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Private Medicine Intermediaries Limited

Report and Financial Statements

30 June 2003

 ERNST & YOUNG



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Private Medicine Intermediaries Limited

Registered No: 2009675

Directors

C P Baldwin
R D H Munro
D R Tresidder (resigned 23 December 2003)
M I Davis
E Hammond
S M Hackett
S J Langan

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 accounts for the year ended 30 June 2003.

Results and dividends

The profit for the year after taxation, was £533,872 (2002: £523,506). The directors have not paid an interim dividend (2002: £372,402). The directors recommend the payment of a final dividend of £200,000 (2002: £4,000) leaving a profit of £333,872 (2002: £147,104) which has been taken to reserves.

Review of the business and principal activity

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. Combined 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.

Principal activity

The company continues to act as a broker for medical insurance.

Review of the Business and future developments

The directors are satisfied with the growth during the year under review and are confident of future success.

Directors and their interests

The directors who served during the year are shown on page 1.

None of the directors at 30 June 2003 had any interests in the share capital of the company.

The interests of the directors in the share capital of the parent company, PMI Health Group Limited (formerly Astorhold Limited) are disclosed in the accounts of that company.

Auditors

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

By order of the board



R D H Munro
Secretary

13.4.2004

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 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;
- 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 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 company's financial statements for the year ended 30 June 2003, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 19. 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 company 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 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

Opinion

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



Ernst & Young LLP
Registered Auditor
Manchester

29/4/04

Profit and Loss Account

For the year ended 30 June 2003

	Notes	2003 £	2002 £
Turnover	2	4,375,435	3,968,463
Administrative expenses		(3,641,981)	(3,260,285)
Operating profit	3	733,454	708,178
Interest receivable	6	56,725	57,635
Interest payable	7	(14,259)	(12,042)
		42,466	45,593
Profit on ordinary activities before taxation		775,920	753,771
Taxation	8	242,048	230,265
Profit on ordinary activities after taxation	15	533,872	523,506
Dividends - equity interim paid		-	372,402
- equity final proposed		200,000	4,000
	15	200,000	376,402
Profit retained for the financial year		333,872	147,104

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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 as reported by the above profit and loss account.

Balance Sheet

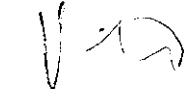
At 30 June 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible fixed assets	9	436,907	342,190
Current assets			
Debtors	10	961,267	1,152,571
Cash at bank and in hand		1,254,772	1,302,847
		2,216,039	2,455,418
Creditors: amounts falling due within one year	11	(1,183,816)	(1,647,192)
		1,032,223	808,226
Net current assets		1,469,130	1,150,416
Total assets less current liabilities		1,469,130	1,150,416
Creditors: amounts falling due after more than one year	12	(65,140)	(80,298)
		1,403,990	1,070,118
Capital and reserves			
Called up share capital	14	688,790	688,790
Profit and loss account	15	715,200	381,328
		1,403,990	1,070,118
Equity shareholders' funds			
		1,403,990	1,070,118

Approved by the Board on 13.4.2004



C P Baldwin Director



R D H Munro Director

Notes to the Accounts

At 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.

Cashflow statement

The company has taken advantage of the exemption available under FRS 1 (revised) and does not present a cashflow statement, as the company is a wholly owned subsidiary of PMI Health Group Limited, and a consolidated cash flow statement is included in the company's financial statements, which are publicly available.

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:

Computer equipment	-	25% straight line
Motor vehicles	-	20% 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 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 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

At 30 June 2003

1. Accounting policies (continued)

Pensions

The company operates a defined contribution pension scheme. The company 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 represents commissions and fees earned via insurance premium contracts. Turnover and pre-tax profit are derived entirely from operations within the United Kingdom.

3. Operating profit

This is stated after charging the following:

	2003	2002
	£	£
Auditors' remuneration - audit services	9,700	9,300
Depreciation of owned assets	91,364	67,594
Depreciation of assets held under hire purchase contracts	48,392	55,235
Loss on sale of tangible fixed assets	11,350	11,710
Operating leases - land and buildings	87,983	69,896
	<u> </u>	<u> </u>

4. Directors' emoluments

	2003	2002
	£	£
Total emoluments :		
Emoluments	591,234	394,056
Pension fund contributions	25,320	20,676
	<u>616,554</u>	<u>414,732</u>

	2003	2002
	No.	No.
Members of defined contribution pension schemes	4	3
	<u> </u>	<u> </u>

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

Notes to the Accounts

At 30 June 2003

5. Staff costs

	2003	2002
	£	£
Wages and salaries	1,998,365	1,896,324
Social security costs	229,841	169,791
Other pension costs	78,764	62,375
	<u>2,306,970</u>	<u>2,128,490</u>

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

	2003	2002
	No.	No.
Management and administration	60	63
Sales	27	23
	<u>87</u>	<u>86</u>

6. Interest receivable

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

7. Interest payable

	2003	2002
	£	£
Finance charges payable under hire purchase contracts	<u>14,259</u>	<u>12,042</u>

Notes to the Accounts

At 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	253,000	237,000
Tax (over)/under provided in previous years	(7,762)	(800)
Total current tax (note 8 (b))	<u>245,238</u>	<u>236,200</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(3,190)	(5,935)
Total deferred tax (note 8 (c))	<u>(3,190)</u>	<u>(5,935)</u>
Tax on profit on ordinary activities	<u>242,048</u>	<u>230,265</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	775,920	753,771
Profit on ordinary activities multiplied by standard rate of tax	232,776	226,131
Expenses not allowable for tax purposes	15,000	10,500
Capital allowances in excess of depreciation	5,239	(84)
Other differences	(15)	453
(Over)/under provision in prior years	(7,762)	(800)
Total current tax (note 8 (a))	<u>245,238</u>	<u>236,200</u>
(c) <i>Deferred tax asset</i>		
	<i>Provided</i>	<i>Provided</i>
	2003	2002
	£	£
Depreciation in excess of capital allowances	(7,236)	(5,935)
Other timing differences	(1,889)	-
	<u>(9,125)</u>	<u>(5,935)</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.

Notes to the Accounts

At 30 June 2003

9. Tangible fixed assets

	<i>Computer equipment</i>	<i>Motor vehicles</i>	<i>Fixtures, fittings and equipment</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 1 July 2002	257,627	259,561	109,386	626,574
Additions	104,064	90,107	82,717	276,888
Disposals	(14,725)	(128,812)	(5,593)	(149,130)
At 30 June 2003	346,966	220,856	186,510	754,332
Depreciation:				
At 1 July 2002	122,992	95,050	66,342	284,384
Charge for the year	61,402	48,392	29,962	139,756
Disposals	(7,462)	(94,920)	(4,333)	(106,715)
At 30 June 2003	176,932	48,522	91,971	317,425
Net book value:				
At 30 June 2003	170,034	172,334	94,539	436,907
At 30 June 2002	134,635	164,511	43,044	342,190

Included in the net book value for motor vehicles above is £172,334 (2002: £164,511) relating to assets held under hire purchase contracts.

10. Debtors

	2003	2002
	£	£
Trade debtors	769,314	980,941
Amount due from parent undertaking	7,467	-
Amounts owed by fellow subsidiary	26,228	110,702
Prepayments and accrued income	40,503	16,088
Other taxes and social security	77,301	-
Deferred taxation	9,125	5,935
Other debtors	31,329	38,905
	961,267	1,152,571

The amount owed by a fellow subsidiary of £26,228 is due after more than one year (2002: £110,702).

Included in other debtors is an amount of £16,986 due from S Hackett. The maximum amount outstanding during the year was £16,986.

Notes to the Accounts

At 30 June 2003

11. Creditors: amounts falling due within one year

	2003	2002
	£	£
Obligations under hire purchase contracts (note 13)	75,492	74,240
Trade creditors	521,225	846,761
Amount owed to holding company	-	365,071
Corporation tax	150,205	124,200
Other taxes and social security	-	33,505
Accruals and sundry creditors	232,894	199,415
Proposed dividend	204,000	4,000
	<u>1,183,816</u>	<u>1,647,192</u>

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

	2003	2002
	£	£
Obligations under hire purchase contracts (note 13)	65,140	80,298
	<u>65,140</u>	<u>80,298</u>

13. Obligations under hire purchase contracts

The analysis of these amounts is as follows:

	2003	2002
	£	£
Amounts payable:		
within one year	92,336	84,605
within two to five years	78,597	89,359
	<u>170,933</u>	<u>173,964</u>
Less: finance charges allocated to future periods	(30,301)	(18,796)
	<u>140,632</u>	<u>155,168</u>
Hire purchase contracts are analysed as follows:		
Current obligations (note 11)	75,492	74,240
Non-current obligations (note 12)	65,140	80,928
	<u>140,632</u>	<u>155,168</u>

14. Called up share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	2003	2002	2003	2002
	No.	No.	£	£
Ordinary shares of £1 each	1,000,000	1,000,000	688,790	688,790
	<u>1,000,000</u>	<u>1,000,000</u>	<u>688,790</u>	<u>688,790</u>

Notes to the Accounts

At 30 June 2003

15. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£
At 1 July 2002	688,790	381,328	1,070,118
Profit for the year	-	533,872	533,872
Dividend	-	(200,000)	(200,000)
At 30 June 2003	<u>688,790</u>	<u>715,200</u>	<u>1,403,990</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 were fully paid at the year end.

17. Commitments

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

	<i>Land and buildings</i>	
	2003	2002
	£	£
Operating leases which expire in over five years	93,336	58,933
	<u>93,336</u>	<u>58,933</u>

Notes to the Accounts

At 30 June 2003

18. Related party transactions

The company has relied upon the exemption under paragraph 3(c) of FRS 8 not to disclose certain related party transactions.

The following companies are considered, due to common ownership, to be related parties with whom transactions have occurred during the year:

Baldwin Industries Limited

Corporate Medical Management Limited (Fellow Subsidiary)

PMI Health Group Limited (Holding Company)

The following transactions were entered into during the year:

	<i>Rental charges</i>	<i>Other recharges</i>
	£	£
Baldwin Industries Limited	87,983	259,417
	<u> </u>	<u> </u>

The following balances existed at the year end:

	<i>Creditor</i>
	£
Baldwin Industries Limited	5,651
	<u> </u>

19. Parent undertaking and ultimate controlling party

The company's holding company is PMI Health Group Limited (formerly Astorhold Limited), a company incorporated in the United Kingdom. The directors are of the opinion that Mr C P Baldwin is the ultimate controlling party.