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PARACELSUS UK LIMITED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1994

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PARACELsus UK LIMITED

COMPANY INFORMATION

DIRECTORS	Dr M G Krukemeyer (German) J M Wotherspoon J Perez (Spanish)
SECRETARY	J M Wotherspoon
BANKERS	National Westminster Bank plc Richmond Business Centre 123-127 Sheen Road Richmond Surrey TW9 1YJ
AUDITORS	MacIntyre Hudson 18/20 George Street Richmond Surrey TW9 1HD
SOLICITORS	Penningtons Royex House Aldermanbury Square London EC2V 7HD
REGISTERED OFFICE	53 Parkside Wimbledon London SW19 5NX
REGISTRATION NUMBER	2140182

PARACELSUS UK LIMITED AND SUBSIDIARIES
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1994

The directors present their annual report and the audited financial statements for the year ended 31 December 1994.

ACTIVITIES

Paracelsus UK Limited is the parent undertaking in the UK of a group of companies engaged in the provision of private health care services.

REVIEW OF BUSINESS AND FUTURE PROSPECTS

The group result for the year after taxation is set out on page 5 of the financial statements.

1994 was a year of consolidation with continued close monitoring of the company's affairs. Certain exceptional expenditures impacted on the profitability of the business but these were one-off expenditures which will have no lasting impact. The private healthcare market remains static, despite the ending of recession but the directors continue to explore ways of increasing both turnover and profitability.

The founder and principle shareholder of the Paracelsus Kliniken Group, Professor Dr Med H Krukemeyer, died in May 1994. He was succeeded by his son, Dr M G Krukemeyer who became sole owner of the group and managing director.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year.

FIXED ASSETS

Details of the movements in fixed assets are shown in note 9 of the financial statements.

EMPLOYEE INVOLVEMENT

The group continues to consult employees, and provide them with information in such manner as is considered appropriate. Where the requirements of a job may be adequately covered by a handicapped or disabled person, the group gives every consideration to applications for employment from disabled persons and to the continued employment, training, career development and promotion of any existing disabled employees and any employees who have become disabled during the year.

GROUP RESTRUCTURING

As more fully explained in Note 27, with effect from 1 January 1994 the group of which Paracelsus UK Ltd is the parent, underwent a corporate reorganisation.

PARACELSUS UK LIMITED AND SUBSIDIARIES

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1994
(continued)

DIRECTORS

The directors who have held office during the year together with their beneficial interests in the share capital of the company were as follows:

	Ordinary Shares of £1 each	
	1994	1993
Prof Dr med H Krukemeyer (German) (deceased 21.5.94)	2,070,923	2,070,924
Dr M G Krukemeyer (German)	1	-
J M Wotherspoon	-	-
J Perez (appointed 8.2.94)	-	-
J J Tobin (resigned 8.2.94)	-	-

In accordance with the regulations of the company, J M Wotherspoon will retire by rotation at the Annual General Meeting and being eligible will offer himself for re-election.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

AUDITORS

In accordance with section 385 of the Companies Act 1985, a resolution to reappoint MacIntyre Hudson as auditors will be proposed at the Annual General Meeting.

By order of the Board


J M Wotherspoon
Secretary

22 May 1995

AUDITORS' REPORT TO THE SHAREHOLDERS
OF
PARACELsus UK LIMITED AND SUBSIDIARIES

We have audited the financial statements on pages 5 to 22.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3 the company's directors are responsible for the preparation of the 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, except that the scope of our work was limited by the matter referred to below. 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. However, the scope of our work on the group was limited by the following matter. The group balance sheet contains an intangible asset of £3,872,841 being goodwill arising on consolidation. Of this £2,756,402 has arisen as a result of the acquisition of the Hillside Group on 1 January 1993. We have been unable to obtain sufficient evidence to satisfy ourselves as to the realisable value of this element of the total goodwill. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

QUALIFIED OPINION

Except for the effect of any adjustments which might have been necessary had we been able to satisfy ourselves in respect of goodwill, in our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 1994 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MacIntyre Hudson

Chartered Accountants
Registered Auditor

Ashley House
18/20 George Street
Richmond
Surrey
TW9 1HD

31 May 1995

PARACELSUS UK LIMITED AND SUBSIDIARIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1994

	<u>Notes</u>	<u>1994</u> £	<u>1993</u> £
TURNOVER	1	19,885,027	19,981,511
Administrative expenses		16,610,156	16,287,754
Exceptional loss	4	618,011	-
		-----	-----
OPERATING PROFIT		2,656,860	3,693,757
Interest receivable		30,459	61,674
		-----	-----
		2,687,319	3,755,431
Interest payable	3	1,207,288	1,454,965
		-----	-----
Profit on ordinary activities before taxation	5	1,480,031	2,300,466
Taxation on profit on ordinary activities	6	(789,593)	(547,743)
		-----	-----
Profit on ordinary activities after taxation	17	£ 690,438	£1,752,723
		=====	=====

All the group's operations are classed as continuing.

A statement of the movement on reserves appears in note 17 to the financial statements.

The group has no recognised gains or losses other than the profit for the year.

The notes on pages 9 to 22 form part of these financial statements.

PARACELTUS UK LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

31 DECEMBER 1994

	Notes	1994		1993	
		£	£	£	£
FIXED ASSETS					
Tangible assets	9(a)		20,017,732		19,618,815
Intangible asset	10		3,872,841		4,112,873
			-----		-----
			23,890,573		23,731,688
CURRENT ASSETS					
Stock	11	461,426		440,839	
Debtors	12	2,005,704		2,714,798	
Cash at bank		83,715		204,048	
		-----		-----	
		2,550,845		3,359,685	
CREDITORS - amounts falling due within one year					
	13	6,144,793		7,539,859	
		-----		-----	
NET CURRENT LIABILITIES					
			(3,593,948)		(4,180,174)
TOTAL ASSETS LESS CURRENT LIABILITIES					
			20,296,625		19,551,514
CREDITORS - amounts falling due after more than one year					
	14		(11,838,680)		(11,818,007)
PROVISION FOR LIABILITIES AND CHARGES					
	15		(239,000)		(205,000)
			-----		-----
			£8,218,945		£7,528,507
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	16		2,070,925		2,070,925
Revaluation reserve	17		2,013,628		2,121,815
Profit and loss account	17		4,134,392		3,335,767
			-----		-----
Shareholders' fund (all equity interests)			£8,218,945		£7,528,507
			=====		=====

Dr M G Krukemeyer

Director

22 May 1995.

J M Wotherspoon

Director

The notes on pages 9 to 22 form part of these financial statements.

PARACELSUS UK LIMITED

BALANCE SHEET

31 DECEMBER 1994

	Notes	1994		1993	
		£	£	£	£
FIXED ASSETS					
Investments	8		1	4,602,990	
Tangible Assets	9(b)		16,254,571	79,093	
			<u>16,254,572</u>	<u>4,682,083</u>	
CURRENT ASSETS					
Stock	11	378,635		-	
Debtors	12	2,776,993		5,329,099	
Cash at Bank		1,594		6,395	
		<u>3,157,222</u>		<u>5,335,494</u>	
CREDITORS - amounts falling due within one year	13	5,357,420		3,227,900	
		<u>5,357,420</u>		<u>3,227,900</u>	
NET CURRENT (LIABILITIES)/ASSETS			(2,200,198)		2,107,594
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>14,054,374</u>		<u>6,789,677</u>
CREDITORS - amounts falling due after more than one year	14		(10,876,511)		(8,941,931)
PROVISION FOR LIABILITIES AND CHARGES					
Deferred taxation	15		(239,000)		-
			<u>£ 2,938,863</u>		<u>£(2,152,254)</u>
CAPITAL AND RESERVES					
Called up share capital	16		2,070,925		2,070,925
Profit and loss account			867,938		(4,223,179)
			<u>£ 2,938,863</u>		<u>£(2,152,254)</u>
Shareholders' funds (all equity interests)			<u>£ 2,938,863</u>		<u>£(2,152,254)</u>

 Director
Dr M G Krukemeyer

 Director
J M Wotherspoon

22 May 1995.

The notes on pages 9 to 22 form part of these financial statements.

PARACELSUS UK LIMITED AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 1994

	Notes	1994		1993	
		£	£	£	£
Net cash inflow from operating activities	24		4,732,753		4,131,750
<u>Return on investments and servicing of finance</u>					
- Interest received		70,705		36,271	
- Interest paid		(1,347,669)		(2,409,813)	
- Interest element of finance lease rental payments		(83,085)		(75,667)	
Net cash outflow from returns on investments and servicing of finance			(1,360,049)		(2,449,209)
<u>Taxation</u>					
- UK Corporation tax paid			(463,889)		(110,810)
<u>Investing activities</u>					
- Purchases of fixed assets		(591,379)		(986,902)	
- Sale of plant and machinery		6,500		18,409	
Net cash outflow from investing activities			(584,879)		(968,493)
Net cash inflow before financing			2,323,936		603,238
<u>Financing</u>	26				
- Share capital issued		-		489,929	
- New loans		3,200,000		1,040,000	
- Repayment of loans		(4,703,333)		(2,056,092)	
- Repaid capital element of finance lease rentals		(287,293)		(298,815)	
			(1,790,626)		(824,978)
Increase/(Decrease) in cash and cash equivalents	25		£ 533,310		£ (221,740)

The notes on pages 9 to 22 form part of these financial statements.

PARACELTUS UK LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1994

1 ACCOUNTING POLICIES

The principal accounting policies which are adopted in the preparation of the financial statements are set out below.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of freehold land and buildings and comply with applicable accounting standards.

b) Basis of consolidation

The consolidated accounts are prepared under the acquisition method of accounting. Results of the subsidiary undertakings have been included from date of acquisition.

c) Turnover

Turnover represents the value of services rendered and the sale of medical supplies during the year.

d) Tangible fixed assets

No depreciation is provided on freehold land. On other assets it is provided on cost or revalued amounts in equal annual instalments over the estimated lives of the assets. The estimated lives of the assets are as follows:

Buildings	50 years
Motor vehicles	5 years
Fixtures and fittings	8-10 years
Plant and equipment	5-10 years
Computers	4 years

e) Leased assets

Assets acquired under finance lease agreements or on hire purchase agreements with similar characteristics are capitalised and liabilities are set up for the capital portion of the instalments. The interest portion of the instalments is charged to the profit and loss account to give a constant rate of return on the carrying amount.

Rentals on operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

f) Stocks

Stocks of drugs and consumables have been valued at the lower of cost and net realisable value.

"Cost" is the purchase cost on a first in first out basis. "Net realisable value" is based on estimated selling price.

g) Value Added Tax

The group's revenue is exempt from VAT, with the exception of revenue from patient telephone calls, catering services, drugs and laundry service. Revenue and capital expenditure and stocks include VAT where appropriate.

h) Pensions

The group operates a defined benefit pension scheme which requires contributions to be made to separately administered funds. Contributions to these funds are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the group. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

PARACELSUS UK LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1994

(continued)

1 ACCOUNTING POLICIES (Continued)

i) Deferred taxation

Provision is made using the liability method for all taxation deferred in respect of short term timing differences. Provision is also made in respect of all long term timing differences which in the opinion of the directors are likely to reverse in the foreseeable future.

j) Goodwill

Goodwill arising on consolidation comprises the difference between the cost and attributable fair value of net assets of subsidiaries at the date of acquisition. Goodwill is amortised throughout the profit and loss account by equal annual instalments over an estimated useful economic life of 20 years.

k) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

PARACELSUS UK LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1994

(continued)

2 STAFF COSTS

	The Group	
	1994	1993
	£	£
Staff costs include the following in respect of directors of the group:		
Emoluments (including pension contribution and benefits in kind)	£302,258	£101,980
The emoluments of the highest paid director	£155,976	£ 95,798

The total emoluments (excluding pension contributions) of other directors were within the ranges:

	No.	No.
£0 - £ 5,000	1	1
£135,001 - £140,000	1	-

	1994	1993
	£	£
Staff costs, including directors' remuneration were as follows:		
Wages and salaries	6,355,724	6,216,732
Social security costs	495,470	511,524
Other pension costs	119,577	110,620
	£6,970,771	£6,838,876

The average weekly number of persons employed during the year was 370 (1993: 377). All staff were employed in the provision of health services. One of the directors duties are wholly or mainly performed outside the UK and are not therefore disclosed above.

3 INTEREST PAYABLE

	1994	1993
	£	£
On bank loans repayable by instalments, within five years	1,060,556	669,370
On bank loans and overdrafts and other loans repayable otherwise than by instalments, within five years	58,053	466,289
On finance leases	83,085	75,667
On other loans	5,594	243,639
	£1,207,288	£1,454,965

4 EXCEPTIONAL ITEMS

	1994	1993
	£	£
Write off of amounts due from fellow subsidiaries	438,236	-
Hive up and refinancing costs	179,775	-
	£618,011	£ -

PARACELSUS UK LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1994
(continued)

	The Group	
	1994	1993
	£	£
5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
The result on ordinary activities before taxation is after charging:		
Amortisation of goodwill	240,032	240,032
Operating lease rentals - plant and machinery	105,416	96,144
- land and buildings	16,918	-
Depreciation	816,332	768,604
Auditors' remuneration	47,000	54,226

	The Group	
	1994	1993
	£	£
6 TAXATION ON ORDINARY ACTIVITIES		
The taxation charge for the year comprises:		
UK Corporation Tax at current rates	750,000	460,000
Transfer to deferred tax	34,000	87,743
Underprovisions in prior years	5,593	-
	<u>£789,593</u>	<u>£547,743</u>

- 7 RESULT OF PARENT UNDERTAKING**
As permitted by Section 230 of the Companies Act 1985 the profit and loss account of the parent undertaking is not presented as part of the financial statements. The consolidated profit for the year includes £5,091,117 which is dealt with in the accounts of the parent undertaking.

8 INVESTMENTS HELD AS FIXED ASSETS	Paracelsus England	Hillside Holdings	Total
	£	£	£
Cost			
At 1 January 1994 and 31 December 1994	4,602,989	1	4,602,990
Provision			
At 1 January 1994	-	-	-
Write down in value following hive up (note 27)	4,602,989	-	4,602,989
At 31 December 1994	<u>4,602,989</u>	<u>-</u>	<u>4,602,989</u>
Net Book Value			
31 December 1994	<u>£ -</u>	<u>£ 1</u>	<u>£ 1</u>
31 December 1993	<u>£4,602,989</u>	<u>£ 1</u>	<u>£4,609,990</u>

The value of the investment in Paracelsus England Ltd has been written down to nil due to the realisation of all the reserves in the company on hive up (see note 27).

Subsidiary undertakings: Paracelsus England Limited
Parkside Hospital Limited
Holly House Hospital Limited
Hillside Holdings Limited
Hillside Hospital Limited
All the companies are wholly owned and registered in England.

PARACELSUS UK LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1994

9(a) TANGIBLE FIXED ASSETS (Group)

	Freehold Land & Buildings £	Plant & Equipment £	Fixtures & Fittings £	Computers £	Motor Vehicles £	Total £
COST OR VALUATION						
At 1 January 1994	18,679,319	4,495,205	992,586	203,969	152,199	24,523,278
Additions	440,003	674,718	62,214	37,537	12,275	1,226,747
Disposal	-	(14,981)	-	(6,150)	(14,880)	(36,011)
At 31 December 1994	19,119,322	5,154,942	1,054,800	235,356	149,594	25,714,014
DEPRECIATION						
At 1 January 1994	1,181,457	2,661,458	869,722	147,009	44,817	4,904,463
Charge for the year	321,868	403,187	27,520	36,998	26,759	816,332
Disposals	-	(6,242)	-	(5,436)	(12,835)	(24,513)
At 31 December 1994	1,503,325	3,058,403	897,242	178,571	58,741	5,696,282
NET BOOK VALUE						
At 31 December 1994	£17,615,997	£2,096,539	£ 157,558	£ 56,785	£ 90,853	£ 20,017,732
At 31 December 1993	£17,497,862	£1,833,747	£ 122,864	£ 56,960	£ 107,382	£19,618,815

The Freehold property and other assets of the group are subject to a first fixed and floating charge granted in favour of the British Linen Bank and Norddeutsche Landesbank as well as a charge in favour of National Westminster Bank which secures a group borrowing facility of up to £750,000.
On the basis of historic cost, the net book value of the freehold buildings at 31 December 1994 is £6,368,750 (1993 £6,142,428).

PARACELUS UK LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1994

9(b) TANGIBLE FIXED ASSETS - COMPANY

	Freehold Land & Buildings	Plant & Equipment	Fixtures & Fittings	Computers	Motor Vehicles	Total
COST						
At 1 January 1994	-	-	-	12,279	78,310	90,589
Additions	406,852	444,395	62,214	32,301	-	945,762
Disposals	-	-	-	(6,150)	(14,880)	(21,030)
Additions on acquisition 1.1.94	15,910,417	3,645,257	940,394	186,340	73,889	20,756,297
At 31 December 1994	16,317,269	4,089,652	1,002,608	224,770	137,319	21,771,618
DEPRECIATION						
At 1 January 1994	-	-	-	5,799	5,697	11,496
Charge for the year	264,520	285,947	21,200	33,943	22,536	628,146
Disposals	-	-	-	(5,436)	(12,835)	(18,271)
Additions on acquisition 1.1.94	1,484,170	2,370,893	859,630	140,095	40,888	4,895,676
At 31 December 1994	1,748,690	2,656,840	880,830	174,401	56,286	5,517,047
NET BOOK VALUE						
At 31 December 1994	£14,568,579	£1,432,812	£ 121,778	£ 50,369	£ 81,032	£16,254,571
At 31 December 1993	£ -	£ -	£ -	£ 6,480	£ 72,613	£ 79,093

The net book value for fixed assets for the company includes the following amounts in respect of assets purchased on finance leases and hire purchase contracts.

	1994		1993	
	Computers Plant & Equipment	Motor Vehicles	Computers Plant & Equipment	Motor Vehicles
Net Book Value	£740,024	£ 81,031	£ -	£ 72,613
Depreciation provided during the year	£144,337	£ 22,536	£ -	£ 5,883

PARACELSUS UK LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1994
(continued)

9(b) TANGIBLE FIXED ASSETS (Group) (continued)

The net book value of fixed assets for the group includes the following amounts in respect of assets purchased on finance leases and hire purchase contracts:

	<u>1994</u>		<u>1993</u>	
	<u>Computers Plant & Equipment</u>	<u>Motor Vehicles</u>	<u>Computers Plant & Equipment</u>	<u>Motor Vehicles</u>
Net book value	£1,198,496	£ 90,851	£ 803,269	£ 107,249
Depreciation provided during the year	£222,012	£ 26,759	£ 286,903	£ 15,960

The Freehold land and buildings at Parkside Hospital Limited and Holly House Hospital Limited were revalued at 30 April 1990 at an amount of £14,300,000.

Furthermore, the following fixed assets at Holly House Hospital Limited, excluding assets purchased on finance lease and hire purchase contracts were revalued at 30 April 1990:

	<u>Revaluation 30.4.91 £</u>	<u>NBV based on revalued amount at 31.12.94 £</u>	<u>NBV based on historic cost at 31.12.94 £</u>
Plant and equipment	491,663	204,859	-
Fixtures and fittings	14,675	6,116	-
Computer equipment	4,916	-	-

Fixtures and fittings and plant and equipment at Hillside Hospital Limited were revalued in the sum of £275,360, at 13 September 1991 by professional valuers at their value to the business in their current existing use.

PARACELSUS UK LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1994
(continued)

10 INTANGIBLE FIXED ASSETS

	<u>Goodwill</u> £
COST	
At 1 January 1994 and 31 December 1994	£ 4,800,644
	<u> </u>
AMORTISATION	
At 1 January 1994	687,771
Charge for the year	240,032
	<u> </u>
At 31 December 1994	927,803
	<u> </u>
NET BOOK VALUE at 31 December 1994	£3,872,841
	<u> </u>
NET BOOK VALUE at 31 December 1993	£4,112,873
	<u> </u>

11 STOCKS

	<u>The Group</u>		<u>The Company</u>	
	1994	1993	1994	1993
	£	£	£	£
Drugs	94,773	85,567	83,173	-
Consumables	366,653	355,272	295,462	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	£461,426	£440,839	£378,635	£ -
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

12 DEBTORS

	<u>The Group</u>		<u>The Company</u>	
	1994	1993	1994	1993
	£	£	£	£
Trade debtors	1,686,751	1,967,138	1,422,512	-
Amounts due from group undertakings				
- Subsidiary undertakings	-	-	1,081,071	4,821,811
Other debtors	157,907	646,600	154,246	504,788
Prepayments and accrued income	161,046	101,060	119,164	2,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	£2,005,704	£2,714,798	£2,776,993	£5,329,099
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

PARACELSUS UK LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1994
(continued)

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	1994	1993	1994	1993
	£	£	£	£
Bank loan	1,500,000	2,316,667	1,440,000	950,000
Other loans (see note below)	366,180	766,180	-	400,000
Hire purchase contracts	262,455	175,318	188,516	16,255
Bank overdraft	276,660	930,303	276,660	639,160
Trade creditors	1,036,473	1,135,093	824,890	17,100
Amounts due to group undertakings				
- ultimate parent undertaking	1,176,966	1,069,534	1,176,966	41,570
- subsidiary undertakings	-	-	-	1,084,286
Corporation Tax	750,000	458,296	750,000	-
Social security and taxation	147,153	154,872	124,810	10,232
Other creditors	121,935	19,686	121,935	2,757
Accruals	506,971	513,910	453,643	66,540
	<u>£6,144,793</u>	<u>£7,539,859</u>	<u>£5,357,420</u>	<u>£3,227,900</u>

The bank loans are the current instalments due on loans from British Linen Bank £1,440,000 and Nord LB, £60,000.

Other loans comprise a disputed balance of £366,180 with Universal Investitions Anstalt.

All other bank loans were repaid during 1994 as part of the re-financing.

PARACELTUS UK LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1994
(continued)

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group		The Company	
	1994	1993	1994	1993
	£	£	£	£
Obligations under hire purchase agreements (see (a) below)	573,556	312,618	421,387	47,608
Amounts due to Norddeutsche Landesbank Girozentral (see (b) below)	810,000	2,416,666	-	-
Amounts due to British Linen Bank see (c) below	8,220,000	6,900,000	8,220,000	6,900,000
Amounts due to Parent Undertaking (see (d) below)	2,235,124	2,188,723	2,235,124	1,994,323
	<u>£11,838,680</u>	<u>£11,818,007</u>	<u>£10,876,511</u>	<u>£8,941,931</u>

a) Obligations under hire purchase contracts

This amount is wholly repayable within two to five years.

b) Amounts due to Norddeutsche Landesbank Girozentral

This amount relates to a £3,000,000 facility dated 16 January 1989 which was partly paid off during 1994. £570,000 of the balance disclosed above is due after more than five years.

c) Amount due to British Linen Bank

This amount relates to a £11,950,000 facility dated 1 March 1994. The balance disclosed above is all due within five years.

d) Amounts due to Parent Undertaking

This consists of four loans, three to Paracelsus UK Limited of £500,000, £950,000 and DM1.4million plus a loan to Hillside Hospital Limited of DM0.5 million which during 1994 was transferred to Paracelsus UK Limited and reconstructed as a sterling loan of £2,235,124. This amount is repayable on 20 July 1999. Interest on the loan is at a fixed 10% per annum.

15 PROVISIONS AND LIABILITIES - The Group
Deferred Taxation - accelerated capital allowances

	Group 1994 £	Company 1994 £
Balance at 1 January 1994	205,000	-
Transfer from profit & loss account	34,000	34,000
Transfer on acquisition of businesses on hive up	-	205,000
Balance at 31 December 1994	<u>£239,000</u>	<u>£239,000</u>

No provision has been made for taxation of approximately £1,200,000 which would arise on the sale of freehold property at the value at which it is stated in these financial statements, as the directors have no intention to dispose of these properties in the foreseeable future.

PARACELSUS UK LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1994

(continued)

16 CALLED UP SHARE CAPITAL	<u>1994</u>	<u>1993</u>
Authorised ordinary shares of £1 each	£2,100,000	£2,100,000
Allotted, issued and fully paid ordinary shares of £1 each	£2,070,925	£2,070,925

17 RESERVES - GROUP	<u>Revaluation Reserve</u>	<u>Profit and Loss A/c</u>
	£	£
At 31 December 1993	2,121,815	3,335,767
Retained profit for the year	-	690,438
Transfer of revaluation surplus no longer required	(108,187)	108,187
At 31 December 1994	£2,013,628	£4,134,392

18 RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

	<u>The Group</u>		<u>The Company</u>	
	1994	1993	1994	1993
	£	£	£	£
Profit/(Loss) for the financial year	690,438	1,752,723	5,091,117	(955,668)
New share capital issued	-	489,929	-	489,929
Shareholders' funds at 1 January	7,528,507	5,285,855	(2,152,254)	(1,686,515)
Shareholders' funds at 31 December	£8,218,945	£7,528,507	£2,938,863	£(2,152,254)

19 CONTINGENT LIABILITIES

The directors have not been notified of any material claims other than those which are the subject of warranties by the former proprietors of the subsidiary undertakings.

The company is party to a cross guarantee structure along with all other group undertakings in respect of all monies owed to the National Westminster Bank Plc, which at the year end totalled £276,660 (1993: £930,303).

20 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Paracelsus Kliniken Osnabrück, a sole proprietorship, situated in Germany.

PARACELTUS UK LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1994

(continued)

21 CHARGES

There is a first fixed and floating charge over the assets of the company, granted in favour of the British Linen Bank and Norddeutsche Landesbank.

There is a second fixed and floating charge over the assets of the company, granted in favour of National Westminster Bank plc.

22 CAPITAL COMMITMENTS

At 31 December 1994 the capital commitments of the group were:-

	<u>1994</u>	<u>1993</u>
	£	£
Amounts contracted for but not provided for	16,495	342,689
Amounts authorised but not contracted for	-	151,763
	-----	-----
	<u>£ 16,495</u>	<u>£494,452</u>

At 31 December 1994 the group had the following annual commitments under non cancellable operating leases expiring:

	<u>1994</u>		<u>1993</u>	
	<u>Land & Buildings</u>	<u>Other</u>	<u>Land & Building</u>	<u>Other</u>
	£	£	£	£
Within one year	20,027	87,891	-	90,237
Within two to five years	-	180,246	-	253,634
	-----	-----	-----	-----
	<u>£ 20,027</u>	<u>£ 268,137</u>	<u>£ Nil</u>	<u>£ 343,871</u>

23 PENSION COMMITMENTS

The group operates a defined benefit pension scheme which is funded by the payment of contributions to separately administered trust funds.

The contributions to this scheme are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method. The most recent valuation was conducted as at 1 June 1993 using the following main assumptions:

Valuation rate of interest	10% per annum compound
Salary increases	8% per annum compound
Pensions increases	3% per annum compound

A valuation showed that the market value of the schemes' assets at 31 May 1994 amounted to £601,801 and in the opinion of the Trustees the value was sufficient to cover the benefits that had accrued to members, after allowing for the effect of future increases in their earnings.

PARACELTUS UK LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1994

(continued)

24 RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOWS

	<u>1994</u>	<u>1993</u>
	£	£
Operating profit	2,656,860	3,693,757
Exceptional item	438,236	-
Loss/(Profit) on translation of long term loans	46,399	(45,609)
Depreciation	816,332	768,604
Amortisation of Goodwill	240,032	240,032
Loss on disposal of fixed assets	4,998	(390)
(Increase) in Stocks	(20,587)	(27,347)
(Increase)/Decrease in Debtors	230,612	(417,700)
(Decrease)/Increase in Creditors	319,871	(79,597)
	-----	-----
Net cash inflow from operating activities	<u>£4,732,753</u>	<u>£4,131,750</u>

25 ANALYSIS OF CHANGES IN CASH DURING THE YEAR 1994

	<u>1994</u>	<u>1993</u>	<u>Movement</u>
	£	£	£
Cash at Bank and in Hand	83,715	204,048	(120,333)
Bank overdraft	(276,660)	(930,303)	653,643
	-----	-----	-----
	<u>£(192,945)</u>	<u>£(726,255)</u>	<u>£533,310</u>

	<u>1993</u>	<u>1992</u>	<u>Movement</u>
	£	£	£
Cash at Bank and in Hand	204,048	410,051	(206,003)
Bank overdraft	(930,303)	(914,566)	(15,737)
	-----	-----	-----
	<u>£(726,255)</u>	<u>£(504,515)</u>	<u>£(221,740)</u>

26 ANALYSIS OF FINANCING DURING THE YEAR

	<u>Loans</u>	<u>Hire Purchase & Lease Agreements</u>
	£	£
Balance at 1 January 1993	16,450,019	458,519
Capital repayments on loans/leases	(2,056,092)	(298,815)
New loans/leases taken out	1,040,000	328,232
Interest movement	(800,080)	-
Exchange adjustment	(45,609)	-
	-----	-----
Balance at 31 December 1993	14,588,238	487,936
Capital repayments on loans/leases	(4,703,333)	(287,293)
New loans/leases taken out	3,200,000	635,368
Exchange adjustment	46,399	-
	-----	-----
Balance at 31 December 1994	<u>£13,131,304</u>	<u>£ 836,011</u>

PARACELSUS UK LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1994
(continued)

27 GROUP REORGANISATION

On 1 January 1994 the group undertook a corporate reorganisation. This reorganisation took the following form:

- i) All inter company indebtedness was waived throughout the group.
- ii) The business and net assets of Paracelsus England Limited, Holly House Hospital Limited and Parkside Hospital Limited were transferred to Paracelsus UK Limited for a consideration of £14,677,977 payable by way of intercompany account transfer.

The effect of the group reorganisation on Paracelsus UK Limited's own profit and loss account was to create an exceptional expense of £8,060,492 on waiver of amounts due from subsidiaries and recognise income from Paracelsus England Limited of £11,677,978.

Following the reorganisation, the group has continued to operate all businesses, the business of Paracelsus England Limited, Parkside Hospital Limited and Holly House Hospital Limited being operated by Paracelsus UK Limited. The businesses of Hillside Holdings Limited and Hillside Hospital Limited are expected to continue to be operated by those companies until some legal issues are resolved, at which point the business and net assets of these companies will also be transferred to Paracelsus UK Limited.