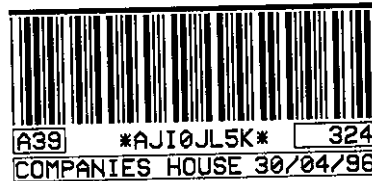


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**PARACELSUS UK LIMITED  
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1995



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**PARACELSUS UK LIMITED**

## COMPANY INFORMATION

DIRECTORS	Dr M G Krukemeyer (German) J M Wotherspoon J Perez (Spanish) MD Hofmann (German)
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 Dashwood House 69 Old Broad Street London EC2M 1PE
REGISTERED OFFICE	53 Parkside Wimbledon London SW19 5NX
REGISTRATION NUMBER	2140182

## PARACELSUS UK LIMITED AND SUBSIDIARIES

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995

The directors present their annual report and the audited financial statements for the year ended 31 December 1995.

#### ACTIVITIES

Paracelsus UK Limited is 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.

1995 saw the closure of Hillside Hospital after 5 years of efforts to make this unit profitable had failed. The continuing operations performed satisfactorily and with the £4 million refurbishment at Parkside Hospital currently underway should enable the group to meet the growth opportunities in its current markets.

To strengthen the company's balance sheet and demonstrate long term commitment to the UK business, Paracelsus Hospitals International, the ultimate parent undertaking, subscribed for a further tranche of 20,000 ordinary shares. The total new capital injection being £3,744,000.

The directors continue to explore ways of increasing turnover and profitability of the company and in 1996 looks set to strengthen its performance, divested of its loss making subsidiary.

#### 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.

# PARACELsus UK LIMITED AND SUBSIDIARIES

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995 (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	
	<u>1995</u>	<u>1994</u>
Dr M G Krukemeyer (German)	1	1
J M Wotherspoon	-	-
J Perez	-	-
M D Hofmann (appointed 22.9.95)	-	-

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

The company has purchased directors' and officers' liability insurance.

### 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

28 March

AUDITORS' REPORT TO THE SHAREHOLDERS  
OF  
**PARACELSUS UK LIMITED AND SUBSIDIARIES**

We have audited the financial statements on pages 5 to 23.

**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. 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 and the group as at 31 December 1995 and of the group's loss 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

29.3.1996.

# PARACELsus UK LIMITED AND SUBSIDIARIES

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes	Continuing operations 1995 £	Discontinued operations 1995 £	TOTAL 1995 £	1994 £
TURNOVER	1(c)	18,012,296	1,318,638	19,330,934	19,885,027
Administrative expenses:					
Exceptional bad debts written off		-	-	-	438,236
Exceptional refinance costs		-	-	-	179,775
Other administrative expenses		14,907,883	2,073,925	16,981,808	16,610,156
OPERATING PROFIT/(LOSS)	3	3,104,413	(755,287)	2,349,126	2,656,860
Losses on termination of business	4	-	(4,955,261)	(4,955,261)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		3,104,413	(5,710,548)	(2,606,135)	2,656,860
Interest receivable		31,234	1,694	32,928	30,459
Interest payable	5	(1,091,185)	(88,486)	(1,179,671)	(1,207,288)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		2,044,462	(5,797,340)	(3,752,878)	1,480,031
Taxation	6	(623,161)	-	(623,161)	(789,593)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	18	£ 1,421,301	£ (5,797,340)	£ (4,376,039)	£ 690,438

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

### HISTORIC COST PROFITS AND LOSSES

	1995 £	1994 £
Reported (loss)/profit before taxation	(3,752,878)	1,480,031
Difference between historic cost and actual depreciation charge on revalued amount	108,187	108,187
Historic cost (loss)/profit before taxation	£(3,644,691)	£1,588,218
Historic cost retained (loss)/profit for the year	£ (4,267,852)	£ 798,625

The notes on pages 9 to 23 form part of these financial statements.

# PARACELTUS UK LIMITED AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

31 DECEMBER 1995

	Notes	1995		1994	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	9(a)		18,318,460		20,017,732
Intangible asset	10		1,038,545		3,872,841
			-----		-----
			19,357,005		23,890,573
<b>CURRENT ASSETS</b>					
Tangible assets	11	800,000		-	
Stock	12	327,324		461,426	
Debtors	13	2,142,351		2,005,704	
Cash at bank		1,309		83,715	
		-----		-----	
		3,270,984		2,550,845	
<b>CREDITORS - amounts falling due within one year</b>	14	6,218,969		6,144,793	
		-----		-----	
<b>NET CURRENT LIABILITIES</b>			(2,947,985)		(3,593,948)
			-----		-----
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			16,409,020		20,296,625
<b>CREDITORS - amounts falling due after more than one year</b>	15		8,491,114		11,838,680
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	16		331,000		239,000
			-----		-----
			£7,586,906		£8,218,945
			=====		=====
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		2,090,925		2,070,925
Share premium account	18		3,724,000		-
Revaluation reserve	18		1,905,441		2,013,628
Profit and loss account deficit	18		(133,460)		4,134,392
			-----		-----
Shareholders' fund (all equity interests)			£7,586,906		£8,218,945
			=====		=====

.....) Director  
Dr M G Krukemeyer

.....) Director  
J M Wotherspoon

28 March 1996.

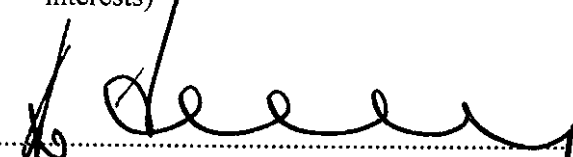
The notes on pages 9 to 23 form part of these financial statements.

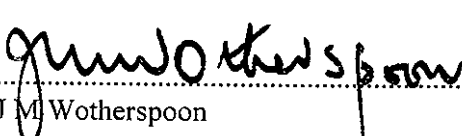
# PARACELSUS UK LIMITED

## BALANCE SHEET

31 DECEMBER 1995

	Notes	1995		1994	
		£	£	£	£
<b>FIXED ASSETS</b>					
Investments	8		-		1
Tangible Assets	9(b)		18,318,460		16,254,571
			-----		-----
			18,318,460		16,254,572
<b>CURRENT ASSETS</b>					
Stock	12	327,324		378,635	
Debtors	13	2,142,351		2,776,993	
Cash at Bank		1,309		1,594	
		-----		-----	
		2,470,984		3,157,222	
<b>CREDITORS - amounts falling due within one year</b>	14	4,949,219		5,357,420	
		-----		-----	
<b>NET CURRENT LIABILITIES</b>			(2,478,235)		(2,200,198)
			-----		-----
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			15,840,225		14,054,374
<b>CREDITORS - amounts falling due after more than one year</b>	15		8,491,114		10,876,511
<b>PROVISION FOR LIABILITIES AND CHARGES</b>					
Deferred taxation	16		331,000		239,000
			-----		-----
			£7,018,111		£ 2,938,863
			=====		=====
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		2,090,925		2,070,925
Share premium account	18		3,724,000		-
Profit and loss account	18		1,203,186		867,938
			-----		-----
<b>Shareholders' funds (all equity interests)</b>			£7,018,111		£ 2,938,863
			=====		=====

  
 ..... ) Director  
 Dr M G Krukemeyer

  
 ..... ) Director  
 J M Wotherspoon

28 March 1996.



# PARACELTUS UK LIMITED AND SUBSIDIARIES

## CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 1995

	Notes	1995		1994	
		£	£	£	£
<b>Net cash inflow from operating activities</b>	25		2,661,067		4,732,753
<b><u>Return on investments and servicing of finance</u></b>					
- Interest received		32,928		70,705	
- Interest paid		(1,072,588)		(1,347,669)	
- Interest element of finance lease rental payments		(91,008)		(83,085)	
		-----		-----	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(1,130,668)		(1,360,049)
<b><u>Taxation</u></b>					
- UK Corporation tax paid			(738,000)		(463,889)
<b><u>Investing activities</u></b>					
- Purchases of fixed assets		(2,067,818)		(591,379)	
- Sale of plant and machinery		24,636		6,500	
		-----		-----	
<b>Net cash outflow from investing activities</b>			(2,043,182)		(584,879)
<b>Net cash (outflow)/inflow before financing</b>			(1,250,783)		2,323,936
<b><u>Financing</u></b>	27				
- Issue of ordinary share capital		3,744,000		-	
- New loans		1,540,000		3,200,000	
- Repayment of loans		(3,735,124)		(4,703,333)	
- Repaid capital element of finance lease rentals		(323,886)		(287,293)	
		-----		-----	
<b>Net cash inflow/(outflow) from financing</b>			1,224,990		(1,790,626)
<b>Increase/(Decrease) in cash and cash equivalents</b>	26		£ (25,793)		£ 533,310
			=====		=====

The notes on pages 9 to 23 form part of these financial statements.

# PARACELSUS UK LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1995

### 1 ACCOUNTING POLICIES

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

a) Basis of preparation

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

b) Basis of consolidation

The group accounts consolidate the accounts of Paracelsus UK Limited and all its subsidiary undertakings, drawn up to 31 December each year. The consolidated accounts are prepared under the acquisition method of accounting. Results of the subsidiary undertakings have been included from the date of acquisition.

The financial statements of two subsidiary undertakings, Hillside Hospital Limited and Hillside Holdings Limited for the year ended 31 December 1995, have been prepared on a break up basis. Accordingly the consolidated financial statements for the year ended 31 December 1995 include Hillside Hospital Limited and Hillside Holdings Limited at break up, except where assets have been transferred to the parent undertaking at net book value.

c) Turnover

Turnover represents the value of services rendered and the sale of medical supplies during the year. All turnover originates from within the United Kingdom.

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 inclusive of VAT 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 and laundry service. Revenue, capital expenditure and stocks include VAT, where appropriate.

**PARACELSUS UK LIMITED AND SUBSIDIARIES****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 1995**

(continued)

**1 ACCOUNTING POLICIES (Continued)****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. Any differences between the amounts charged to the profit and loss account would be treated as either provisions or prepayments in the balance sheet.

**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, except where a permanent diminution in value of goodwill arises, whereupon it is immediately written off.

**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 1995

(continued)

### 2 STAFF COSTS

Staff costs, including directors' remuneration were as follows:

	The Group	
	1995	1994
	£	£
Wages and salaries	6,297,900	6,355,724
Social security costs	474,427	495,470
Other pension costs	159,868	119,577
	-----	-----
	£6,932,195	£6,970,771
	=====	=====

Staff costs include the following  
in respect of directors of the group:  
Emoluments (including pension contribution  
and benefits in kind)

The Group	
1995	1994
£	£
£359,354	£302,258
=====	=====

The emoluments of the highest paid director  
(excluding pension contributions)

£169,805	£143,951
=====	=====

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
£155,001 - £160,000	1	-
	---	---
	2	2
	=====	=====

The average weekly number of persons employed during the year was 379 (1994: 370). 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 OPERATING PROFIT

This is stated after charging/crediting:

	The Group	
	1995	1994
	£	£
Amortisation of goodwill	240,032	240,032
Operating lease rentals - plant and machinery	89,604	105,416
- land and buildings	35,631	16,918
Depreciation	862,827	816,332
Auditors' remuneration - audit fees	49,409	47,000
- non-audit	28,074	23,103
	=====	=====

# PARACELSUS UK LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1995 (continued)

### 4 LOSSES ON TERMINATION OF BUSINESS

	The Group	
	1995	1994
	£	£
Write down in value of goodwill in respect of Hillside Group	2,594,264	-
Provision for permanent diminution in value of Hillside Group tangible fixed assets	2,360,997	-
	£ 4,955,261	£ -

### INTEREST PAYABLE

	The Group	
	1995	1994
	£	£
On bank loans repayable by instalments, within five years	223,512	981,942
On bank loans repayable by instalments, not within five years	845,162	78,614
On bank loans and overdrafts and other loans repayable otherwise than by instalments, within five years	17,169	58,053
On finance leases	91,008	83,085
On other loans	2,820	5,594
	£1,179,671	£1,207,288

### 6 TAXATION ON ORDINARY ACTIVITIES

	The Group	
	1995	1994
	£	£
The taxation charge for the year comprises:		
UK Corporation Tax at 33%	543,000	750,000
Transfer to deferred tax	92,000	34,000
(Over)/Underprovisions in prior years	(11,839)	5,593
	£623,161	£789,593

### 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 loss before tax for the year includes a profit of £958,409 (1994: £5,880,710) which is dealt with in the accounts of the parent undertaking.

# PARACELSUS UK LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1995 (continued)

8 INVESTMENTS HELD AS FIXED ASSETS	Paracelsus <u>England</u> £	Hillside <u>Holdings</u> £	<u>Total</u> £
<u>Cost</u>			
At 1 January 1995 and 31 December 1995	4,602,989	1	4,602,990
<u>Provision</u>			
At 1 January 1995	4,602,989	-	4,602,989
Provision for diminution in value during the year	-	1	1
	-----	-----	-----
At 31 December 1995	£4,602,989	£ 1	£4,602,990
	=====	=====	=====
<u>Net Book Value</u>			
31 December 1995	£ -	£ -	£ -
	=====	=====	=====
31 December 1994	£ -	£ 1	£ 1
	=====	=====	=====

At 31 December 1995 the company's subsidiary undertakings were as follows:

<u>Name of undertaking</u>	<u>Country of registration</u>	<u>Holding</u>	<u>Proportion held</u>	<u>Nature of business</u>
Paracelsus England Limited	England	Ord shares	100%	Dormant
Parkside Hospital Limited	England	Ord shares	100%	Dormant
Holly House Hospital Limited	England	Ord shares	100%	Dormant
Hillside Holdings Limited	England	Ord shares	100%	Ceased trading 21 July 1995
Hillside Hospital Limited	England	Ord shares	100%	Ceased trading 21 July 1995

# PARACELSUS UK LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1995

### 9(a) TANGIBLE FIXED ASSETS -GROUP

	Freehold Land & Buildings £	Plant & Equipment £	Fixtures & Fittings £	Computers £	Motor Vehicles £	Total £
<b>COST OR VALUATION</b>						
At 1 January 1995	19,119,322	5,154,942	1,054,800	235,356	149,594	25,714,014
Additions	1,887,353	318,613	21,710	190,627	39,526	2,457,829
Disposal	-	(320,907)	(10,327)	(1,463)	(55,580)	(388,277)
Transfer to current assets	(3,368,687)	-	-	-	-	(3,368,687)
At 31 December 1995	17,637,988	5,152,648	1,066,183	424,520	133,540	24,414,879
<b>DEPRECIATION</b>						
At 1 January 1995	1,503,325	3,058,403	897,242	178,571	58,741	5,696,282
Charge for the year	329,070	421,706	28,827	56,527	26,697	862,827
Disposals	-	-	(5,492)	(1,961)	(37,040)	(255,000)
Provision for permanent diminution in value of Hillside Hospital	2,191,313	146,291	23,393	-	-	2,360,997
Transfer to current assets	(2,568,687)	-	-	-	-	(2,568,687)
At 31 December 1995	1,455,021	3,415,893	943,970	233,137	48,398	6,096,419
<b>NET BOOK VALUE</b>						
At 31 December 1995	£ 16,182,967	£ 1,736,755	£ 122,213	£ 191,383	£ 85,142	£ 18,318,460
At 31 December 1994	£ 17,615,997	£ 2,096,539	£ 157,558	£ 56,785	£ 90,853	£ 20,017,732

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 second 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 1995 is £5,043,906 (1994 £6,368,750).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1995

9(b) TANGIBLE FIXED ASSETS - COMPANY

	Freehold Land & Buildings	Plant & Equipment	Fixtures & Fittings	Computers	Motor Vehicles	Total
COST	£	£	£	£	£	£
At 1 January 1995	15,751,903	4,089,652	1,002,608	224,770	137,319	21,206,252
Additions	1,886,085	297,135	21,710	190,627	25,350	2,420,907
Disposals	-	(11,231)	-	(1,695)	(55,580)	(68,506)
Intra-group transfers	-	469,397	2,888	10,818	26,451	536,554
At 31 December 1995	17,637,988	4,871,953	1,027,206	424,520	133,540	24,095,207
DEPRECIATION						
At 1 January 1995	1,183,324	2,656,840	880,830	174,401	56,286	4,951,681
Charge for the year	271,697	309,037	22,648	53,726	23,957	681,066
Disposals	-	(9,750)	-	(1,695)	(37,040)	(48,485)
Intra-group transfers	-	179,071	1,515	6,704	5,195	192,485
At 31 December 1995	1,455,021	3,135,198	904,993	233,137	48,398	5,776,747
NET BOOK VALUE						
At 31 December 1995	£16,182,967	£1,736,755	£122,213	£191,383	£85,142	£18,318,460
At 31 December 1994	£14,568,579	£1,432,812	£121,778	£50,369	£81,033	£16,254,571

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.

	1995	1994
	Computers Plant & Equipment	Computers Plant & Equipment
Net Book Value	£1,149,822	£740,024
Depreciation provided during the year	£175,854	£144,337



# PARACELTUS UK LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1995 (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:

	1995		1994	
	Computers Plant & Equipment	Motor Vehicles	Computers Plant & Equipment	Motor Vehicles
Net book value	£1,203,181	£ 73,473	£1,198,496	£ 90,851
Depreciation provided during the year	£ 250,265	£ 25,864	£222,012	£ 26,759

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:

	Revaluation <u>30.4.91</u> £	NBV based on revalued amount at <u>31.12.95</u> £	NBV based on historic cost at <u>31.12.95</u> £
Plant and equipment	491,663	143,401	-
Fixtures and fittings	14,675	4,282	-
Computer equipment	4,916	-	-

# PARACELsus UK LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1995 (continued)

### 10 INTANGIBLE FIXED ASSETS

	<u>Goodwill</u>
	£
COST	
At 1 January 1995 and 31 December 1995	£4,800,644
	<u>=====</u>
AMORTISATION	
At 1 January 1995	927,803
Charge for the year	240,032
Provision for permanent diminution in value	2,594,264
	-----
At 31 December 1995	3,762,099
	-----
NET BOOK VALUE at 31 December 1995	£1,038,545
	<u>=====</u>
NET BOOK VALUE at 31 December 1994	£3,872,841
	<u>=====</u>

### 11 TANGIBLE ASSETS

#### Freehold Land and Buildings £

COST	
Transfer from tangible fixed assets	3,368,687
	-----
DEPRECIATION	
Transfer from tangible fixed assets	(2,568,687)
	-----
NET BOOK VALUE	
At 31 December 1995	£ 800,000
	<u>=====</u>

Following the closure of Hillside Hospital the trading premises have been put up for sale.

### 12 STOCKS

	<u>The Group</u>		<u>The Company</u>	
	1995	1994	1995	1994
	£	£	£	£
Drugs	102,087	94,773	102,087	83,173
Consumables	225,237	366,653	225,237	295,462
	-----	-----	-----	-----
	£327,324	£461,426	£327,324	£378,635
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

# PARACELUS UK LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1995

(continued)

### 13 DEBTORS

	The Group		The Company	
	1995	1994	1995	1994
	£	£	£	£
Trade debtors	1,757,066	1,686,751	1,757,065	1,422,512
Amounts due from group undertakings				
- Subsidiary undertakings	-	-	-	1,081,071
Other debtors	201,510	157,907	201,510	154,246
Prepayments and accrued income	183,775	161,046	183,776	119,164
	<u>£2,142,351</u>	<u>£2,005,704</u>	<u>£2,142,351</u>	<u>£2,776,993</u>

### 14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	1995	1994	1995	1994
	£	£	£	£
Bank loan	2,625,000	1,500,000	1,815,000	1,440,000
Other loans (see note below)	366,180	366,180	-	-
Hire purchase contracts	356,023	262,455	356,023	188,516
Bank overdraft	220,046	276,660	218,212	276,660
Trade creditors	1,116,930	1,036,473	1,113,691	824,890
Amounts due to group undertakings				
- ultimate parent undertaking	-	1,176,966	-	1,176,966
Corporation Tax	543,161	750,000	543,161	750,000
Social security and taxation	137,650	147,153	137,650	124,810
Other creditors	220,349	121,935	218,777	121,935
Accruals	633,630	506,971	546,705	453,643
	<u>£6,218,969</u>	<u>£6,144,793</u>	<u>£4,949,219</u>	<u>£5,357,420</u>

The bank loans are the current instalments due on loans from British Linen Bank £1,815,000 and Nord LB, £810,000.

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

# PARACELSUS UK LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1995  
(continued)

### 15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>The Group</u>		<u>The Company</u>	
	1995	1994	1995	1994
	£	£	£	£
Obligations under hire purchase agreements (see (a) below)	546,114	573,556	546,114	421,387
Amounts due to Norddeutsche Landesbank Girozentral (see (b) below)	-	810,000	-	-
Amounts due to British Linen Bank see (c) below	7,945,000	8,220,000	7,945,000	8,220,000
Amounts due to Parent Undertaking	-	2,235,124	-	2,235,124
	<u>£ 8,491,114</u>	<u>£11,838,680</u>	<u>£ 8,491,114</u>	<u>£10,876,511</u>

a) Obligations under hire purchase contracts

This amount is wholly repayable within two to five years.

b) Amounts due to Norddeutsche Landesbank Girozentrale

This amount relates to a £3,000,000 facility dated 16 January 1989 in favour of Hillside Holdings Limited which was partly paid off during 1994. The balance has been reclassified as repayable within one year due to the preparation of Hillside Holdings Limited accounts on a break up basis.

c) Amount due to British Linen Bank

This amount relates to a £11,950,000 facility dated 1 March 1994. £120,000 of the balance disclosed above is due after more than five years.

### 16 PROVISIONS AND LIABILITIES

Deferred Taxation - accelerated capital allowances

	<u>Group</u> <u>1995</u>	<u>Company</u> <u>1995</u>
	£	£
Balance at 1 January 1995	239,000	239,000
Transfer from profit and loss account	92,000	92,000
Balance at 31 December 1995	<u>£331,000</u>	<u>£331,000</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 1995  
(continued)

17 CALLED UP SHARE CAPITAL	<u>1995</u>	<u>1994</u>
Authorised ordinary shares of £1 each	£2,100,000	£2,100,000
Allotted, issued and fully paid ordinary shares of £1 each	£2,090,925	£2,070,925

During the year the company issued 20,000 £1 ordinary shares for a consideration of £187.20 each, payable in cash.

18 RESERVES	<u>The Group</u>			<u>The Company</u>	
	<u>Share Premium Account</u>	<u>Revaluation Reserve</u>	<u>Profit and Loss A/c</u>	<u>Share Premium Account</u>	<u>Profit and Loss A/c</u>
	£	£	£	£	£
At 31 December 1994	-	2,013,628	4,134,392	-	867,938
Retained (loss)/profit for the year	-	-	(4,376,039)	-	335,248
Transfer of revaluation surplus no longer required	-	(108,187)	108,187	-	-
Arising on new issue of shares	3,724,000	-	-	3,724,000	-
At 31 December 1995	£3,724,000	£1,905,441	£ (133,460)	£ 3,724,000	£1,203,186

## 19 RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

	<u>The Group</u>		<u>The Company</u>	
	1995	1994	1995	1994
	£	£	£	£
(Loss)/Profit for the financial year	(4,376,039)	690,438	335,248	5,091,117
Shareholders' funds at 1 January	8,218,945	7,528,507	2,938,863	(2,152,254)
New shares issued	3,744,000	-	3,744,000	-
Shareholders' funds at 31 December	£7,586,906	£8,218,945	£7,018,111	£2,938,863

## 20 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.

## 21 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Paracelsus Hospitals International, Osnabruck, sole proprietorship, situated in Germany.

# PARACELUS UK LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1995  
(continued)

### 22 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 and a second charge over the assets of Hillside Holdings Limited in favour of Universal Investitions Anstalt, which secures a disputed balance of £366,180.

### 23 CAPITAL COMMITMENTS

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

	<u>1995</u>	<u>1994</u>
	£	£
Amounts contracted for but not provided for	£203,238	£ 16,495
	=====	=====

At 31 December 1995 the group had the following annual commitments under non cancellable operating leases expiring:

	<u>1995</u>		<u>1994</u>	
	<u>Land &amp; Buildings</u>	<u>Other</u>	<u>Land &amp; Building</u>	<u>Other</u>
	£	£	£	£
Within one year	27,025	13,529	20,027	87,891
Within two to five years	5,753	73,247	-	180,246
	-----	-----	-----	-----
	£ 32,778	£ 86,776	£ 20,027	£ 268,137
	=====	=====	=====	=====

### 24 PENSION COMMITMENTS

The group operates a final salary 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 1995 amounted to £713,427 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 1995  
(continued)

### 25 RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOWS

	<u>1995</u>	<u>1994</u>
	£	£
Operating profit	2,349,126	2,656,860
Exceptional items	-	438,236
Loss/(Profit) on translation of long term loans	-	46,399
Depreciation	862,827	816,332
Amortisation of Goodwill	240,032	240,032
Loss on disposal of fixed assets	108,644	4,998
Decrease/(Increase) in Stocks	134,102	(20,587)
(Increase)/Decrease in Debtors	(136,647)	230,612
(Decrease)/Increase in Creditors	(897,017)	319,871
	-----	-----
Net cash inflow from operating activities	<u>£2,661,067</u>	<u>£4,732,753</u>

### 26 ANALYSIS OF CHANGES IN CASH DURING THE YEAR

	<u>1995</u>	<u>1994</u>	<u>Movement</u>
	£	£	£
Cash at Bank and in Hand	1,309	83,715	(82,406)
Bank overdraft	(220,047)	(276,660)	56,613
	-----	-----	-----
	<u>£(218,738)</u>	<u>£(192,945)</u>	<u>£(25,793)</u>

	<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>

### 27 ANALYSIS OF FINANCING DURING THE YEAR

	<u>Loans</u>	<u>Hire Purchase &amp; Lease Agreements</u>
	£	£
Balance at 1 January 1994	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	13,131,304	836,011
Capital repayments on loans/leases	(3,735,124)	(323,886)
New loans/leases taken out	1,540,000	390,011
	-----	-----
Balance at 31 December 1995	<u>£10,936,180</u>	<u>£ 902,136</u>

# PARACELsus UK LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1995

(continued)

### 28 DISCONTINUED ACTIVITIES

The consolidated profit and loss account, for the year ended 31 December 1994, is analysed between continuing and discontinuing activities, as follows:

	<u>Continuing</u> £	<u>Discontinuing</u> £
Turnover	16,895,865	2,989,162
Administrative expenses	(13,974,841)	(3,253,326)
	-----	-----
Operating profit/(loss)	2,921,024	(264,164)
Interest receivable	30,459	-
Interest payable	(1,105,593)	(101,695)
	-----	-----
Profit/(loss) on ordinary activities before taxation	1,845,890	(365,859)
Taxation	(789,593)	-
	-----	-----
Profit/(loss) on ordinary activity after taxation	<u>£ 1,056,297</u>	<u>£ (365,859)</u>





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