ARTHUR
ANDERSEN

Medical Services International Limited

Financial statements 31 December 1995
together with auditors' and directors' reports

Registration number: 1416977

Directors' report

For the year ended 31 December 1995

The directors present their report and the audited financial statements for the year ended 31 December 1995.

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 £165,996 (1994 - £137,718). Rent amounting to £1,446,000 (1994 - £1,446,000) was waived during the year by a group company. The directors cannot propose a dividend for the year (1994 - £nil).

Directors
The directors of the company during the year ended 31 December 1995 are as listed below:

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

Directors' interests
None of the directors at 31 December 1995 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 with 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.

Fixed assets
Information relating to changes in tangible fixed assets is given in note 7 of the financial statements.

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.

Liability insurance to company officers

As permitted by the Companies Act 1985 (as amended), the company has purchased insurance cover for the directors against liabilities in relation to the company.

Cromwell Hospital
Cromwell Road
London SW5 0TU

By order of the Board,

K. Hameed

Company secretary

5 December 1996

Auditors' report

London

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 1995 of £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 1995 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

Arthur Andersen
Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

5 December 1996

Profit and loss account

For the year ended 31 December 1995

	Notes	1995 £	1994 £
Turnover	2	27,280,983	24,422,492
Operating charges	3	(26,871,141)	(24,340,068)
Operating profit for the year		409,842	82,424
Interest receivable		145,033	113,879
Interest payable and similar charges	5	(58,904)	(14,002)
Profit before taxation		495,971	182,301
Tax on profit on ordinary activities	6	(329,975)	(44,583)
Retained profit for the year	14	165,996	137,718
Accumulated deficit, brought forward	14	(34,137,595)	(34,275,313)
Accumulated deficit, carried forward		(33,971,599)	(34,137,595)

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 1995

	Notes	1995 £	1994 £
Fixed assets			
Tangible assets	7	13,035,329	11,850,719
Current assets			
Stocks	8	678,857	729,464
Debtors	9	4,509,099	4,607,593
Cash at bank and in hand		3,459,946	2,486,254
		8,647,902	7,823,311
Creditors: Amounts falling due within one year	10	(4,562,320)	(3,381,625)
Net current assets		4,085,582	4,441,686
Total assets less current liabilities		17,120,911	16,292,405
Creditors: Amounts falling due after more than one year	11	23,092,510	22,430,000
Capital and reserves			
Called-up equity share capital	13,14	28,000,000	28,000,000
Accumulated deficit	14	(33,971,599)	(34,137,595)
Total shareholders' funds	14	(5,971,599)	(6,137,595)
		17,120,911	16,292,405

By order of the Board

K. Hameed — Chief executive

K.J. Zilkha — Chairman

5 December 1996

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

Cash flow statement

For the year ended 31 December 1995

	Notes	1995		1994	
		£	£	£	£
Net cash inflow from operating activities	15		2,745,125		1,430,158
Returns on investments and servicing of finance					
Interest received		145,033		113,879	
Interest paid		(11,066)		(14,002)	
Net cash inflow from returns on investments and servicing of finance			133,967		99,877
Taxation					
UK tax paid		(37,580)		(28,887)	
Tax paid			(37,580)		(28,887)
Investing activities					
Purchase of tangible fixed assets		(2,585,793)		(3,663,131)	
Sale of tangible fixed assets		55,463		225	
Net cash outflow from investing activities			(2,530,330)		(3,662,906)
Net cash inflow(outflow) before financing			311,182		(2,161,758)
Financing					
Loan from holding company		662,510		2,530,000	
Net cash inflow from financing			662,510		2,530,000
Increase in cash and cash equivalents	16		973,692		368,242

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

Notes to financial statements

31 December 1995

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

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. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease terms, in which case the shorter period is used.

Notes to financial statements (continued)

1 Accounting policies (continued)

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.

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 on 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.

3 Operating charges (income)

Operating charges (income) include:

	1995 £	1994 £
a) Directors' emoluments	217,971	206,639
b) Auditors' remuneration		
i. audit fees	48,000	54,000
ii. non-audit fees	23,700	14,860
c) Depreciation (note 7)	1,476,368	1,347,018
d) Hire of plant and equipment	42,601	55,999
e) Other operating lease expenses		
i. Annual expense	70,036	77,542
ii. Exceptional item	-	(133,416)
f) Staff costs (note 4)	12,307,948	12,039,391

The exceptional item within other operating lease expenses in 1994 relates to the write back of a previous creditor for £133,416 due to BCCI.

Notes to financial statements (continued)

4 Staff costs

	1995 £	1994 £
Wages and salaries	11,220,695	10,925,453
Social security costs	919,648	948,791
Other pension costs	167,605	165,147
	12,307,948	12,039,391

The emoluments of the chairman, excluding pension contributions amounted to £35,000 (1994 - £33,000).

Emoluments to the highest paid director, excluding pension contributions amounted to £144,971 (1994 - £140,266).

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

	1995 Number	1994 Number
£ 5,001 - £ 10,000	2	2
£ 30,001 - £ 35,000	1	1
£140,001 - £145,000	1	1

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

	1995 Number	1994 Number
Medical	280	298
Other	174	176
	454	474

5 Interest payable and similar charges

	1995 £	1994 £
Bank charges	11,066	14,002
Interest on overdue tax	47,838	-
	58,904	14,002

Notes to financial statements (continued)

6 Tax on profit on ordinary activities

	1995	1994
	£	£
The tax charge is based on the profit for the year and comprises:		
Corporation tax at 33% (1994 - 33%)	47,861	37,580
Adjustment of current taxation in respect of prior years	282,114	7,003
	329,975	44,583

An adjustment of £282,114 (1994 - £7,003) has arisen in the current year following 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
	£	£	£	£	£	£	£	£
Cost								
1 January 1995	38,483	9,402,107	13,884,825	5,240,520	67,037	2,603,186	3,158,709	34,394,867
Additions	-	2,049,550	362,020	150,125	-	70,117	-	2,631,812
Transfers		55,700		38,894	-	-	-	94,594
Disposals	-		-	-	-	-	(160,597)	(160,597)
31 December 1995	38,483	11,507,357	14,246,845	5,429,539	67,037	2,673,303	2,998,112	36,960,676
Depreciation								
1 January 1995	-	3,751,010	9,581,078	4,522,045	64,845	1,558,257	3,066,913	22,544,148
Charge	-	689,620	262,011	252,445	2,192	245,494	24,606	1,476,368
Disposals	-		-	-	-	-	(95,169)	(95,169)
31 December 1995	-	4,440,630	9,843,089	4,774,490	67,037	1,803,751	2,996,350	23,925,347
Net book value								
1 January 1995	38,483	5,651,097	4,303,747	718,475	2,192	1,044,929	91,796	11,850,719
31 December 1995	38,483	7,066,727	4,403,756	655,049	-	869,552	1,762	13,035,329

8 Stocks

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

	1995 £	1994 £
Medical stocks	678,857	729,464

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

9 Debtors

Included within debtors due within one year are:

	1995 £	1994 £
Trade debtors (net of provisions)	3,803,819	3,744,022
Other debtors	148,429	266,315
Prepayments and accrued income	556,851	597,256
	4,509,099	4,607,593

10 Creditors: Amounts falling due within one year

Included within creditors falling due within one year are:

	1995 £	1994 £
Trade creditors	2,364,546	1,313,866
Amounts owed to other group undertakings	-	2,886
Other creditors		
- UK corporation tax payable	377,813	37,580
- social security and PAYE	283,321	292,917
VAT	353,510	204,616
Accruals and deferred income	1,183,130	1,529,760
	4,562,320	3,381,625

UK corporation tax payable includes £47,838 in respect of interest on overdue tax (note 5).

Notes to financial statements (continued)

11 Creditors: Amounts falling due after more than one year

Included within creditors falling due after one year are:

	1995 £	1994 £
Subordinated loans	19,900,000	19,900,000
Amounts due to parent undertaking	3,192,510	2,530,000
	23,092,510	22,430,000

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 undertaking is interest free and the terms of its availability will be reviewed on 31 March 1997.

12 Provisions for liabilities and charges

Following agreement of 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:

	1995 £	1994 £
Accelerated capital allowances	1,769,437	-
Tax losses available	(237,837)	-
Other timing differences	(211,018)	-
	1,320,582	-

13 Equity share capital

	1995 £	1994 £
Authorised		
40,000,000 ordinary shares of £1 each	40,000,000	40,000,000
Issued and fully-paid		
28,000,000 ordinary shares of £1 each	28,000,000	28,000,000

Notes to financial statements (continued)

14 Reconciliation of movement in shareholders' funds

	Equity share capital £	Profit and loss account £	Total shareholders funds £
Balance at 1 January 1995	28,000,000	(34,137,595)	(6,137,595)
Retained profit for the year	-	165,996	165,996
Balance at 31 December 1995	28,000,000	(33,971,599)	(5,971,599)

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

	1995 £	1994 £
Operating profit	409,842	82,424
Depreciation charge for the year	1,476,368	1,347,018
Loss (profit) on disposal of assets	9,965	(225)
Decrease (increase) in stocks	50,607	(16,575)
(Increase) decrease in debtors	(42,119)	132,742
Increase (decrease) in creditors	840,462	(115,226)
Net cash inflow from operating activities	2,745,125	1,430,158

16 Analysis of changes in cash and cash equivalents during the year

	1995 £	1994 £
Balance at beginning of year	2,486,254	2,118,012
Net cash inflow	973,692	368,242
Balance at end of year	3,459,946	2,486,254

Notes to financial statements (continued)

17 Guarantees and other financial commitments

a) Lease commitments

The minimum annual commitment under operating leases is as follows:

	Land & buildings		Other operating leases	
	1995	1994	1995	1994
	£	£	£	£
Operating leases expiring:				
- within 1 year	-	-	6,037	3,271
- within 2-5 years	-	-	62,061	66,257
- thereafter	1,539,000	1,600,221	1,936	1,936
	1,539,000	1,600,221	70,034	71,464

Rent of £1,446,000 (1994 - £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.

The deficit on the scheme's assets will be eliminated by increasing the employers contribution from 8.1% to 8.7% effective from 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 £167,605 (1994 - £165,147) made up of a regular cost of £179,305 less variation of £11,700.

c) Capital commitments

Authorised future capital expenditure amounted to:

	1995	1994
	£	£
Contracted	557,575	970,100
Not contracted	-	742,699
	557,575	1,712,799

Notes to financial statements (continued)

17 Guarantees and other financial commitments (continued)

d) Contingent liabilities

A fixed and floating charge exists over the assets of the company as a result of the borrowing arrangements made by the holding company.

18 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.