

ASSURANCE AND ADVISORY
BUSINESS SERVICES

 **ERNST & YOUNG**



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INTEGRATED HEALTHCARE MANAGEMENT SA

Report and Accounts

31 March 2001

 ERNST & YOUNG

MACFARLANES
10, NORWICH ST.
LONDON EC4A 1ND

Integrated Healthcare Management SA

Registered No.

DIRECTORS

I Bradbury

T Chessells

A Gibson (appointed 24 July 2001)

J Rhodes

P Whitecross (appointed 5 February 2002)

SECRETARY

J Rhodes

AUDITORS

Ernst & Young LLP

Rolls House

7 Rolls Buildings

Fetter Lane

London EC4A 1NH

 ERNST & YOUNG

Integrated Healthcare Management SA

DIRECTORS' REPORT

The directors present their report and accounts of the group for the year ended 31 March 2001.

RESULTS AND DIVIDENDS

The group profit for the year after taxation amounted to £305k. The directors do not recommend the payment of a dividend, and the policy continues to be to re-invest all profits in future development and growth of the business.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the group during the year continued to be the provision of healthcare services.

The principal aim of the business is to work in partnership with the NHS to help improve health care in the UK by establishing itself as a major services supplier to the NHS. This is already emerging as a key area and growth is expected to be strong.

The Company continues to grow organically and selectively make acquisitions to establish critical mass in a particular market. The directors are satisfied with the progress to date given the rapid expansion and significant investment being made.

The company now operates three divisions:

Lister Bestcare

The division, which commenced business in March 2000 with the acquisition of Lister Healthcare, added further to its operations during the year with the acquisition of Instant X Rays, and subsequent to the year-end with the acquisition of the diagnostics division of Westminster Health Care. These acquisitions together with strong organic growth now make Lister the largest provider of diagnostic imaging to the NHS. The division currently provides MRI, CT, Vascular Imaging and Cardiac Angiography suites. The growth of both static and mobile facilities continues to be strong and Lister has recently added to its fleet Europe's first mobile unit dedicated to Cardiac MRI as well as the first mobile multi-slice CT. It intends to introduce digital imaging for Cardiac Catheterisation and continues to follow a policy of offering leading edge technology.

Inhealth Solutions

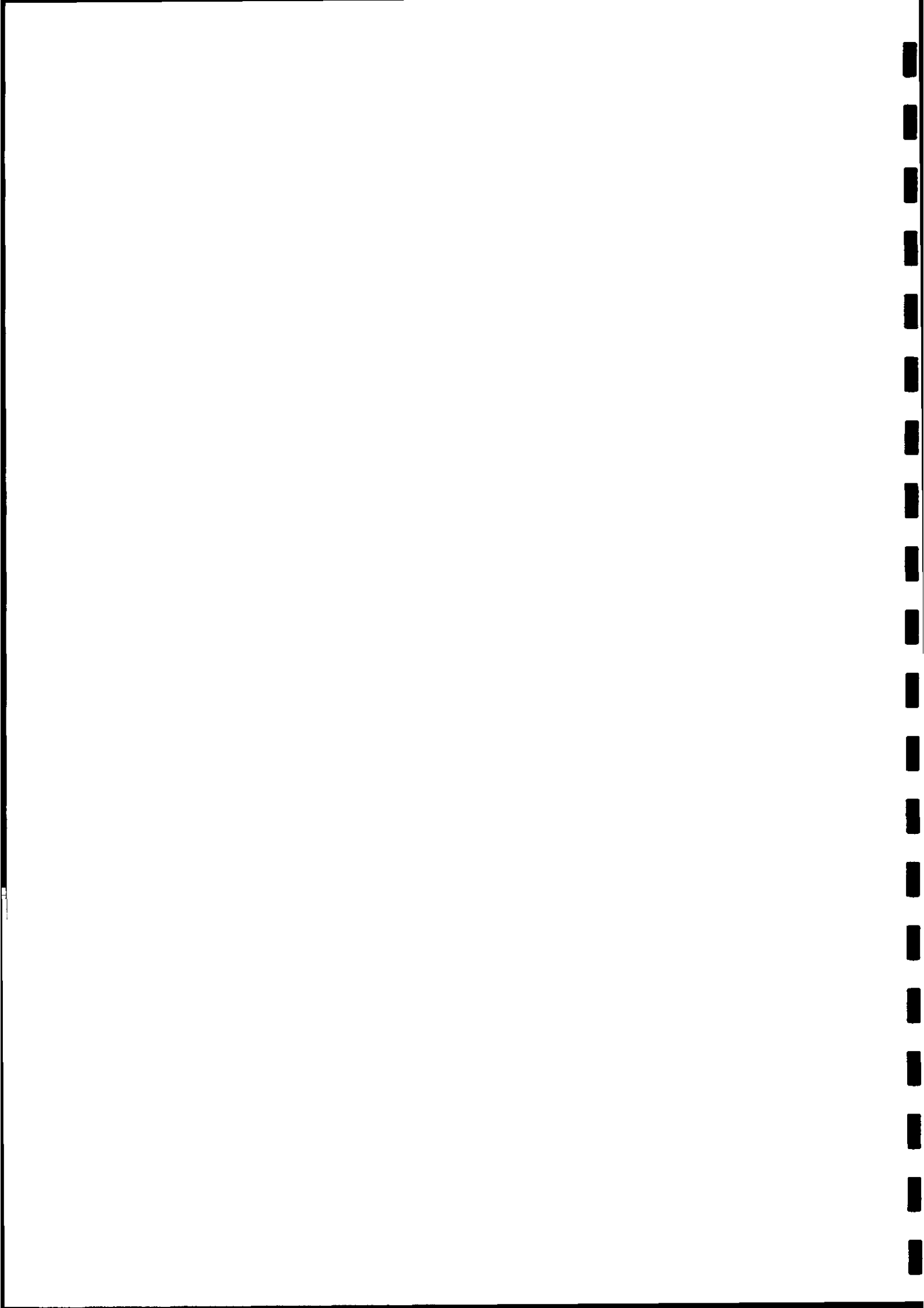
Inhealth Solutions came into being after the year-end and was formed from the operations of ITS Health Systems, which was acquired in October 2000, and the acquisition subsequent to the year-end of Real Software (UK). The division provides clinical and management IT software solutions to General Practice, Health Authorities, Primary Care Trusts and Hospitals. The software has an extensive installed base and the primary area of future development will be to enhance both Primary and Secondary Health Solutions with a particular focus on Electronic Patient records. The future growth will include increasing capability in all areas including managed services, systems integration and IT consulting.

Primary Care Advisory

The Primary Care Advisory division was set up to provide the management systems, information systems, recruitment, training and staffing of care management teams and the financial investment to enable Primary Care Trusts to achieve their goals more quickly. The division is still at an early stage of development but a number of projects are showing significant opportunity.

By order of the Board





Integrated Healthcare Management SA

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the shareholders of Integrated Healthcare Management SA

We have audited the accounts on pages 5 to 16, which have been prepared on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

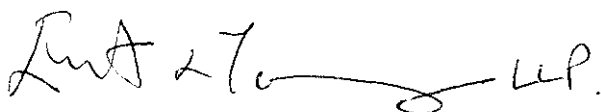
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts for the period ended 31 March 2001 have been properly prepared in accordance with the accounting policies on pages 10 and 11.



Ernst & Young LLP
Registered Auditor
London

28/2/02

Integrated Healthcare Management SA

GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 March 2001

		<i>Operating activities</i>	<i>Exceptional items</i>		
	<i>Notes</i>	<i>2001 £'000</i>	<i>2001 £'000</i>	<i>2001 £'000</i>	<i>2000 £'000</i>
TURNOVER	2	11,361	-	11,361	-
Cost of sales		7,876	-	7,876	-
Gross profit		3,485		3,485	-
Administrative expenses:					
- amortisation of goodwill and research and development		550	3,349	3,899	-
- general		3,221	-	3,221	937
				7,120	937
OPERATING LOSS	3	(286)	(3,349)	(3,635)	(937)
Profit on sale of operations				849	-
Loss on sale of fixed assets				(73)	-
				776	-
LOSS ON ORDINARY ACTIVITIES BEFORE INVESTMENT INCOME, INTEREST AND TAXATION				(2,859)	(937)
Income from investments				6,670	5,950
Amounts written off investments				-	(483)
Profit/(loss) on sale of investments				-	(2,327)
Interest receivable and similar income	4			202	484
Interest payable and similar charges				(193)	(3)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION				3,820	2,684
Taxation	5			(3,515)	(980)
PROFIT FOR THE FINANCIAL YEAR				305	1,704

Integrated Healthcare Management SA

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2001

	2001 £'000	2000 £'000
Profit for the financial year	305	1,704
Exchange difference on retranslation of net assets of subsidiary undertaking	9,773	-
TOTAL RECOGNISED GAINS RELATED TO THE YEAR	10,078	1,704

RECONCILIATION OF SHAREHOLDERS' FUNDS

	2001 £'000	2000 £'000
Total recognised gains for the year	10,078	1,704
Shareholders' funds brought forward	93,690	91,986
Shareholders' funds carried forward	103,768	93,690

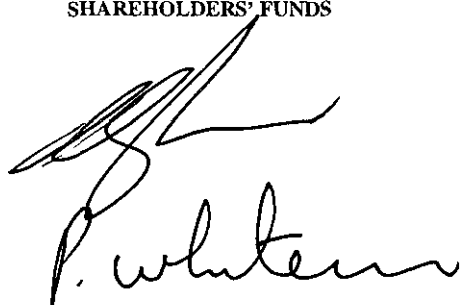
Integrated Healthcare Management SA

GROUP BALANCE SHEET

at 31 March 2001

	Notes	2001 £'000	2000 £'000
FIXED ASSETS			
Intangible assets	7	12,627	11,153
Tangible assets	8	9,835	6,336
		<u>22,462</u>	<u>17,489</u>
CURRENT ASSETS			
Stocks		141	57
Debtors	11	3,597	4,360
Cash at bank and in hand		2,174	4,162
Liquid investments	10	85,145	77,444
		<u>91,057</u>	<u>86,023</u>
CREDITORS: amounts falling due within one year	12	<u>7,948</u>	<u>7,975</u>
NET CURRENT ASSETS		<u>83,109</u>	<u>78,048</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>105,571</u>	<u>95,537</u>
CREDITORS: amounts falling due after more than one year	13	1,149	1,701
PROVISIONS FOR LIABILITIES AND CHARGES	14	654	146
		<u>103,768</u>	<u>93,690</u>
CAPITAL AND RESERVES			
Called up share capital	15	94,051	94,051
Exchange capitalisation reserve	16	9,773	-
Profit and loss account	16	(56)	(361)
SHAREHOLDERS' FUNDS		<u>103,768</u>	<u>93,690</u>

ERNST & YOUNG


P. Whiteman

)
) Directors

14 February 2002

Integrated Healthcare Management SA

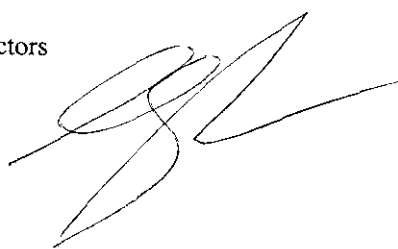
BALANCE SHEET at 31 March 2001

	Notes	2001 £'000	2000 £'000
FIXED ASSETS			
Intangible assets	7	12,627	11,153
Tangible assets	8	9,835	6,336
Investments	9	28,342	32,983
		<u>50,804</u>	<u>50,472</u>
CURRENT ASSETS			
Stocks		141	57
Debtors	11	3,597	8,204
Cash at bank and in hand		2,174	4,162
Liquid investments	10	85,145	77,444
		<u>91,057</u>	<u>89,867</u>
CREDITORS: amounts falling due within one year	12	36,290	44,802
		<u>54,767</u>	<u>45,065</u>
NET CURRENT ASSETS			
		<u>105,571</u>	<u>95,537</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: amounts falling due after more than one year	13	1,149	1,701
PROVISIONS FOR LIABILITIES AND CHARGES	14	654	146
		<u>103,768</u>	<u>93,690</u>
CAPITAL AND RESERVES			
Called up share capital	15	94,051	94,051
Exchange equalisation reserve	16	9,773	-
Profit and loss account	16	(56)	(361)
		<u>103,768</u>	<u>93,690</u>
SHAREHOLDERS' FUNDS			
		<u>103,768</u>	<u>93,690</u>

ERNST & YOUNG

P. Whiteman

) Directors



Integrated Healthcare Management SA

GROUP STATEMENT OF CASH FLOWS for the year ended 31 March 2001

	Notes	2001 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(b)	1,393
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Bank interest paid		(4)
Interest element of finance lease rental payments		(189)
Interest received		202
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		9
TAXATION		
Corporation tax paid		(4,422)
TAX PAID		(4,422)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS		
Payments to acquire tangible fixed assets		(5,113)
Proceeds from sale of tangible fixed assets		289
Payments to acquire intangible fixed assets		(4,733)
Proceeds from sale of investments (net)		10,341
Net proceeds from sale of operations		776
NET CASH INFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		1,560
NET CASH OUTFLOW BEFORE FINANCING		(1,460)
FINANCING		
Repayments of capital element of finance lease rentals		(580)
New finance leases		81
Loan repayments		(29)
NET CASH OUTFLOW FROM FINANCING		(528)
DECREASE IN CASH		(1,988)

Integrated Healthcare Management SA

NOTES TO THE ACCOUNTS at 31 March 2001

1. ACCOUNTING POLICIES

Accounting convention and basis of accounts

These non-statutory accounts which are a sterling translation of the statutory accounts, are prepared under the historical cost convention and in accordance with the accounting policies set out below. The company's statutory accounts on which an unqualified audit opinion has been given, are prepared in accordance with the generally accepted accounting principles and regulations of the Grand Duchy of Luxembourg and which are appended on pages 17 to 25.

Basis of consolidation

The group accounts consolidate the accounts of Integrated Healthcare Management SA and its subsidiary undertakings drawn up to 31 March each year.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation

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

Freehold property	-	40 years
Leasehold land and buildings	-	the lease term
Fixtures and fittings	-	6 years
Plant and machinery	-	5 to 10 years
Computer equipment	-	4 years
Motor vehicles	-	4 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Fixed asset investments

The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Foreign currencies

The company's functional currency is US dollars.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Income and charges are translated at the year end rate. All differences are taken to the profit and loss account with the exception of exchange differences on the net investment in overseas businesses which are taken directly to reserves.

Integrated Healthcare Management SA

NOTES TO THE ACCOUNTS

at 31 March 2001

1. ACCOUNTING POLICIES (continued)

Leasing and hire purchase agreements

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that taxation will be payable.

Deferred tax assets are only recognised if recovery is reasonably certain.

Liquid investments

These are stated at the lower of cost or market value.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties in respect of the group's continuing activity as stated in the directors' report. All sales are in the United Kingdom.

3. OPERATING LOSS

(a) This is stated after charging:	2001 £'000	2000 £'000
Amortisation of goodwill	3,259	-
Depreciation of owned fixed assets	1,252	44
Operating lease rentals - land and buildings	1,616	-
- plant and machinery	244	-
Foreign exchange loss	215	-
	<u>6,386</u>	<u>44</u>

(b) Reconciliation of operating loss to net cash inflow from operating activities:

	2001 £'000
Operating loss	(3,635)
Amortisation of fixed assets	1,252
Increase in stocks	(84)
Increase in debtors	(763)
Increase in creditors	1,364
Amortisation of goodwill	3,259
	<u>1,393</u>

Integrated Healthcare Management SA

NOTES TO THE ACCOUNTS at 31 March 2001

4. INTEREST PAYABLE

	2001 £'000	2000 £'000
Interest on overdraft	4	3
Finance lease interest	189	-
	<u>193</u>	<u>3</u>

5. TAXATION

	2001 £'000	2000 £'000
Based on the profit for the year:		
Corporation tax	3,007	980
Deferred tax (note 14)	508	-
	<u>3,515</u>	<u>980</u>

6. PROFIT ATTRIBUTABLE TO MEMBERS OF PARENT COMPANY

The profit dealt with in the accounts of the parent company was £305k (2000 - £1.704m).

7. INTANGIBLE FIXED ASSETS

<i>Group and company</i>	<i>Goodwill £'000</i>
Cost:	
At 1 April 2000	11,153
Additions during the year	4,733
	<u>15,886</u>
At 31 March 2001	
Amortisation:	
At 1 April 2000	-
Provided during the year	3,259
	<u>3,259</u>
At 31 March 2001	
Net book value:	
At 31 March 2001	12,627
At 1 April 2000	<u>11,153</u>

Goodwill arising on the acquisition of Lister Healthcare Group and on the acquisition of Instant X-Rays Limited is being amortised over 20 years. £2.709m of the goodwill, arising on the acquisition of ITS Wales Limited has been written off due to impairment.

NOTES TO THE ACCOUNTS
at 31 March 2001

8. TANGIBLE FIXED ASSETS
Group and Company

	Leasehold property £'000	Freehold property £'000	Development and pre-opened costs £'000	Plant and equipment £'000	Motor vehicles transportation £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation:								
At 1 April 2000	3,559	-	461	3,883	375	290	199	8,767
Additions	289	541	-	3,991	152	89	51	5,113
Disposals	(1)	-	-	(462)	(132)	(16)	(2)	(613)
Reclassification	437	-	(461)	24	-	-	-	-
At 31 March 2001	4,284	541	-	7,436	395	363	248	13,267
Depreciation:								
At 1 April 2000	1,049	-	107	874	132	178	91	2,431
Provided during the year	300	6	36	724	92	62	32	1,252
Disposals	-	-	-	(149)	(87)	(13)	(2)	(251)
Reclassification	140	-	(143)	3	-	-	-	-
At 31 March 2001	1,489	6	-	1,452	137	227	121	3,432
Net book value:								
At 31 March 2001	2,795	535	-	5,984	258	136	127	9,835
At 1 April 2000	2,510	-	354	3,009	243	112	108	6,336

Integrated Healthcare Management SA

NOTES TO THE ACCOUNTS at 31 March 2001

9. FIXED ASSET INVESTMENTS

Company

*Investment in
subsidiary
undertakings
£'000*

Cost:

At 1 April 2000

32,983

Additions

5,015

Adjustments in respect of prior year acquisition

4,626

Amounts written off investments

(14,282)

28,342

In the opinion of the directors, the aggregate value of the investment in subsidiary undertakings is not less than the amount at which they are stated in the balance sheets.

During the year, the company acquired the entire share capital of ITS Wales Limited and Instant X-Rays Limited.

10. INVESTMENTS

Short-term treasury bonds and listed fixed income securities:

*2001 2000
£'000 £'000*

At cost

85,145 77,444

Market value at 31 March

85,599 77,464

11. DEBTORS

Group

Company

*2001 2000 2001 2000
£'000 £'000 £'000 £'000*

Trade debtors

3,441 3,340 3,441 3,340

Amounts owed by group undertakings

- - - 4,430

Other debtors

156 1,020 156 434

Prepayments

- - - -

3,597 4,360 3,597 8,204

Integrated Healthcare Management SA

NOTES TO THE ACCOUNTS at 31 March 2001

12. CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Bank overdraft	8	37	8	37
Obligations under finance leases and hire purchase contracts	550	526	550	526
Trade creditors	1,436	536	1,436	536
Amounts owed to group undertakings	-	-	29,443	38,497
Current corporation tax	1,913	3,328	1,913	3,328
Other taxes and social security costs	62	339	62	339
Other creditors	1,101	1,670	-	-
Accruals and deferred income	2,878	1,539	2,878	1,539
	<u>7,948</u>	<u>7,975</u>	<u>36,290</u>	<u>44,802</u>

13. CREDITORS: amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Bank loans	-	29	-	29
Obligations under finance leases and hire purchase contracts (note 18)	1,149	1,672	1,149	1,672
	<u>1,149</u>	<u>1,701</u>	<u>1,149</u>	<u>1,701</u>

14. DEFERRED TAXATION

Group

The movements in deferred taxation during the current and previous years are as follows:

	2001	2000
	£'000	£'000
At 1 April 2000	146	-
Charge for the year	508	146
At 31 March 2001	<u>654</u>	<u>146</u>

Integrated Healthcare Management SA

NOTES TO THE ACCOUNTS

at 31 March 2001

15. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Ordinary shares of \$1 each	282,079	282,079	94,051	94,051

The company is registered in the Grand Duchy of Luxembourg and the share capital is denominated in US dollars.

16. RESERVES

Group and company

	<i>Other reserve £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 April 2000	-	(361)	(361)
Retained profit for the year	-	305	305
Exchange equalisation reserve	9,773	-	9,773
At 31 March 2001	9,773	(56)	9,717

17. OTHER FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

<i>Group</i>	<i>Land and buildings 2001 £'000</i>	<i>Other 2000 £'000</i>
Operating leases which expire:		
within one year	34	577
between two and five years	103	644
over five years	9	-
	146	1,221

18. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	<i>2001 £'000</i>	<i>2000 £'000</i>
Amounts payable:		
within one year	550	526
in two to five years	1,149	1,672
	1,699	2,198