

2660256

PMI Health Group Limited

Report and Financial Statements

30 June 2003

 ERNST & YOUNG



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PMI Health Group Limited

Registered No: 2660256

Directors

C P Baldwin
R D H Munro
M I Davis
D R Tresidder (resigned 23 December 2003)

Secretary

R D H Munro

Auditors

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

Bankers

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

Registered Office

The Courtyard
Hall Lane
Wincham
Cheshire
CW9 6DG

Directors' report

The directors present their report and group accounts for the year ended 30 June 2003.

Results and dividends

The group trading profit for the year after taxation was £740,424 (2002: £716,793). The directors propose the payment of a final dividend on the 'C' ordinary shares of £400,000 (2002: £372,401) which leaves a profit of £340,424 (2002: £344,392) to be transferred to reserves.

Review of the business and principal activity

The Group continues to provide a growing range of employee healthcare services, including health related insurance consultancy, related claims management and occupational healthcare. Sales and profits have grown organically for nine successive years as a consequence of team work supported by investment in the business infrastructure. The board's objective is to continue this trend and applauds the staff for their continued enthusiasm and dedication, without which these results would not have been possible.

The company continued to act as a holding company throughout the year. The group sales and profits increased substantially.

Directors and their interests

The directors at 30 June 2003 and their interests in the share capital of the company were as follows:

	<i>B shares of £1 each</i>		<i>A shares of 2p each</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
C P Baldwin	-	-	2,550	2,550
R D H Munro	35,915	35,915	-	-
M I Davis	1,940	1,940	-	-
D R Tresidder	90,877	90,877	-	-

Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the members at the forthcoming Annual General Meeting.

By order of the board



R D H Munro
Secretary

15.4.2004

Statement of directors' responsibilities in respect of the 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 group and of the profit or loss of the group 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; 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group 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 group's financial statements for the year ended 30 June 2003 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 auditors' 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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 group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 group'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 (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and of the company as at 30 June 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Manchester

20/6/06

Group Profit and Loss Account

For the year ended 30 June 2003

	Note	2003 £	2002 £
Turnover	2	6,220,626	5,702,433
Administrative expenses		(5,185,757)	(4,723,775)
Operating profit	3	1,034,869	978,658
Interest receivable	6	56,725	57,635
Interest payable	7	(17,465)	(15,158)
Profit on ordinary activities before taxation		1,074,129	1,021,135
Taxation	8	(333,705)	(304,342)
Profit on ordinary activities after taxation	17	740,424	716,793
Dividend – final equity dividend proposed	17	(400,000)	(372,401)
Profit retained for the financial year		340,424	344,392

Group Statement of Total Recognised Gains and Losses

There were no other gains and losses in the year ended 30 June 2003 or the year ended 30 June 2002 other than those recognised in the profit and loss account above.

Group Balance Sheet

As at 30 June 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	10	556,129	493,629
Current assets			
Debtors	12	1,217,331	1,415,458
Cash at bank and in hand		2,329,674	2,040,210
		<u>3,547,005</u>	<u>3,455,668</u>
Creditors: amounts falling due within one year	13	(1,634,800)	(1,889,601)
		<u>1,912,205</u>	<u>1,566,067</u>
Net current assets		<u>1,912,205</u>	<u>1,566,067</u>
Total assets less current liabilities		<u>2,468,334</u>	<u>2,059,696</u>
Creditors: Amounts falling due after more than one year	14	(76,039)	(94,145)
Accruals and deferred income			
Deferred revenue		(539,790)	(453,470)
		<u>1,852,505</u>	<u>1,512,081</u>
Capital and reserves			
Called up share capital	16,17	931,054	931,054
Share premium	17	24,451	24,451
Profit and loss account	17	897,000	556,576
		<u>1,852,505</u>	<u>1,512,081</u>
Equity shareholders' funds		<u>1,852,505</u>	<u>1,512,081</u>

Approved by the Board on 13.4.2004



C P Baldwin Director



R D H Munro Director

Company Balance Sheet

As at 30 June 2003

	Notes	2003 £	2002 £
Fixed assets			
Investments	11	939,108	939,108
Current assets			
Debtors	12	24,000	388,952
Creditors: amounts falling due within one year	13	(7,585)	(372,401)
Net current assets		16,415	16,551
Total assets less current liabilities		955,523	955,659
Capital and reserves			
Called up share capital	16,17	931,054	931,054
Share premium	17	24,451	24,451
Profit and loss account	17	18	154
Equity shareholders' funds		955,523	955,659

Approved by the Board on 15.4.2004



C P Baldwin Director



R D H Munro Director

Group Cash Flow Statement

For the year ended 30 June 2003

	Notes	2003 £	2002 £
Net cash inflow from operating activities	18(a)	1,318,663	1,220,383
Returns on investments and servicing of finance			
Interest received		56,725	57,635
Interest on hire purchase and finance lease contracts		(17,465)	(15,158)
		39,260	42,477
Taxation			
Corporation tax paid		(299,958)	(385,000)
Capital expenditure			
Payments to acquire tangible fixed assets		(302,663)	(210,076)
Receipts from sale of tangible fixed assets		47,842	22,013
		(254,821)	(188,063)
Equity dividends paid			
		(380,952)	(372,401)
Net cash inflow before financing			
		422,192	317,396
Financing			
Call on allotted share capital		-	88,700
Capital repayments of finance leases and hire purchase contracts		(132,728)	(54,648)
Increase in cash			
	18(b)	289,464	351,448

Reconciliation of cash flow to movement in net funds

	Notes	2003 £	2002 £
Increase in cash		289,464	351,448
Cash outflow from decrease in lease financing		132,728	54,648
Change in net funds arising from cash flows			
New finance leases and hire purchase contracts	18(b)	(114,029)	(90,262)
Movement in year		308,163	315,834
Net funds at 1 July		1,857,030	1,541,196
Net funds at 30 June	18(b)	2,165,193	1,857,030

Notes to the Accounts

For the year ended 30 June 2003

1. Accounting policies

Basis of preparation

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

Basis of consolidation

The group accounts consolidate the accounts of PMI Health Group Limited and its subsidiaries made up to 30 June each year. No profit and loss account is presented for PMI Health Group Limited as permitted by S230 (1) of the Companies Act 1985.

Commission and fees

Commission and fees are brought into account on the date when the business is written.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset based on prices prevailing at the date of acquisition, over its expected useful life as follows:

Short leasehold property	- over the life of the lease
Motor vehicles	- 20% straight line
Computer equipment	- 25% straight line
Fixtures, fittings and office equipment	- 25% straight line

Leasing and hire purchase contracts

Assets held under hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the contract and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Deferred tax

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the Accounts

For the year ended 30 June 2003

1. Accounting policies (continued)

Pensions

The group operates a defined contribution pension scheme. The group also makes contributions to selected individuals' personal pension schemes. Contributions are charged to the profit and loss account as they become payable.

2. Turnover

Turnover for the subsidiary Private Medicine Intermediaries Limited represents commissions and fees earned via insurance premium contracts. 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 those contracts and is stated net of value added tax. Turnover is derived entirely from operations within the United Kingdom.

3. Operating profit

This is stated after charging:

	2003	2002
	£	£
Auditors' remuneration - audit services	19,300	18,700
Operating leases – land and buildings	114,417	98,146
Depreciation of owned assets	152,624	140,372
Depreciation of assets held under hire purchase and finance leases	54,060	68,844
Loss on sale of tangible fixed assets	18,092	23,591
	<u> </u>	<u> </u>

4. Directors' remuneration

	2003	2002
	£	£
Total emoluments:		
Emoluments	583,427	546,143
Pension fund contributions	37,540	32,276
	<u>620,967</u>	<u>578,419</u>
	<u> </u>	<u> </u>

	2003	2002
	No.	No.
Members of defined contributions schemes	6	5
	<u> </u>	<u> </u>

	2003	2002
	£	£
Highest paid director:		
Emoluments	103,052	92,312
Pension contributions	9,375	7,938
	<u>112,427</u>	<u>100,250</u>
	<u> </u>	<u> </u>

Notes to the Accounts

For the year ended 30 June 2003

5. Staff costs

Aggregate staff costs were as follows:

	2003	2002
	£	£
Wages and salaries	2,768,994	2,666,818
Social security costs	314,080	238,354
Other pension costs	113,147	93,139
	<u>3,196,221</u>	<u>2,998,311</u>

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

	2003	2002
	No.	No.
Management and administration	79	83
Sales staff	27	23
Medical staff	15	16
	<u>121</u>	<u>122</u>

6. Interest receivable

	2003	2002
	£	£
Bank interest	56,725	57,635
	<u>56,725</u>	<u>57,635</u>

7. Interest payable

	2003	2002
	£	£
Hire purchase and finance lease contracts	17,465	15,158
	<u>17,465</u>	<u>15,158</u>

Notes to the Accounts

For the year ended 30 June 2003

8. Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2003 £	2002 £
UK corporation tax	348,000	321,000
Tax (over)/under provided in previous years	(11,529)	(800)
Total current tax (note 8 (b))	<u>336,471</u>	<u>320,200</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(2,766)	(15,858)
Total deferred tax	<u>(2,766)</u>	<u>(15,858)</u>
Tax on profit on ordinary activities	<u><u>333,705</u></u>	<u><u>304,342</u></u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30 % (2002 – 30%). The differences are reconciled below:

	2003 £	2002 £
Profit on ordinary activities before taxation	1,074,129	1,021,135
Profit on ordinary activities multiplied by standard rate of tax	322,239	306,340
Expenses not allowable for tax purposes	19,281	12,450
Depreciation in excess of capital allowances	7,355	866
Short term timing differences	(878)	240
(Over)/under provision in prior years	(11,529)	(800)
Other differences	3	1,104
Total current tax (note 8 (a))	<u><u>336,471</u></u>	<u><u>320,200</u></u>

Notes to the Accounts

For the year ended 30 June 2003

8. Taxation (continued)

(c) Deferred tax asset (note 12)

	2003	2002
	£	£
Depreciation in excess of capital allowances	(16,735)	(14,965)
Other timing differences	(1,889)	(893)
	<u>(18,624)</u>	<u>(15,858)</u>

A deferred tax asset has been provided on the basis that there will be future taxable profits against which the asset can be recovered.

9. Profit attributable to members of the holding company

	2003	2002
	£	£
Dealt with in the accounts of the holding company	(136)	4,000
Dealt with in the accounts of the subsidiary companies	740,560	712,793
	<u>740,424</u>	<u>716,793</u>

10. Tangible fixed assets

Group	Computer	Motor	Fixtures	Total
	Equipment	vehicles	fittings & equipment	
	£	£	£	£
Cost:				
As at 1 July 2002	550,454	294,766	238,524	1,083,744
Additions	114,618	126,199	94,301	335,118
Disposals	(41,448)	(49,930)	(143,890)	(235,268)
At 30 June 2003	<u>623,624</u>	<u>371,035</u>	<u>188,935</u>	<u>1,183,594</u>
Depreciation:				
As at 1 July 2002	309,731	108,765	171,619	590,115
Charge for the year	79,799	67,071	59,814	206,684
Disposals	(37,062)	(23,157)	(109,115)	(169,334)
At 30 June 2003	<u>352,468</u>	<u>152,679</u>	<u>122,318</u>	<u>627,465</u>
Net book value:				
At 30 June 2003	<u>271,156</u>	<u>218,356</u>	<u>66,617</u>	<u>556,129</u>
At 30 June 2002	<u>240,723</u>	<u>186,001</u>	<u>66,905</u>	<u>493,629</u>

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 £218,456 (2002: £186,001).

Notes to the Accounts

For the year ended 30 June 2003

11. Investments

Investments in subsidiary undertakings

Cost:	£
At 1 July 2002 and 30 June 2003	939,108

Subsidiary undertakings

<i>Name of company</i>	<i>Shareholding</i>	<i>Activity</i>
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.

12. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	£	£	£	£
Trade debtors	1,119,192	1,318,866	-	-
Amount due from subsidiary company	-	-	20,000	384,952
Prepayments and accrued income	44,304	41,829	-	-
Deferred taxation (note 8c)	18,624	15,858	-	-
Other debtors	31,211	38,905	-	-
Dividend receivable	4,000	-	4,000	4,000
	<u>1,217,331</u>	<u>1,415,458</u>	<u>24,000</u>	<u>388,952</u>

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

Notes to the Accounts

For the year ended 30 June 2003

13. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2003	2002	2003	2002
	£	£	£	£
Amounts owed to subsidiary	-	-	7,585	-
Trade creditors	518,455	877,868	-	-
Obligations under hire purchases contracts (note 15)	88,462	89,035	-	-
Corporation tax	195,947	162,200	-	-
Other taxes and social security costs	82,112	116,920	-	-
Accruals and sundry creditors	345,824	271,177	-	-
Proposed dividend	404,000	372,401	-	372,401
	<u>1,634,800</u>	<u>1,889,601</u>	<u>7,585</u>	<u>372,401</u>

14. Creditors: amounts falling due after more than one year

	<i>Group</i>	
	2003	2002
	£	£
Obligations under hire purchases contracts (note 15)	<u>76,039</u>	<u>94,145</u>

15. Obligations under finance leases and hire purchase contracts

	2003	2002
	£	£
Amounts repayable:		
Within one year	106,911	100,671
Within two to five years	90,830	103,538
	<u>197,741</u>	<u>204,209</u>
Less: finance charges allocated to future periods	(33,240)	(21,029)
	<u>164,501</u>	<u>183,180</u>

Finances leases and hire purchase contracts are analysed as follows:

	<i>Group</i>	
	2003	2002
	£	£
Current obligations (note 13)	88,462	89,035
Non-current obligations (note 14)	76,039	94,145
	<u>164,501</u>	<u>183,180</u>

Notes to the Accounts

For the year ended 30 June 2003

16. Called up share capital

	<i>Authorised</i>	
	<i>2003</i>	<i>2002</i>
	<i>No.</i>	<i>No.</i>
'A' ordinary shares of £0.02 each	5,000	5,000
'B' ordinary shares of £1 each	1,000,000	1,000,000
'C' ordinary shares of £1 each	200,000	200,000
	<hr/>	<hr/>
		<i>Allotted, called up and fully paid</i>
	<i>2003</i>	<i>2002</i>
	<i>£</i>	<i>£</i>
'A' ordinary shares of £0.02 each	51	51
'B' ordinary shares of £1 each	731,003	731,003
'C' ordinary shares of £1 each	200,000	200,000
	<hr/>	<hr/>
	<u>931,054</u>	<u>931,054</u>

In accordance with the company's Articles, the 'A' shares attract voting 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.

Notes to the Accounts

For the year ended 30 June 2003

17. Reconciliation of shareholders' funds and movements on reserves

<i>Group</i>	<i>Share capital £</i>	<i>Share premium £</i>	<i>Profit & loss account £</i>	<i>Total £</i>
At 1 July 2001	842,354	24,451	212,184	1,078,989
Share capital called up	88,700	-	-	88,700
Profit for the year	-	-	716,793	716,793
Dividend	-	-	(372,401)	(372,401)
At 30 June 2002	931,054	24,451	556,576	1,512,081
Profit for the year	-	-	740,424	740,424
Dividend	-	-	(400,000)	(400,000)
At 30 June 2003	931,054	24,451	897,000	1,852,505

<i>Company</i>	<i>Share capital £</i>	<i>Share premium £</i>	<i>Profit & loss account £</i>	<i>Total £</i>
At 1 July 2001	842,354	24,451	(3,846)	862,959
Share capital called up	88,700	-	-	88,700
Profit for the year	-	-	376,401	376,401
Dividend	-	-	(372,401)	(372,401)
At 30 June 2002	931,054	24,451	154	955,659
Profit for the year	-	-	(136)	(136)
At 30 June 2003	931,054	24,451	18	955,523

Notes to the Accounts

For the year ended 30 June 2003

18. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2003	2002
	£	£
Operating profit	1,034,869	978,658
Depreciation	206,684	209,216
Loss on disposal of tangible fixed assets	18,092	23,591
(Increase)/decrease in debtors	198,127	(142,462)
Increase/decrease in creditors	(225,429)	156,750
(Decrease)/increase in deferred revenue	86,320	(5,370)
Net cash inflow from operating activities	<u>1,318,663</u>	<u>1,220,383</u>

(b) Analysis of net funds

	<i>At 1 July</i> 2002	<i>Cash</i> <i>flow</i>	<i>Other</i> <i>changes</i>	<i>At 30 June</i> 2003
	£	£	£	£
Cash at bank and in hand	2,040,210	289,464	-	2,329,674
Hire purchase and finance lease contracts	(183,180)	132,728	(114,029)	(164,481)
	<u>1,857,030</u>	<u>422,192</u>	<u>(114,029)</u>	<u>2,165,193</u>

(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 £88,354 (2002:£90,262)

19. 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 were fully paid at the year end.

20. Commitments

At 30 June 2003 the group had annual commitments under non-cancellable operating leases as set out below:

	2003	<i>Land and</i> <i>Buildings</i> 2002
	£	£
Operating leases which expire in over five years	<u>139,992</u>	<u>88,400</u>

Notes to the Accounts

For the year ended 30 June 2003

21. Related party transactions

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:

	2003		2002	
	<i>Rental charges</i>	<i>Other recharges</i>	<i>Rental charges</i>	<i>Other recharges</i>
	£	£	£	£
Baldwin Industries Limited	114,417	259,417	91,117	219,065
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The following creditor balance existed at the year end:

	2003	2002
	£	£
Baldwin Industries Limited	6,179	6,180
	<u> </u>	<u> </u>

22. Controlling Party

The directors are of the opinion that Mr C P Baldwin is the controlling party.