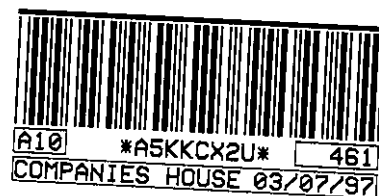


**Executive HealthCare Limited**

**Report and Financial Statements**

**for the period 1 July 1996 to 5 September 1996**

**Registration No: 2104155**



# **Executive HealthCare Limited**

## **Report for the period 1 July 1996 to 5 September 1996**

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# **Executive HealthCare Limited**

## **Directors and advisers**

### **Directors**

K.A. Macdonald-Smith (Chairman)  
K.W. Kennison  
P.M. Edwards (appointed 6.9.96)  
R.F. Ratcliff (appointed 6.9.96)  
S.F. Wood (appointed 6.9.96)

### **Company secretary**

Mrs. J. Thomason

### **Registered auditors**

KPMG Audit Plc.,  
1-2 Dorset Rise,  
London, EC4Y 8AE.

### **Bankers**

Bank of Scotland Plc.,  
Centrebank Division,  
Business Banking,  
Teviot House,  
41 South Gyle Crescent,  
Edinburgh, EH12 9DR.

### **Registered office**

Radio House,  
John Wilson Business Park,  
Whitstable,  
Kent, CT5 3QP.

# **Executive HealthCare Limited**

## **Directors' report for the period 1 July 1996 to 5 September 1996**

The directors submit their report and audited financial statements for the period 1 July 1996 to 5 September 1996.

### **Results and dividends**

The trading profit for the period after taxation amounted to £1,145 (1996: loss of £383). The directors do not recommend the payment of a dividend.

### **Principal activities**

The principal activity of the company is that of providing consultancy and administrative services to industrial and commercial companies in respect of private health care schemes.

### **Review of business**

In view of the short accounting period the results are considered to be satisfactory.

### **Post balance sheet event**

With effect from 6th September 1996 the company became a wholly owned subsidiary of ERC Frankona Reassurance Limited, itself a wholly owned subsidiary whose ultimate parent company is General Electric Company, incorporated in the United States of America. The change of ownership will enable expansion of the company's activities within the UK as well as providing opportunities for international ventures.

### **Auditors**

With effect from 6<sup>th</sup> September 1996 Reeves & Neylan resigned as auditors and a limited company, KPMG Audit Plc., were appointed as auditors of the Company.

### **Directors' responsibilities**

As directors, we are required under company law to prepare financial statements for the financial period which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those financial statements, we are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

# Executive HealthCare Limited

## Directors' report

for the period 1 July 1996 to 5 September 1996 (continued)

- 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.

We are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable us to ensure that the financial statements comply with the Companies' Act 1985. We 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.

## Directors and their interests

The directors who held office during the period were:

K.A. Macdonald-Smith (Chairman)  
K.W. Kennison

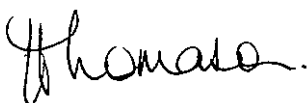
Following the acquisition of the Company by ERC Frankona Reassurance Limited the following directors were appointed on 06/09/96:

P.M. Edwards  
R.F. Ratcliff  
S.F. Wood

The directors' interests in the ordinary share capital of the company as at 5 September 1996 and 1 July 1996 was:-

|               | 05/09/96<br>Ordinary<br>£1 shares | 01/07/96<br>Ordinary<br>£1 shares |
|---------------|-----------------------------------|-----------------------------------|
| K.W. Kennison | 1,800                             | 1,800                             |

By order of the board



Mrs. J. Thomason,  
Company Secretary

23 May 1997

## **Executive HealthCare Limited**

### **Report of the auditors to the members of Executive HealthCare Limited**

We have audited the financial statements on pages 5 to 14.

#### **Respective responsibilities of directors and auditors**

As described on pages 2 and 3 the company's directors are 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 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 the company's affairs as at 5 September 1996 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc  
Chartered Accountants & Registered Auditor  
London

9 June 1997

## Executive HealthCare Limited

### Profit and loss account for the period 1 July 1996 to 5 September 1996

|   | Note | 01/07/96<br>to 05/09/96<br>£ | 01/07/95<br>to 30/06/96<br>£ |
|---|------|------------------------------|------------------------------|
| <b>Turnover</b>   | 1    | 114,484                      | 614,082                      |
| Administrative expenses   |      | 117,792                      | 650,138                      |
|   |      | <hr/>                        | <hr/>                        |
| <b>Operating loss</b>   |      | (3,308)                      | (36,056)                     |
| Interest receivable   |      | 4,453                        | 31,969                       |
|   |      | <hr/>                        | <hr/>                        |
| <b>Profit/(loss) on ordinary activities<br/>before taxation</b> | 2    | 1,145                        | (4,087)                      |
| Tax on profit/(loss) on ordinary activities                     | 4    | -                            | 3,704                        |
|   |      | <hr/>                        | <hr/>                        |
| <b>Profit/(loss) for the financial period</b>                   |      | 1,145                        | (383)                        |
| Retained profit brought forward                                 |      | 51,568                       | 51,951                       |
|   |      | <hr/>                        | <hr/>                        |
| <b>Retained profit carried forward</b>                          |      | 52,713                       | 51,568                       |
|   |      | <hr/>                        | <hr/>                        |

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account.

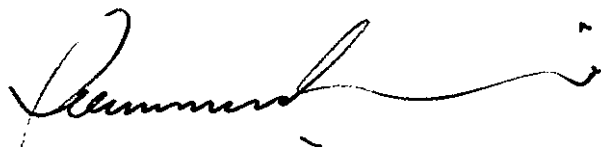
The notes on pages 9 to 14 form part of these financial statements.

# Executive HealthCare Limited

## Balance sheet at 5 September 1996

|   | Note | 01/07/96<br>to 05/09/96<br>£ | £             | 01/07/95<br>to 30/06/96<br>£ | £             |
|---|------|------------------------------|---------------|------------------------------|---------------|
| <b>Fixed assets</b>                                   | 5    |                              | 55,166        |                              | 58,299        |
| <b>Current assets</b>                                 |      |                              |               |                              |               |
| Debtors   | 6    | 10,095                       |               | 14,154                       |               |
| Cash at bank and in hand                              |      | 527,792                      |               | 547,901                      |               |
|   |      | <u>537,887</u>               |               | <u>562,055</u>               |               |
| <b>Creditors: amounts falling due within one year</b> | 7    | 536,340                      |               | 564,786                      |               |
|   |      |                              |               |                              |               |
| <b>Net current assets/(liabilities)</b>               |      |                              | 1,547         |                              | (2,731)       |
|   |      |                              |               |                              |               |
| <b>Total assets less current liabilities</b>          |      |                              | <u>56,713</u> |                              | <u>55,568</u> |
|   |      |                              |               |                              |               |
| <b>Capital and reserves</b>                           |      |                              |               |                              |               |
| Called up share capital                               | 8    | 4,000                        |               | 4,000                        |               |
| Reserves  | 9    | 52,713                       |               | 51,568                       |               |
|   |      |                              |               |                              |               |
| <b>Attributable to equity shareholders</b>            |      |                              | <u>56,713</u> |                              | <u>55,568</u> |

These financial statements were approved by the board of directors at a meeting held on 23 May 1997 and signed on their behalf by:



Dr. K.A. Macdonald-Smith  
Director

The notes on pages 9 to 14 form part of these financial statements.

# Executive HealthCare Limited

## Cash flow statement for the period 1 July 1996 to 5 September 1996

|  |     | 01/07/96<br>to 05/09/96<br>£ | 01/07/95<br>to 30/06/96<br>£ |
|--|-----|------------------------------|------------------------------|
| <b>Net cash outflow from operating activities</b>                            | (a) | (24,562)                     | (74,622)                     |
| <b>Return on investments and servicing of finance</b>                        |     |                              |                              |
| Interest received  |     | 4,453                        | 31,969                       |
|  |     | <hr/>                        | <hr/>                        |
| <b>Net cash outflow from returns on investments and servicing of finance</b> |     | (20,109)                     | (42,653)                     |
| <b>Taxation</b>  |     |                              |                              |
| UK corporation tax received  |     | -                            | 3,924                        |
|  |     | <hr/>                        | <hr/>                        |
| Tax received   |     | -                            | 3,924                        |
| <b>Investing activities</b>  |     |                              |                              |
| Payments to acquire tangible fixed assets                                    |     | -                            | (4,122)                      |
|  |     | <hr/>                        | <hr/>                        |
| <b>Net cash outflow from investing activities</b>                            |     | -                            | (4,122)                      |
|  |     | <hr/>                        | <hr/>                        |
| <b>Net cash outflow before and after financing</b>                           |     | (20,109)                     | (42,851)                     |
|  |     | <hr/>                        | <hr/>                        |
| <b>Decrease in cash and cash equivalents</b>                                 | (b) | (20,109)                     | (42,851)                     |
|  |     | <hr/> <hr/>                  | <hr/> <hr/>                  |

The notes to this cash flow statement are set out on page 8.

# Executive HealthCare Limited

## Notes to the cash flow statement for the period 1 July 1996 to 5 September 1996

### (a) Reconciliation of operating loss to net cash outflow from operating activities

|   | 01/07/96<br>to 05/09/96<br>£ | 01/07/95<br>to 30/06/96<br>£ |
|---|------------------------------|------------------------------|
| Operating loss                                    | (3,308)                      | (36,056)                     |
| Depreciation                                      | 3,133                        | 20,074                       |
| Loss on sales of tangible fixed assets            | -                            | 3,995                        |
| Decrease in debtors                               | 4,059                        | 2,031                        |
| Decrease in creditors                             | (12,343)                     | (23,123)                     |
| Increase in deferred revenue                      | 34,939                       | 19,548                       |
| Decrease in claims fund balances                  | (51,042)                     | (61,091)                     |
|   | <hr/>                        | <hr/>                        |
| <b>Net cash outflow from operating activities</b> | <b>(24,562)</b>              | <b>(74,622)</b>              |
|   | <hr/>                        | <hr/>                        |

### (b) Analysis of changes in cash and cash equivalents during the period/year

|                                      | 01/07/96<br>to 05/09/96<br>£ | 01/07/95<br>to 30/06/96<br>£ |
|--------------------------------------|------------------------------|------------------------------|
| Balance at beginning of period/year  | 547,901                      | 590,752                      |
| Net cash outflow                     | (20,109)                     | (42,851)                     |
|                                      | <hr/>                        | <hr/>                        |
| <b>Balance at end of period/year</b> | <b>527,792</b>               | <b>547,901</b>               |
|                                      | <hr/>                        | <hr/>                        |

# **Executive HealthCare Limited**

## **Principal accounting policies**

### **Basis of preparation**

The financial statements have been prepared in compliance with the provisions of Section 226 of, and Schedule 4 to, the Companies Act 1985 in accordance with applicable accounting standards and under the historical cost convention.

### **Depreciation**

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life as follows:-

|   |               |
|---|---------------|
| Computer equipment and software         | over 4 years  |
| Office equipment, fixtures and fittings | over 10 years |

### **Deferred taxation**

Deferred taxation is calculated on the liability method and is provided only to the extent that it is considered with reasonable probability that the liability will become payable in the foreseeable future.

### **Turnover**

Turnover represents the amounts receivable for services provided to clients during the period and is stated net of value added tax. No credit is taken to the profit and loss account in respect of receipts for services to be rendered in a subsequent accounting period. Amounts received for this are credited to deferred income.

### **Pension costs**

Pension costs of the period are charged to the profit and loss account on the basis of amounts paid in the period to pension plans.

### **Fund for claims payable to clients**

In the ordinary course of business the Company acts as agent in handling claims payments on behalf of clients. Notwithstanding the legal relationships, cash amounts and creditors arising from these transactions are recognised in the balance sheet because they provide access to future economic benefits and, as such, meet the definitions of assets and liabilities set out in Financial Reporting Standard No 5, "Reporting the Substance of Transactions".

Before the introduction of this Standard, amounts in respect of these items were not shown in the balance sheet.

# Executive HealthCare Limited

## Notes to the financial statements for the period 1 July 1996 to 5 September 1996

### 1. Segmental analysis

The Company's business is the provision of consultancy and administrative services to industrial and commercial companies in respect of private health care schemes. The total turnover of £114,484 relates solely to fees generated by work performed in the UK.

### 2. Profit/loss on ordinary activities before taxation

The loss on ordinary activities before taxation has been arrived at after charging:-

|                               | 01/07/96<br>to 05/09/96<br>£ | 01/07/95<br>to 30/06/96<br>£ |
|-------------------------------|------------------------------|------------------------------|
| Depreciation                  | 3,133                        | 20,074                       |
| Loss on sales of fixed assets | -                            | 3,995                        |
| Auditors' remuneration        | 1,000                        | 3,000                        |
| Operating lease payments      | 7,730                        | 42,840                       |
|                               | <u>          </u>            | <u>          </u>            |

### 3. Staff costs (including directors' remuneration)

|                       | 01/07/96<br>to 05/09/96<br>£ | 01/07/95<br>to 30/06/96<br>£ |
|-----------------------|------------------------------|------------------------------|
| Wages & salaries      | 68,965                       | 410,842                      |
| Social security costs | 11,570                       | 39,790                       |
| Pension costs         | 9,755                        | 54,653                       |
|                       | <u>          </u>            | <u>          </u>            |
|                       | 90,290                       | 505,285                      |
|                       | <u>          </u>            | <u>          </u>            |

The average number of employees during the period including directors was 17 (1996: 18).

Included in the above are the following amounts in respect of directors:-

|                             | 01/07/96<br>to 05/09/96<br>£ | 01/07/95<br>to 30/06/96<br>£ |
|-----------------------------|------------------------------|------------------------------|
| Remuneration                | 41,024                       | 234,000                      |
| Directors' pension premiums | 9,755                        | 54,653                       |
| Benefits in kind            | 238                          | 1,381                        |
|                             | <u>          </u>            | <u>          </u>            |
|                             | 51,017                       | 290,034                      |
|                             | <u>          </u>            | <u>          </u>            |

# Executive HealthCare Limited

## Notes to the financial statements for the period 1 July 1996 to 5 September 1996

The chairman and highest paid director of the company received emoluments of £26,967 (1996: £136,421).

### 4. Taxation

|                         | 01/07/96<br>to 05/09/96<br>£ | 01/07/95<br>to 30/06/96<br>£ |
|-------------------------|------------------------------|------------------------------|
| Corporation tax at 24%  | -                            | (220)                        |
| Previous years' refunds | -                            | 3,924                        |
|                         | <u>-</u>                     | <u>3,704</u>                 |
|                         | <u>-</u>                     | <u>3,704</u>                 |

### 5. Fixed assets

|                            | Computer<br>equipment<br>& software<br>£ | Office<br>equipment<br>£ | Total<br>£     |
|----------------------------|--|--------------------------|----------------|
| <b>Cost:</b>               |  |                          |                |
| At 1 July 1996             | 71,691                                   | 75,593                   | 147,284        |
| <b>At 5 September 1996</b> | <u>71,691</u>                            | <u>75,593</u>            | <u>147,284</u> |
| <b>Depreciation:</b>       |  |                          |                |
| At 1 July 1996             | 56,135                                   | 32,851                   | 88,986         |
| Provision for period       | 1,749                                    | 1,383                    | 3,132          |
| <b>At 5 September 1996</b> | <u>57,884</u>                            | <u>34,234</u>            | <u>92,118</u>  |
| <b>Net book value:</b>     |  |                          |                |
| <b>At 5 September 1996</b> | <u>13,807</u>                            | <u>41,359</u>            | <u>55,166</u>  |
| At 30 June 1996            | <u>15,557</u>                            | <u>42,742</u>            | <u>58,299</u>  |

# Executive HealthCare Limited

## Notes to the financial statements for the period 1 July 1996 to 5 September 1996

### 6. Debtors

|               | 05/09/96 | 30/06/96 |
|---------------|----------|----------|
|               | £        | £        |
| Trade debtors | 716      | 6,189    |
| Other debtors | 2,947    | 2,027    |
| Prepayments   | 6,432    | 5,938    |
|               | <hr/>    | <hr/>    |
|               | 10,095   | 14,154   |
|               | <hr/>    | <hr/>    |

### 7. Creditors: amounts falling due within one year

|                                     | 05/09/96 | 30/06/96 |
|-------------------------------------|----------|----------|
|                                     | £        | £        |
| Trade creditors                     | 400      | 2,248    |
| Corporation tax                     | 220      | 220      |
| Other taxes & social security costs | 56,743   | 24,903   |
| Accruals                            | 27,665   | 4,000    |
| Deferred income                     | 152,995  | 118,056  |
| Fund for claims payable to clients  | 268,640  | 319,682  |
| Monies held on behalf of clients    | 17,677   | 17,677   |
| Other creditors                     | 12,000   | 78,000   |
|                                     | <hr/>    | <hr/>    |
|                                     | 536,340  | 564,786  |
|                                     | <hr/>    | <hr/>    |

Deferred income relates to amounts received in advance in respect of administration fees.

Monies held on behalf of clients represent amounts held by the company where the handling of monies necessitates the use of the company's own bank account.

# Executive HealthCare Limited

## Notes to the financial statements for the period 1 July 1996 to 5 September 1996

### 8. Called up share capital

Allotted, called up and fully paid:

|                                  | 05/09/96 | 30/06/96 |
|----------------------------------|----------|----------|
|                                  | £        | £        |
| 4,000 ordinary shares of £1 each | 4,000    | 4,000    |

Authorised:

|                                   | 05/09/96 | 30/06/96 |
|-----------------------------------|----------|----------|
|                                   | £        | £        |
| 10,000 ordinary shares of £1 each | 10,000   | 10,000   |

### 9. Reconciliation of movement in reserves

|                                       | 05/09/96 | 30/06/96 |
|---------------------------------------|----------|----------|
|                                       | £        | £        |
| Balance at beginning of period/year   | 51,568   | 51,951   |
| Net profit/(loss) for the period/year | 1,145    | (383)    |
| Balance at end of period/year         | 52,713   | 51,568   |

### 10. Reconciliation of movements in shareholders' funds

|   | 05/09/96 | 30/06/96 |
|---|----------|----------|
|   | £        | £        |
| Profit/(loss) for the financial period/year             | 1,145    | (383)    |
| Net addition/(depletion) to shareholders' funds         | 1,145    | (383)    |
| Opening shareholders' funds at beginning of period/year | 55,568   | 55,951   |
| Closing shareholders' funds at end of period/year       | 56,713   | 55,568   |

# **Executive HealthCare Limited**

## **Notes to the financial statements for the period 1 July 1996 to 5 September 1996**

### **11. Obligations under operating leases**

Under the terms of existing operating leases the company is obliged to make the following lease rentals.

Leases due to expire:

|                    | £     |
|--------------------|-------|
| Within 1 - 2 years | 2,286 |
| Within 2 - 5 years | 5,444 |
|                    | <hr/> |

### **12. Pension costs**

The company operates a defined contribution scheme. The contributions paid to the pension scheme during the period were £9,755 (1996: £54,653).

There were no contributions prepaid or due to the pension scheme at the balance sheet date.

### **13. a) Capital commitments**

There were no capital commitments as at 5th September 1996 (30/06/96: Nil).

### **b) Contingent liabilities**

There were no contingent liabilities as at 5th September 1996 (30/06/96: Nil).