996 £	1995 £
Contracted but not provided for	239,681	557,575
	<u>239,681</u>	<u>557,575</u>

### 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.