

PMI Health Group Limited

REPORT AND FINANCIAL STATEMENTS

30 June 2004



Company Registration No. 2660256

PMI Health Group Limited

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PMI Health Group Limited

DIRECTORS AND OFFICERS

DIRECTORS

CP Baldwin

RDH Munro

MI Davis

DR Tresidder (resigned 23 December 2003)

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

PMI Health Group Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of PMI Health Group Limited for the year ended 30 June 2004.

PRINCIPAL ACTIVITIES

The Group continues to provide a growing range of employee healthcare services, including health related insurance consultancy, related claims management and occupational healthcare.

REVIEW OF BUSINESS

The PMI Health Group Limited continues to operate as a Holding Company. The Directors are satisfied with the Group's performance.

RESULTS AND DIVIDENDS

The group trading profit for the year after taxation was £724,337 (2003: £740,424). The directors propose the payment of a final dividend on the 'C' ordinary shares of £500,000 (2003: £400,000) which leaves a profit of £224,337 (2003: £340,424) to be transferred to reserves.

SHARE CAPITAL

On 23 December 2003 40,000 'B' ordinary shares were bought back by the company for £200,000. These shares represent 4.3% of the total called up share capital of the company.

DIRECTORS

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

CP Baldwin
RDH Munro
MI Davis
DR Tresidder (resigned 23 December 2003)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors who held office at the end of the financial year had the following interests (including family interests) in the share capital of the company according to the register of directors' interests:

	B shares of £1 each		A shares of 2p each	
	2004	2003	2004	2003
	No	No	No	No
CP Baldwin	-	-	2,550	2,550
RDH Munro	35,995	35,995	-	-
MI Davis	1,944	1,944	-	-

PMI Health Group Limited

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (continued)

Directors' interests in the shares of the company's ultimate parent company, Baldwin Ventures Limited, including family interests in the share capital of the company, were as follows:

	At 30 June 2004		At 30 June 2003	
	Ordinary voting shares	Ordinary non-voting shares	Ordinary voting shares	Ordinary non-voting shares
CP Baldwin	54	172,885	54	172,885

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.

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

PMI Health Group 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 PMI HEALTH GROUP LIMITED

We have audited the financial statements on pages 7 to 26.

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 PMI HEALTH GROUP LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and group at 30 June 2004 and of the company and group's 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

PMI Health Group Limited
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2004

	Notes	2004 £	2003 £
TURNOVER		6,629,824	6,220,626
Administrative expenses		(5,634,154)	(5,185,757)
OPERATING PROFIT	1	995,670	1,034,869
Interest receivable	4	70,533	56,725
Interest payable	5	(12,623)	(17,465)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,053,580	1,074,129
Taxation	6	(329,243)	(333,705)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		724,337	740,424
Dividend – final equity dividend proposed	7	(500,000)	(400,000)
RETAINED PROFIT FOR THE YEAR	16	224,337	340,424

The operating profit for the year arises from the group'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.

PMI Health Group Limited
COMPANY PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2004

	2004 £	2003 £
Interest payable	-	(136)
Income from shares in group undertakings	700,000	400,000
	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION	700,000	399,864
Dividends proposed	(500,000)	(400,000)
	<hr/>	<hr/>
RETAINED PROFIT/(LOSS) FOR THE YEAR	200,000	(136)
	<hr/> <hr/>	<hr/> <hr/>

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.

PMI Health Group Limited
CONSOLIDATED BALANCE SHEET
at 30 June 2004

	Notes	2004 £	2003 as restated £
FIXED ASSETS			
Tangible assets	8	<u>500,794</u>	<u>556,129</u>
CURRENT ASSETS			
Debtors	10	1,481,257	1,217,331
Net insurance broking assets	11	-	-
Cash at bank and in hand		<u>1,735,573</u>	<u>1,834,553</u>
		3,216,830	3,051,884
CREDITORS: Amounts falling due within one year	12	<u>(1,274,983)</u>	<u>(1,139,679)</u>
NET CURRENT ASSETS		<u>1,941,847</u>	<u>1,912,205</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,442,641	2,468,334
CREDITORS: Amounts falling due after more than one year	13	(43,276)	(76,039)
DEFERRED INCOME		<u>(522,523)</u>	<u>(539,790)</u>
		<u>1,876,842</u>	<u>1,852,505</u>
CAPITAL AND RESERVES			
Called up share capital	15	891,054	931,054
Capital redemption reserve	16	40,000	-
Share premium	16	24,451	24,451
Profit and loss account	16	921,337	897,000
EQUITY SHAREHOLDERS' FUNDS		<u>1,876,842</u>	<u>1,852,505</u>

Approved by the board on 3 November 2004

CP Baldwin
Director



PMI Health Group Limited
COMPANY BALANCE SHEET
at 30 June 2004

	Notes	2004 £	2003 as restated £
FIXED ASSETS			
Investments	9	939,108	939,108
CURRENT ASSETS			
Debtors (£20,000 due after more than one year (2003: £20,000))	10	524,000	424,000
CREDITORS: Amounts falling due within one year	12	(507,585)	(407,585)
NET CURRENT ASSETS		16,415	16,415
TOTAL ASSETS LESS CURRENT LIABILITIES		955,523	955,523
CAPITAL AND RESERVES			
Called up share capital	15	891,054	931,054
Capital redemption reserve	16	40,000	-
Share premium	16	24,451	24,451
Profit and loss account	16	18	18
EQUITY SHAREHOLDERS' FUNDS		955,523	955,523

Approved by the board on 3 November 2004

CP Baldwin
Director



PMI Health Group Limited

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

for the year ended 30 June 2004

	GROUP		COMPANY	
	2004 £	2003 £	2004 £	2003 £
PROFIT FOR THE FINANCIAL YEAR	724,337	740,424	700,000	399,864
Dividends	(500,000)	(400,000)	(500,000)	(400,000)
Purchase of own shares	(200,000)	-	(200,000)	-
	<hr/>	<hr/>	<hr/>	<hr/>
NET ADDITION TO SHAREHOLDERS' FUNDS	24,337	340,424	-	(136)
Opening shareholders' funds	1,852,505	1,512,081	955,523	955,659
	<hr/>	<hr/>	<hr/>	<hr/>
CLOSING SHAREHOLDERS' FUNDS	1,876,842	1,852,505	955,523	955,523
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

PMI Health Group Limited
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 June 2004

	Notes	2004 £	2003 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	19(a)	974,745	1,318,663
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		70,533	56,725
Interest on hire purchase and finance lease contracts		(12,623)	(17,465)
		57,910	39,260
TAXATION			
Corporation tax paid		(373,639)	(299,958)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(156,930)	(302,663)
Receipts from sale of tangible fixed assets		50,837	47,842
		(106,093)	(254,821)
EQUITY DIVIDENDS PAID		(400,000)	(380,952)
CASH INFLOW BEFORE FINANCING		152,923	422,192
FINANCING			
Purchase of own shares		(200,000)	-
Capital repayments of finance leases and hire purchase contracts		(115,085)	(132,728)
(DECREASE)/INCREASE IN CASH IN THE PERIOD	19(b)	(162,162)	289,464

PMI Health Group Limited
 CONSOLIDATED CASH FLOW STATEMENT (continued)
 for the year ended 30 June 2004

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<i>Notes</i>	2004 £	2003 £
(Decrease)/increase in cash in the period		(162,162)	289,464
Cash outflow from lease financing		115,085	132,728
		<hr/>	<hr/>
Change in net funds arising from cash flows	19(b)	(47,077)	422,192
New finance leases and hire purchase contracts	19(b)	(64,344)	(114,049)
		<hr/>	<hr/>
MOVEMENT IN NET DEBT IN PERIOD		(111,421)	308,143
NET DEBT AT 1 JULY 2003		2,165,173	1,857,030
		<hr/>	<hr/>
NET DEBT AT 30 JUNE 2004	19(b)	2,053,752	2,165,173
		<hr/> <hr/>	<hr/> <hr/>

PMI Health Group Limited

ACCOUNTING POLICIES

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

BASIS OF ACCOUNTING

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

BASIS OF CONSOLIDATION

The group financial statements consolidate the financial statements of PMI Health Group Limited and all its subsidiary undertakings. These financial statements are made up to 30 June 2004.

The consolidated financial statements are based on financial statements of subsidiary undertakings which are coterminous.

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:-

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

PMI Health Group Limited

ACCOUNTING POLICIES

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.

TURNOVER

Turnover for the subsidiary Private Medicine Intermediaries Limited represents commission and fees earned via insurance premium contracts. All commission and fee income is recognised at the date the policy commences.

For the subsidiary Corporate Medical Management Limited turnover is recognised evenly over the life of a contract to ensure that the revenue recognised fairly matches the costs incurred in servicing the those contracts and is stated net of value added tax.

All turnover is derived entirely from operations within the United Kingdom.

PMI Health Group 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	19,000	19,300
	Operating leases – land and buildings	140,000	114,417
	Depreciation of owned assets	143,928	152,624
	Depreciation of assets held under hire purchase and finance leases	78,281	54,060
	Loss on sale of tangible fixed assets	3,563	18,092
		<u> </u>	<u> </u>
2	DIRECTORS' REUMUNERATIONS	2004 £	2003 £
	Emoluments	202,658	234,326
	Emoluments paid to third parties	136,351	135,499
	Pension fund contributions	15,078	18,750
		<u> </u>	<u> </u>
		354,087	388,575
		<u> </u>	<u> </u>
		2004 No	2003 No
	Members of defined contributions schemes	2	2
		<u> </u>	<u> </u>
		2004 £	2003 £
	Highest paid director:		
	Emoluments	127,234	103,052
	Pension contributions	11,250	9,375
		<u> </u>	<u> </u>
		138,484	112,427
		<u> </u>	<u> </u>

PMI Health Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

3	STAFF COSTS	2004 £	2003 £
	Aggregate staff costs were as follows:		
	Wages and salaries	3,162,330	2,768,994
	Social security costs	318,442	314,080
	Other pension costs	132,893	113,147
		3,613,665	3,196,221
		3,613,665	3,196,221

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

The monthly average number of persons employed by the group (including directors) during the year was as follows:

		2004 No	2003 No
	Management and administration	82	79
	Sales staff	28	27
	Medical staff	13	15
		123	121
		123	121

4	INTEREST RECEIVABLE	2004 £	2003 £
	Bank interest	70,533	56,725
		70,533	56,725
		70,533	56,725

5	INTEREST PAYABLE	2004 £	2003 £
	Hire purchase and finance lease contracts	12,623	17,465
		12,623	17,465
		12,623	17,465

PMI Health Group 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	336,800	348,000
	Tax overpaid provided in previous years	(12,936)	(11,529)
	Total current tax	323,864	336,471
	Deferred taxation:		
	Origination and reversal of timing differences	(8,421)	(2,766)
	Adjustments in respect of prior years	13,800	-
	Total deferred tax	5,379	(2,766)
	Tax on profit on ordinary activities	329,243	333,705
	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	1,053,580	1,074,129
	Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2003: 30%)	316,074	322,239
	Effects of:		
	Expenses not deductible for tax purposes/(income not taxable)	12,305	19,281
	Depreciation in excess of capital allowances	8,646	7,355
	Short term timing differences	(225)	(878)
	Over/under provision in prior years	(12,936)	(11,529)
	Other differences	-	3
	Tax charge for period	323,864	336,471
7	DIVIDENDS	2004 £	2003 £
	Final equity dividend proposed	500,000	400,000

PMI Health Group Limited
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2004

8 TANGIBLE FIXED ASSETS

GROUP	Computer equipment	Motor vehicles	Fixtures fixtures and equipment	Total
	£	£	£	£
<i>Cost</i>				
At beginning of year	623,624	371,035	188,935	1,183,594
Additions	94,864	76,920	49,490	221,274
Disposals	(26,328)	(99,225)	(24,717)	(150,270)
At 30 June 2004	692,160	348,730	213,708	1,254,598
<i>Depreciation</i>				
At beginning of year	352,468	152,679	122,318	627,465
Charged in the year	125,661	54,412	42,136	222,209
Disposals	(23,469)	(48,890)	(23,511)	(95,870)
At 30 June 2004	454,660	158,201	140,943	753,804
<i>Net book value</i>				
At 30 June 2004	237,500	190,529	72,765	500,794
At 30 April 2003	271,156	218,356	66,617	556,129

Included in the net book value for group tangible fixed assets in the following amount relating to assets acquired under finance leases and hire purchase contracts £175,190 (2003: £218,456). Depreciation charged on these assets was £78,281 (2003: £54,061).

9 INVESTMENTS

GROUP

Investments in subsidiary undertakings

Cost:	£
At 1 July 2003 and 30 June 2004	939,108

Subsidiary undertakings (both included in the consolidation)

Name of company	Shareholding	Activity
Private Medicine Intermediaries Limited	100%	Medical insurance broker
Corporate Medical Management Limited	100%	Medical screening and managing medical insurance contracts

The subsidiary companies are registered in England and Wales.

PMI Health Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

10 DEBTORS	Group as restated		Company as restated	
	2004 £	2003 £	2004 £	2003 £
Trade debtors	1,286,787	1,119,192	-	-
Amounts due from subsidiary company	-	-	20,000	20,000
Deferred taxation (see note 14)	13,245	18,624	-	-
Prepayments and accrued income	129,540	44,304	-	-
Other debtors	51,685	31,211	-	-
Dividend receivable	-	4,000	504,000	404,000
	<u>1,481,257</u>	<u>1,217,331</u>	<u>524,000</u>	<u>424,000</u>

The amount due from subsidiary company is due after more than one year.

Dividends receivable at 30 June 2003 have been restated in company accounts in order to show the full amount of such dividends at the year end.

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

11 NET INSURANCE BROKING ASSETS	Group as restated		Company as restated	
	2004 £	2003 £	2004 £	2003 £
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.

PMI Health Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

12 CREDITORS: Amounts falling due within one year	Group		Company	
	2004	as restated 2003	2004	as restated 2003
	£	£	£	£
Amounts owed to subsidiary	-	-	7,585	7,585
Trade creditors	50,060	23,334	-	-
Obligations under hire purchase contracts (note 13)	70,484	88,462	-	-
Corporation tax	146,172	195,947	-	-
Other taxes and social security costs	170,183	82,112	-	-
Accruals and sundry creditors	338,084	345,824	-	-
Proposed dividend	500,000	404,000	500,000	400,000
	<u>1,274,983</u>	<u>1,139,679</u>	<u>507,585</u>	<u>407,585</u>

Trade creditors at 30 June 2003 have been restated in order to show net insurance broking assets as separately disclosed. The proposed dividend at 30 June 2003 has been restated to show the full value of such dividend in the accounts.

13 CREDITORS: Amounts falling due after more than one year	2004	2003
	£	£
GROUP		
Obligations under higher purchases contracts (see below)	43,276	76,039
	<u>43,276</u>	<u>76,039</u>
The other creditor balance is secured by a first charge over trade debtors.		
The maturity of obligations under finance leases and hire purchase contracts is as follows:	2004	2003
	£	£
Amounts payable:		
Within one year	80,182	106,911
Within two to five years	48,903	90,830
	<u>129,085</u>	<u>197,741</u>
Less: finance charges allocated to future periods	(15,325)	(33,240)
	<u>113,760</u>	<u>164,501</u>
	<u>113,760</u>	<u>164,501</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations	70,484	88,462
Non-current obligations	43,276	76,039
	<u>113,760</u>	<u>164,501</u>

PMI Health Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

14	DEFERRED TAXATION	£
	At beginning of year	(18,624)
	Charge for the year	5,379
	At end of year	(13,245)

The elements of deferred taxation are as follows:

	2004 £	2003 £
Difference between accumulated depreciation and amortisation and capital allowances	(10,953)	(16,735)
Other timing differences	(2,292)	(1,889)
Deferred tax asset	(13,245)	(18,624)

15	SHARE CAPITAL	2004 £	2003 £
	Authorised:		
	250,000 'A' ordinary shares of £0.02 each	5,000	5,000
	1,000,000 'B' ordinary shares of £1 each	1,000,000	1,000,000
	200,000 'C' ordinary shares of £1 each	200,000	200,000
		1,205,000	1,205,000
	Allotted, called up and fully paid:		
	2,550 'A' ordinary shares of £0.02 each	51	51
	691,003 (2003: 731,003) 'B' ordinary shares of £1 each	691,003	731,003
	200,000 'C' ordinary shares of £1 each	200,000	200,000
		891,054	931,054

On 23 December 2003 40,000 'B' ordinary shares were bought back by the company for £200,000. These shares represent 4.3% of the total called up share capital of the company.

In accordance with the company's Articles, the 'A' shares attract rights but have no rights to a distribution, either in the form of dividends or repayment of capital. The 'B' shares and 'C' shares have no voting rights but qualify for all dividends declared and any repayment of capital.

PMI Health Group Limited
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2004

16 RESERVES	Capital redemption reserve £	Share premium £	Profit and loss account £
GROUP			
Balance at beginning of year	-	24,451	897,000
Profit for the year	-	-	224,337
Purchase of own shares	40,000	-	(200,000)
Balance at end of year	40,000	24,451	921,337
COMPANY			
Balance at beginning of year	-	24,451	18
Profit for the year	-	-	200,000
Purchase of own shares	40,000	-	(200,000)
Balance at end of year	40,000	24,451	18

17 PENSION COMMITMENTS

The group pays pension contributions to personal pensions of selected employees. The personal pensions are arranged with an insurance company separate to the business. The group also has a defined contribution pension scheme called the PMI Limited Group Personal Pension Scheme, which was established in the year. Contributions outstanding at the year end totalled £7,642 (2003: £10,994).

18 COMMITMENTS UNDER OPERATING LEASES

At the year end the company had annual commitments under non-cancellable operating leases as follows:

GROUP	2004 £	2003 £
Other expiring over five years	140,000	139,992

PMI Health Group Limited
NOTES TO THE FINANCIAL STATEMENTS
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19 CASH FLOW WORKINGS

a	RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2004	2003
		£	£
	Operating profit	995,670	1,034,869
	Depreciation	222,209	206,684
	Loss on disposal of tangible fixed assets	3,563	18,092
	(Increase)/decrease in debtors	(116,695)	198,127
	Decrease in creditors	(112,735)	(225,429)
	(Decrease)/increase in deferred income	(17,267)	86,320
		<hr/>	<hr/>
	Net cash inflow from operating activities	974,745	1,318,663
		<hr/> <hr/>	<hr/> <hr/>

b ANALYSIS OF NET FUNDS

	At 30 June 2003 as restated	Cash Flow	Other changes	At 1 July 2004
	£	£	£	£
Cash at bank and in hand	2,329,674	(162,162)	-	2,167,512
Hire purchase and finance lease contracts	(164,501)	115,085	(64,344)	(113,760)
	<hr/>	<hr/>	<hr/>	<hr/>
	2,165,173	(47,077)	(64,344)	2,053,752
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

c NON-CASH TRANSACTIONS

During the year, the group entered into finance lease arrangements and hire purchase contracts with a total capital value at the inception of the lease of £64,344 (2003: £88,354).

20 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 £211,954 (2003: £126,559).

PMI Health Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

21 RELATED PARTY TRANSACTIONS

Baldwin Industries Limited

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

The following transactions were entered into during the year:

	Private Intermediaries Limited		Corporate Medical Management Limited	
	2004	2003	2004	2003
	£	£	£	£
Purchases:				
Rental charges	95,022	87,983	44,978	26,434
Other recharges	149,352	259,417	-	-
	<u>244,374</u>	<u>347,400</u>	<u>44,978</u>	<u>26,434</u>

The following balances existed in the year end:

	Private Intermediaries Limited		Corporate Medical Management Limited	
	2004	2003	2004	2003
	£	£	£	£
Baldwin Industries Limited				
- current account	(25,306)	5,651	(232)	528
- loan account	11,268	11,268	-	-
	<u>(14,038)</u>	<u>16,919</u>	<u>(232)</u>	<u>528</u>

Hurlstone Management Limited

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

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

	2004	2003
	£	£
Purchases:		
Professional and advisory services	30,296	24,116
	<u>30,296</u>	<u>24,116</u>

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

PMI Health Group Limited
NOTES TO THE FINANCIAL STATEMENTS
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22 PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

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.