

Healthcall Medical (Holdings) Limited

Directors' report and financial statements

Year ended 31 December 1998

Registered number 2058177



Directors' report and financial statements

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Directors' report

The directors have pleasure in submitting the annual report and the audited financial statements for the year ended 31 December 1998.

Principal activity

The company continued to act as an intermediate parent undertaking for Healthcall Group Limited's investment in its medical and other domiciliary businesses.

Results for the year

The company has not traded during the year, except for the receipt and payment of dividends.

Ultimate parent undertaking

On 16 February 1998, HCMS Limited, a company formed by the executive directors of Healthcall Group PLC, the ultimate parent undertaking until 17 March 1998, and NatWest Equity Partners, made a recommended offer to acquire the entire share capital of Healthcall Group PLC.

This offer was declared unconditional as to acceptances on 17 March 1998.

Dividends

The directors recommend the payment of dividends of £1,750,000 (1997: £2,794,270).

Directors and directors interests

The directors who served during the year and subsequently were as follows:

MD Henchey

D Spink (appointed 1 December 1998)

No director had any interest in the share capital of the company at any time during the year.

MD Henchey is a director of HCMS Limited, and his interests in the shares of that and other group undertakings are disclosed in the accounts of that undertaking. The interests of D Spink in the shares of group undertakings are disclosed in the financial statements of Healthcall Group Limited.

Year 2000

The HCMS Group has assessed the impact of Year 2000 and does not expect either its operations or service to customers to be disrupted up to, during or after the turn of the millennium, as a result of the Group's systems not being Year 2000 compliant. A steering committee has been formed and progress on the Year 2000 compliance programme ('Programme') is reported regularly to the Board of Directors.

The Programme involves testing all relevant systems to ensure that they are Year 2000 compliant. Suppliers and service providers are being asked to confirm that their products and services are Year 2000 compliant and the Group is also assessing its customers' commitment to achieving compliance.

Total programme costs for the Group incurred for the year ended 31 December 1998 were £40,000 (wholly attributable to internal costs). Estimated costs to complete the Year 2000 compliance and testing process are £445,000 (including £70,000 attributable to internal costs).

Whilst the nature of the problem means that 100% certainty regarding the millennium issue cannot be obtained, the Board believes it is taking all reasonable steps to protect the company's interests in this matter.

Directors' report *(continued)*

Statement of director's responsibilities

Company law requires the director 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 for that period. In preparing those financial statements, the director is required to:

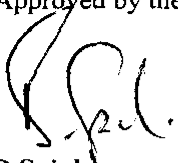
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditor

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the company is to be proposed at the forthcoming annual general meeting.

Approved by the director and signed by:



D Spink
Secretary

31 Augnt 1999

401 South Row
Central Milton Keynes
MK9 2PH



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Auditor's report to the members of Healthcall Medical (Holdings) Limited

We have audited the financial statements on pages 4 to 8.

Respective responsibilities of directors and auditors

As described on page 2, the company's director is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director 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 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

13 September 1999

Profit and loss account
for the year ended 31 December 1998

	<i>Note</i>	1998 £	1997 £
Income from shares in group undertakings		1,750,000	2,794,270
		<hr/>	<hr/>
Profit on ordinary activities before and after taxation for the financial year		1,750,000	2,794,270
Dividends	5	(1,750,000)	(2,794,270)
		<hr/>	<hr/>
Retained profit for the financial year		-	-
		<hr/>	<hr/>

All of the above results are derived from continuing operations.

There is no difference between the results as disclosed in the profit and loss account and those on an unmodified historical cost basis.

Statement of total recognised gains and losses

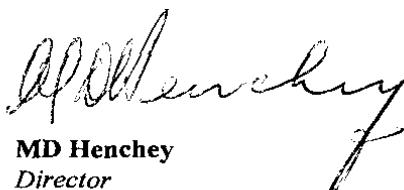
There were no recognised gains or losses or movements in shareholders' funds in either the current or preceding years other than those shown in the profit and loss account.

Balance sheet
at 31 December 1998

	<i>Note</i>	1998		1997
		£	£	£
Fixed assets				
Investments	6	2,129,834		2,129,834
Current assets				
Debtors: Amounts falling due within one year	7	103,804		103,804
Debtors: Amounts falling due after more than one year	7	11,044,270		9,294,270
		<u>11,148,074</u>		<u>9,398,074</u>
Creditors: Amounts falling due within one year	8	<u>(11,028,985)</u>		<u>(9,278,985)</u>
Net current assets		<u>119,089</u>		<u>119,089</u>
Total assets less current liabilities		<u>2,248,923</u>		<u>2,248,923</u>
Creditors: Amounts falling due after more than one year	9	(533,862)		(533,862)
Net assets		<u>1,715,061</u>		<u>1,715,061</u>
Capital and reserves				
Called up share capital	10	2		2
Profit and loss account		-		-
Capital reserve		<u>1,715,059</u>		<u>1,715,059</u>
Equity shareholders' funds		<u>1,715,061</u>		<u>1,715,061</u>

These financial statements were approved by the director on

31st August 1999, and were signed by:


MD Henchey
Director

Notes

(forming part of the financial statements)

1 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.

Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable Accounting Standards.

Consolidated financial statements

In accordance with Section 228 of the Companies Act 1985, group financial statements have not been prepared as the company's result is consolidated in HCMS Limited, a company registered in England and Wales.

Related party transactions

Under Financial Reporting Standard 8, the company is exempt from the disclosure of transactions with other group undertakings on the grounds that it is a wholly owned subsidiary of HCMS Limited and its results are included in HCMS Limited's consolidated financial statements.

Staff numbers and costs

The company has no employees.

Amounts paid for the services of directors

The director received no emoluments during the year (1997: £Nil).

Tax on profit on ordinary activities

The company has no tax charge as a group income election is in place in respect of dividend payments.

Dividends

	1998 £	1997 £
Dividends paid	-	2,794,270
Dividends proposed	1,750,000	-
	<hr/> 1,750,000 <hr/>	<hr/> 2,794,270 <hr/>

Notes (continued)

Investments held as fixed assets

	Shares in group undertakings £
<i>Cost and net book value</i>	
At beginning and end of year	2,129,834

In the opinion of the director, the market value of the above investments is not less than their net book value.

The principal investments in subsidiary undertakings held at 31 December 1998 are as follows:

Subsidiary	Principal activity	Percentage of issued ordinary share capital held %
Healthcall Services Limited (registered in England and Wales)	Healthcare services	100
Cleveland Healthcall Services Limited (registered in England and Wales)	Healthcare services	51

The above undertakings are incorporated in Great Britain and are registered and operate principally in England and Wales.

Debtors

	1998 £	1997 £
Amount owed by group undertaking	11,148,074	9,398,074

The amounts owed by group undertaking falling due after more than one year at 31 December 1998 was £11,044,270 (1997: £9,294,270).

Creditors: Amounts falling due within one year

	1998 £	1997 £
Amounts owed to group undertakings	11,028,985	9,278,985

Creditors: Amounts falling due after more than one year

	1998 £	1997 £
Amount owed to group undertaking	533,862	533,862

The above amount owed to a group undertaking is interest free and has no fixed date of repayment, but will not be due for repayment within 12 months of the balance sheet date.

Notes (continued)

Share capital

	1998	1997
	£	£
Authorised:		
Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	2	2
	<u> </u>	<u> </u>

Contingent liabilities

The company has guaranteed bank loans of certain other group companies. At 31 December 1998 the liability under these guarantees amounted to £35,000,000 (1997: £7,957,840).

Ultimate parent undertaking

The immediate parent undertaking is Healthcall Limited which is incorporated in Great Britain and registered in England and Wales.

The parent undertaking of the smallest and largest group for which group accounts are prepared and in which the results of the company are consolidated, is HCMS Limited, which is incorporated in Great Britain and registered in England and Wales.

Copies of the financial statements of HCMS Limited can be obtained from its registered office at 401 South Row, Milton Keynes, MK9 2PH.

The directors understand that the shares of HCMS Limited are held by nominees and therefore cannot say whether there is an ultimate controlling party.