

Private Medicine Intermediaries Limited

REPORT AND FINANCIAL STATEMENTS

30 June 2004



Company Registration No. 2009675

Private Medicine Intermediaries Limited

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Private Medicine Intermediaries Limited

DIRECTORS AND OFFICERS

DIRECTORS

CP Baldwin
RDH Munro
MI Davis
E Hammond
SM Hackett
SJ Langan
DR Tresidder (resigned 23 December 2003)
RE Floyd (appointed 29 July 2004)

SECRETARY

RDH Munro

REGISTERED OFFICE

The Courtyard
Hall Lane
Wincham
Cheshire
CW9 6DG

AUDITORS

Baker Tilly
Chartered Accountants
Festival Way
Stoke-on-Trent
Staffordshire
ST1 5BB

BANKERS

National Westminster Bank PLC
23 Stamford New Road
Altrincham
Cheshire
WA14 1DB

SOLICITORS

Chandler Harris
25 Byrom Street
Manchester
M3 4PF

Private Medicine Intermediaries Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Private Medicine Intermediaries Limited for the year ended 30 June 2004.

PRINCIPAL ACTIVITIES

The company continues to provide a growing range of employee healthcare services, including health related insurance consultancy, related claims management and occupational healthcare, supported by its sister company, *Corporate Medical Management Limited*.

REVIEW OF THE BUSINESS

The company has continued to perform satisfactorily in line with expectations.

DIVIDENDS

The directors recommend the payment of final dividends of £600,000 (2003: £200,000) which leaves a loss of £80,364 (2003: profit of £333,872) which has been taken to reserves.

DIRECTORS

The directors who held office during the year were as follows:

CP Baldwin
RDH Munro
MI Davis
E Hammond
SM Hackett
SJ Langan
DR Tresidder (*resigned 23 December 2003*)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

None of the directors at 30 June 2004 had any interests in the share capital of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any director or their immediate family, or exercised by them, during the financial year.

The interests of the directors in the issued share capital of the holding company, PMI Health Group Limited, are shown in the financial statements of that company.

Private Medicine Intermediaries Limited

DIRECTORS' REPORT

AUDITORS

Ernst & Young LLP resigned as company auditors on 9 July 2004 and Baker Tilly were appointed to fill the casual vacancy arising.

A resolution for the reappointment of Baker Tilly as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



RDH Munro
Secretary

3 November 2004

Private Medicine Intermediaries Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 to enable them to ensure that the financial statements comply with the requirements of 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRIVATE MEDICINE INTERMEDIARIES LIMITED

We have audited the financial statements on pages 7 to 20.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 company's circumstances, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRIVATE MEDICINE
INTERMEDIARIES LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

Registered Auditor
Chartered Accountants
Festival Way
Stoke-on-Trent
Staffordshire
ST1 5BB

9 March 2005

Private Medicine Intermediaries Limited

PROFIT AND LOSS ACCOUNT

for the year ended 30 June 2004

	Notes	2004 £	2003 £
TURNOVER		4,774,601	4,375,435
Administrative expenses		(4,080,660)	(3,641,981)
OPERATING PROFIT	1	693,941	733,454
Interest receivable	4	70,533	56,725
Interest payable	5	(9,911)	(14,259)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		754,563	775,920
Taxation	6	(234,927)	(242,048)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		519,636	533,872
Dividends	7	(600,000)	(200,000)
RETAINED (LOSS)/PROFIT FOR THE YEAR		(80,364)	333,872

The operating profit for the year arises from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

Private Medicine Intermediaries Limited

BALANCE SHEET

at 30 June 2004

	Notes	2004 £	2003 as restated £
FIXED ASSETS			
Tangible fixed assets	8	394,013	436,907
CURRENT ASSETS			
Debtors (including £26,228 in 2003 due after more than one year)	9	1,135,603	961,267
Net insurance broking assets	10	-	-
Cash at bank and in hand		865,393	759,651
		<u>2,000,996</u>	<u>1,720,918</u>
CREDITORS: Amounts falling due within one year	11	(1,040,483)	(688,695)
		<u>960,513</u>	<u>1,032,223</u>
NET CURRENT ASSETS			
		<u>960,513</u>	<u>1,032,223</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,354,526</u>	<u>1,469,130</u>
CREDITORS: Amounts falling due after more than one year	12	(30,900)	(65,140)
		<u>1,323,626</u>	<u>1,403,990</u>
NET ASSETS		<u>1,323,626</u>	<u>1,403,990</u>
CAPITAL AND RESERVES			
Called up share capital	14	688,790	688,790
Profit and loss account	15	634,836	715,200
		<u>1,323,626</u>	<u>1,403,990</u>
EQUITY SHAREHOLDERS' FUNDS		<u>1,323,626</u>	<u>1,403,990</u>

Approved by the board on 3 November 2004

CP Baldwin
Director



Private Medicine Intermediaries Limited
RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
for the year ended 30 June 2004

	2004	2003
	£	£
PROFIT FOR THE FINANCIAL YEAR	519,636	533,872
Dividends	(600,000)	(200,000)
	<hr/>	<hr/>
NET (DEDUCTION)/ADDITION TO SHAREHOLDERS' FUNDS	(80,364)	333,872
Opening shareholders' funds	1,403,990	1,070,118
	<hr/>	<hr/>
CLOSING SHAREHOLDERS' FUNDS	1,323,626	1,403,990
	<hr/> <hr/>	<hr/> <hr/>

Private Medicine Intermediaries Limited

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

BASIS OF ACCOUNTING

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

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of PMI Health Group Limited and its cash flows are included within the consolidated cash flow statement of that company.

RELATED PARTY TRANSACTIONS

The company has, in accordance with Financial Reporting Standard No 8, taken advantage of the exemption from reporting the transactions between the company and certain of its related parties, since all of the voting rights are controlled by the group and the consolidated financial statements in which the company are consolidated are publicly available.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Computer equipment	- 25% straight line
Fixtures, fittings and office equipment	- 25% straight line
Motor vehicles	- 20% straight line

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

RETIREMENT BENEFITS

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Private Medicine Intermediaries Limited

ACCOUNTING POLICIES

TURNOVER

Turnover represents commissions and fees earned via insurance premium contracts. All commission and fee income is recognised at the date the policy commences.

Turnover and pre-tax profits are derived entirely from operating within the United Kingdom.

Private Medicine Intermediaries Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

1	OPERATING PROFIT	2004 £	2003 £
	This is stated after charging:		
	Auditors' remuneration – audit services	9,500	9,700
	Depreciation of owned fixed assets	94,481	91,364
	Depreciation of assets held under hire purchase contracts	68,593	48,392
	Loss on disposal of fixed assets	3,225	11,350
	Operating leases – land and buildings	95,022	87,983
		<u> </u>	<u> </u>
2	DIRECTORS' EMOLUMENTS	2004 £	2003 £
	Emoluments	440,315	455,735
	Emoluments paid to third parties	136,351	135,499
	Pension fund contributions	23,078	25,320
		<u> </u>	<u> </u>
		599,744	616,554
		<u> </u>	<u> </u>
		2004 No	2003 No
	Members of defined contributions pension scheme	4	4
		<u> </u>	<u> </u>
		2004 £	2003 £
	Highest paid director:		
	Emoluments	127,234	103,052
	Pension fund contributions	11,250	9,375
		<u> </u>	<u> </u>
		138,484	112,427
		<u> </u>	<u> </u>

Private Medicine Intermediaries Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

3	STAFF COSTS	2004 £	2003 £
	Wages and salaries	2,428,773	1,998,365
	Social security costs	242,064	229,841
	Other pension costs	95,418	78,764
		<u>2,766,255</u>	<u>2,306,970</u>

Included in wages and salaries are redundancy and termination costs of £194,663.

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

	2004 Number	2003 Number
Management and administration	60	60
Sales	28	27
	<u>88</u>	<u>87</u>

4	INTEREST RECEIVABLE	2004 £	2003 £
	Bank interest	<u>70,533</u>	<u>56,725</u>

5	INTEREST PAYABLE	2004 £	2003 £
	Finance charges payable under hire purchase contracts	<u>9,911</u>	<u>14,259</u>

Private Medicine Intermediaries Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

6	TAXATION	2004 £	2003 £
	Current tax:		
	UK corporation tax on profits of the period	242,500	253,000
	Adjustments in respect of previous periods	(15,202)	(7,762)
	Total current tax (see below)	227,298	245,238
	Deferred taxation:		
	Origination and reversal of timing differences	(6,804)	(3,190)
	Deferred tax under provided in previous years	14,433	-
		7,629	(3,190)
	Tax on profit on ordinary activities	234,927	242,048
	Factors affecting tax charge for period:	2004	2003
		£	£
	The tax assessed for the period is higher than the standard rate of corporation tax in the UK 30% (2003: 30%). The differences are explained below:		
	Profit on ordinary activities before tax	754,563	775,920
	Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2003: 30%)	226,369	232,776
	Effects of:		
	Expenses not allowable for tax purposes	9,327	15,000
	Capital allowances in excess of depreciation	7,564	5,239
	Other timing differences	(760)	(15)
	Overprovision in prior years	(15,202)	(7,762)
	Tax charge for period	227,298	245,238
7	DIVIDENDS	2004 £	2003 £
	Equity dividends:		
	Interim paid	200,000	-
	Final proposed	400,000	200,000
		600,000	200,000

Private Medicine Intermediaries Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

8 TANGIBLE FIXED ASSETS	Computer equipment	Motor vehicles	Fixtures, fittings and equipment	Total
	£	£	£	£
<i>Cost</i>				
At beginning of year	346,966	220,856	186,510	754,332
Additions	78,496	54,920	25,426	158,842
Disposals	(11,929)	(77,090)	(13,513)	(102,532)
	<u>413,533</u>	<u>198,686</u>	<u>198,423</u>	<u>810,642</u>
<i>Depreciation</i>				
At beginning of year	176,932	48,522	91,971	317,425
Charged in the year	79,282	49,992	33,800	163,074
Disposals	(9,543)	(41,881)	(12,446)	(63,870)
	<u>246,671</u>	<u>56,633</u>	<u>113,325</u>	<u>416,629</u>
<i>Net book value</i>				
At 30 June 2004	<u>166,862</u>	<u>142,053</u>	<u>85,098</u>	<u>394,013</u>
At 30 June 2003	<u>170,034</u>	<u>172,334</u>	<u>94,539</u>	<u>436,907</u>

Included in the net book value for motor vehicles above is £147,704 (2003: £172,334) relating to assets acquired under hire purchase contracts. Depreciation charged on these assets was £68,593 (2003: £48,392).

9 DEBTORS	2004 £	2003 £
Trade debtors	975,316	769,314
Amount due from parent undertaking	7,585	7,467
Amounts owed by fellow subsidiary	6,386	26,228
Prepayments and accrued income	93,135	40,503
Other taxes and social security	-	77,301
Deferred taxation (see note 13)	1,496	9,125
Other debtors	51,685	31,329
	<u>1,135,603</u>	<u>961,267</u>

The amount owed by a fellow subsidiary at 30 June 2003 of £26,228 was due after more than one year.

Included within other debtors is an amount of £40,415 (2003: £16,986) due from S Hackett. The maximum amount outstanding during the year was £40,415. Interest accrues on the amount at 2% above the base rate.

Private Medicine Intermediaries Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

10	NET INSURANCE BROKING ASSETS	2004	2003
		£	as restated £
	Debtors in respect of insurance transactions	2,196,054	2,352,664
	Creditors in respect of insurance transactions	(2,627,993)	(2,847,785)
	Insurance broking cash	431,939	495,121
		<u> </u>	<u> </u>
		-	-
		<u> </u>	<u> </u>

Figures at 30 June 2003 have been restated in these accounts in order to show net insurance broking assets as separately disclosed.

11	CREDITORS: Amounts falling due within one year	2004	2003
		£	as restated £
	Obligations under hire purchase contracts (note 12)	62,250	75,492
	Trade creditors	41,471	26,104
	Amount owed to fellow subsidiary	-	-
	Corporation tax	97,785	150,205
	Other taxes and social security	126,465	-
	Accruals and sundry creditors	308,512	232,894
	Proposed dividend	404,000	204,000
		<u> </u>	<u> </u>
		1,040,483	688,695
		<u> </u>	<u> </u>

See note 10 regarding the restatement of the 2003 trade creditors figure.

Private Medicine Intermediaries Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

12	CREDITORS: Amounts falling due after more than one year	2004 £	2003 £
	Obligations under hire purchase contracts (see below)	30,900	65,140
		<u> </u>	<u> </u>
	The maturity of obligations under finance leases and hire purchase contracts is as follows:	2004 £	2003 £
	Amounts payable:		
	Within one year	70,307	92,336
	Within two to five years	34,575	78,597
		<u> </u>	<u> </u>
		104,882	170,933
	Less: finance charges allocated to future periods	(11,732)	(30,301)
		<u> </u>	<u> </u>
		93,150	140,632
		<u> </u>	<u> </u>
	Hire purchase contracts are analysed as follows:		
	Current obligations	62,250	75,492
	Non-current obligations	30,900	65,140
		<u> </u>	<u> </u>
		93,150	140,632
		<u> </u>	<u> </u>
13	PROVISIONS FOR LIABILITIES AND CHARGES		£
	Deferred taxation		
	At beginning of year		(9,125)
	Charge for the year		7,629
			<u> </u>
	At end of year		(1,496)
			<u> </u>
	The elements of deferred taxation are as follows:		
		2004 £	2003 £
	Difference between accumulated depreciation and amortisation and capital allowances	(347)	(7,236)
	Other timing differences	(1,149)	(1,889)
		<u> </u>	<u> </u>
	Deferred tax asset	(1,496)	(9,125)
		<u> </u>	<u> </u>

Private Medicine Intermediaries Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

14	SHARE CAPITAL	2004 £	2003 £
	Authorised:		
	1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
		<u> </u>	<u> </u>
	Allotted, called up and fully paid:		
	688,790 ordinary shares of £1 each	688,790	688,790
		<u> </u>	<u> </u>
15	RESERVES: PROFIT AND LOSS ACCOUNT		£
	At beginning of year		715,200
	Loss for the year		(80,364)
			<u> </u>
	At end of year		634,836
			<u> </u>

16 PENSION COMMITMENTS

The company pays pension contributions to personal pensions of selected employees. The personal pensions are arranged with an insurance company separate to the business. The company also has a defined contribution pension scheme called the PMI Health Group Limited Group Personal Pension Scheme. Contributions outstanding at the year end totalled £3,830 (2003: £8,286).

17 COMMITMENTS

At 30 June 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	£	£
Operating leases which expire in over five years	95,022	93,336
	<u> </u>	<u> </u>

There were no capital commitments outstanding at the balance sheet date (2003: £nil).

Private Medicine Intermediaries Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

18 RELATED PARTY TRANSACTIONS

Baldwin Industries Limited

Baldwin Industries Limited is considered, due to common ownership, to be a related party with whom transactions have occurred during the year.

The following transactions were entered into during the year:

	Rental charges		Other recharges	
	2004	2003	2004	2003
	£	£	£	£
Baldwin Industries Limited	95,022	87,983	149,352	259,417

The following balances existed at the year end:

	2004	2003
	£	£
Baldwin Industries Limited		
- current account	(25,306)	5,651
- loan account	11,268	11,268
	<u>(14,038)</u>	<u>16,919</u>

Hurlstone Management Limited

Mr MI Davis is a director and controlling shareholder of Hurlstone Management Limited.

During the year the company transacted with Hurlstone Management Limited. The nature of the trading activities and the relative values were as follows:

	2004	2003
	£	£
Professional and advisory services	30,296	24,116

At the year end there is an accrual of £5,500 (2003: £2,300) owing by the company.

Private Medicine Intermediaries Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

19 CONTINGENT LIABILITIES

All group companies are members of a VAT group together with the following companies which are all under the common control of Mr CP Baldwin:

- Baldwin Industries Limited and its subsidiaries:
 - Anderton Concrete Products Limited
 - Baldwin Landscaping Limited
 - Baldwin Enterprises Limited
 - Baldwin Investments Limited
 - Baldwin Estates Limited
 - Argosy Systems Limited

At 30 June 2004 the VAT liability of the VAT group excluding that of the company was £399,228 (2003: £247,255).

20 PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The company's holding company is PMI Health Group Limited, a company incorporated in the United Kingdom. The company's ultimate parent company is Baldwin Ventures Limited, a company incorporated in the United Kingdom. The directors are of the opinion that Mr CP Baldwin is the ultimate controlling party.

The group in which the results of the company are consolidated is that headed by PMI Health Group Limited. The consolidated financial statements of this group are available to the public and may be obtained from:

Companies House
Crown Way
Cardiff
CF4 3UZ