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HEALTHCARE SCOTLAND LIMITED

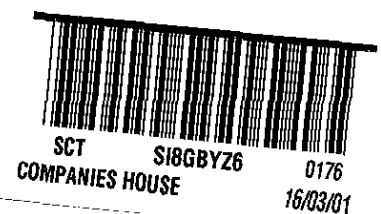
(Formerly Bonnymuir Limited)

Report and Financial Statements

30 June 2000

**Deloitte & Touche
Chartered Accountants
2 Queens Terrace
Aberdeen
AB10 1XL**

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REPORT AND FINANCIAL STATEMENTS 2000

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REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D G Chappell
R Russell

SECRETARY

R Russell

REGISTERED OFFICE

35 Albert Street
Aberdeen
AB25 1XU

SOLICITORS

Paull & Williamsons
Investment House
6 Union Row
Aberdeen
AB10 1DQ

BANKERS

Bank of Scotland
Queen's Cross Branch
39 Albyn Place
Aberdeen
AB10 1YN

AUDITORS

Deloitte & Touche
Chartered Accountants
2 Queens Terrace
Aberdeen
AB10 1XL

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period ended 30 June 2000.

The company was incorporated on 17 June 1999 and issued 150,000 subscriber shares of £0.001 each for cash.

On 17 June 1999, the company acquired 225,000 'A' ordinary £1 shares and 3,275,000 'A' preference shares of 90 pence each in Healthcare Scotland Limited for a consideration of £6,800,000. This consideration comprised £3,800,000 cash and £3,000,000 7% loan stock. The cost of this investment was reduced by £467,857 on 30 June 1999 when Healthcare Scotland Limited redeemed 467,857 'A' preference shares of 90 pence each at a price of £1 per share.

On 17 June 1999, the company issued two shares of £0.001 each in exchange for 275,000 ordinary shares of £1 each and 2,225,000 cumulative convertible irredeemable preference shares of £1 each in Healthcare Scotland Limited.

As a result of these transactions, Healthcare Scotland Limited became a wholly owned subsidiary of the company.

On 20 June 2000, the company changed its name from Bonnymuir Limited to Healthcare Scotland Limited. On the same date, Healthcare Scotland Limited changed its name to Healthcare Scotland Management Limited.

ACTIVITIES

Healthcare Scotland Limited is a holding company for a group of companies engaged in the provision of private healthcare and consultancy services.

RESULTS AND TRANSFER TO RESERVES

The group made a profit before taxation of £1,588,433 in the period from incorporation to 30 June 2000. The retained profit after tax of £607,633 has been transferred to reserves.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The group has traded successfully during the period and the directors are optimistic about the long-term prospects for continued growth.

DIRECTORS

The membership of the Board is set out on page 1. The beneficial interests of the directors in Healthcare Scotland Limited at incorporation and at 30 June 2000 were as follows:

	Ordinary shares of £0.001 each
D G Chappell	75,001
R Russell	75,001

EMPLOYEE INVOLVEMENT

The group provides information to employees covering various aspects of the group's current and future activities along with certain financial information. In addition, there are regular meetings of employee representatives with senior management, at which full discussion on relevant points of interest takes place.

EMPLOYMENT OF DISABLED PERSONS

It is group policy to give full consideration to suitable applications for employment from disabled persons. Opportunities also exist for employees of the group who become disabled to continue in their employment or to be trained for other positions in the group.

DIRECTORS' REPORT (Continued)

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 13th March 2001
and signed on behalf of the Board



Secretary

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 as at the end of the financial year 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;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements 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 company and group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF

HEALTHCARE SCOTLAND LIMITED

(Formerly Bonnymuir Limited)

We have audited the financial statements on pages 6 to 24 which have been prepared under the accounting policies set out on page 13.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

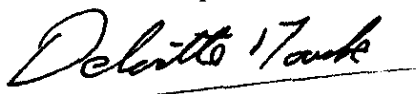
Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 June 2000 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors



CONSOLIDATED PROFIT AND LOSS ACCOUNT
Period ended 30 June 2000

	Note	Period from Incorpor- ation to 30 June 2000 £
TURNOVER: Continuing Operations	3	19,162,978
Cost of sales		(11,579,482)
Gross profit		<u>7,583,496</u>
Administrative expenses		(4,235,676)
Distribution expenses		<u>(850,553)</u>
OPERATING PROFIT: Continuing Operations		2,497,267
Interest receivable and similar income		141,075
Interest payable and similar charges	5	<u>(1,049,909)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	1,588,433
Tax on profit on ordinary activities	7	<u>(572,154)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,016,279
Equity minority interests		<u>(408,646)</u>
PROFIT FOR THE FINANCIAL PERIOD	20	<u><u>607,633</u></u>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Period ended 30 June 2000

	Period from Incorpor- ation to 30 June 2000 £
Profit for financial period	607,633
Foreign exchange translation adjustment	(21,941)
Unrealised surplus on revaluation of property	1,187,024
Minority interest in revaluation surplus	(332,439)
Total recognised gains and losses relating to the period	<u>1,440,277</u>

CONSOLIDATED BALANCE SHEET
At 30 June 2000

	Note	£
FIXED ASSETS		
Intangible assets - negative goodwill	9	(1,915,307)
- goodwill	9	1,964,497
		<hr/>
		49,190
Tangible assets	10	17,989,206
Investments	11	42,573
		<hr/>
		18,080,969
		<hr/>
CURRENT ASSETS		
Stocks	12	209,509
Debtors	13	3,498,522
Cash at bank and in hand		3,842,678
		<hr/>
		7,550,709
CREDITORS: amounts falling due within one year	14	(9,370,024)
		<hr/>
NET CURRENT LIABILITIES		(1,819,315)
		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		16,261,654
		<hr/>
CREDITORS: amounts falling due after more than one year		
Term loan	16	(9,226,143)
Loan notes	16	(2,000,000)
Obligation under hire purchase contracts	16	(528,606)
		<hr/>
		4,506,905
PROVISIONS FOR LIABILITIES AND CHARGES	17	(456,334)
MINORITY INTERESTS		(2,610,144)
		<hr/>
TOTAL NET ASSETS		1,440,427
		<hr/>
CAPITAL AND RESERVES		
Called up share capital	19	150
Profit and loss account	20	585,692
Revaluation reserve	20	854,585
		<hr/>
EQUITY SHAREHOLDERS' FUNDS	18	1,440,427
		<hr/>

These financial statements were approved by the Board of Directors on 13th March 2001

Signed on behalf of the Board of Directors

Director



BALANCE SHEET
At 30 June 2000

	Note	£
FIXED ASSETS		
Investments	11	<u>6,390,299</u>
CURRENT ASSETS		
Debtors	13	<u>636,934</u>
		636,934
CREDITORS: amounts falling due within one year	14	<u>(2,132,570)</u>
NET CURRENT LIABILITIES		<u>(1,495,636)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,894,663
CREDITORS: amounts falling due after more than one year		
Term loan	16	(3,342,587)
Loan notes	16	<u>(2,000,000)</u>
TOTAL NET LIABILITIES		<u>(447,924)</u>
CAPITAL AND RESERVES		
Called up share capital	19	150
Profit and loss account	20	<u>(448,074)</u>
EQUITY SHAREHOLDERS' FUNDS		<u>(447,924)</u>

These financial statements were approved by the Board of Directors on 13th March 2001

Signed on behalf of the Board of Directors

Director



CONSOLIDATED CASH FLOW STATEMENT
Period ended 30 June 2000

	Note	2000 £
Net cash inflow from operating activities	1	3,134,518
Returns on investments and servicing of finance		
Interest received		141,075
Interest paid		(1,009,439)
Interest element of finance lease and hire purchase repayments		(40,470)
Net cash outflow from returns on investments and servicing of finance		(908,834)
Taxation		
UK corporation tax paid		(691,804)
Capital expenditure and financial investment		
Purchase of tangible fixed assets		(2,888,614)
Disposal of tangible fixed assets		31,878
Purchase of investments		(42,573)
Purchase of goodwill		(206,550)
Net cash outflow from capital expenditure and financial investment		(3,105,859)
Acquisitions and disposals		
Purchase of subsidiary undertaking -		
Cash consideration		(3,800,000)
Bank overdraft acquired		(2,646,558)
Cash at bank acquired		2,581,069
		(3,865,489)
Net cash outflow before financing		(5,437,468)
Financing		
Loan repayments		(401,880)
New borrowings		6,025,014
Capital element of finance lease and hire purchase repayments		(220,565)
Issue of ordinary share capital		150
Net cash inflow from financing		5,402,719
Decrease in cash in the period	2	(34,749)

NOTES TO THE CASH FLOW STATEMENT
Period ended 30 June 2000

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £
Operating profit	2,497,267
Depreciation	733,582
Loss on sale of fixed assets	10,101
Goodwill amortisation	(39,399)
Increase in stocks	(17,796)
Increase in debtors	(653,186)
Increase in creditors	603,949
	<hr/>
Net cash inflow from operating activities	<u><u>3,134,518</u></u>

2. ANALYSIS OF CHANGES IN NET DEBT

	At 17 June 1999 £	Cashflow £	Acquired with subsidiaries £	Other non- cash changes £	At 30 June 2000 £
Cash at bank and in hand	-	3,842,678	-	-	3,842,678
Bank overdraft	-	(3,877,427)	-	-	(3,877,427)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	(34,749)	-	-	(34,749)
Term loans	-	(5,623,137)	(4,154,385)	-	(9,777,522)
Loan notes	-	-	-	(3,000,000)	(3,000,000)
Finance leases	-	220,565	(365,967)	(602,375)	(747,777)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	(5,437,321)	(4,520,352)	(3,602,375)	(13,560,048)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE CASH FLOW STATEMENT
Period ended 30 June 2000

3. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000 £
Decrease in cash in the period	(34,749)
Capital element of finance lease repayments	220,565
Cash inflow from increase in debt	(6,025,017)
Loan repayments	<u>401,880</u>
Change in net debt resulting from cash flow	(5,437,321)
Finance leases acquired:	
New finance leases	(602,375)
Acquired with subsidiaries	(365,967)
Loan Notes	(3,000,000)
Term Loans – acquired with subsidiaries	<u>(4,154,385)</u>
Movement in net debt in the period	<u>(13,560,048)</u>
Net debt at 30 June	<u><u>(13,560,048)</u></u>

4. MAJOR NON-CASH TRANSACTIONS

During the period the group entered into finance lease and hire purchase contracts in respect of assets with a total capital value at the inception of the leases of £605,674.

NOTES TO THE ACCOUNTS
Period ended 30 June 2000

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold property.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiaries for the period ended 30 June 2000.

Acquisitions

At the date of acquisition, the fair values of net assets acquired are determined and incorporated. The difference between the total consideration paid and these fair values represents goodwill, either positive or negative.

Positive goodwill arising on consolidation is amortised over 20 years, being the estimated useful economic life of that asset.

Negative goodwill arising on non-monetary assets is amortised in the periods during which those assets are consumed through depreciation or sale.

Tangible fixed assets

Depreciation is not provided on freehold property. The directors have instead opted for a policy of regular revaluation as permitted by FRS15. On other assets it is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Fixtures, fittings and motor vehicles - over 7 years

Investments

Investments held as fixed assets are stated at cost.

Stocks

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

Deferred taxation

Deferred taxation is provided at the anticipated tax rate on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Pension costs

The group operates a defined contribution scheme. Pension costs charged to the profit and loss account represent amounts payable by the group to the scheme.

Leases

Assets held under hire purchase contracts and the related lease obligations are recorded in the balance sheet at the fair value of the assets at the inception of the contracts. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

NOTES TO THE ACCOUNTS
Period ended 30 June 2000

2. ACQUISITIONS

On 19 June 1999, the company acquired 225,000 'A' ordinary £1 shares and 3,275,000 'A' preference shares of 90 pence each in Healthcare Scotland Limited (now Healthcare Scotland Management Limited) for a consideration of £6,800,000. As a result of this transaction, Healthcare Scotland Management Limited became a wholly owned subsidiary of Healthcare Scotland Limited. This acquisition has been accounted for using the acquisition method of accounting. The amount of negative goodwill arising as a result of the acquisition is £2,025,587. This negative figure is effectively generated by the fair value adjustment made necessary by the revaluation of the group's properties as at 30 June 1999.

The following table summarises the adjustments made to the book value of the major categories of assets and liabilities acquired to arrive at the fair values included in the consolidated financial statements at the date of acquisition.

The cash flow effects of the acquisition are given in note 24.

	Book amount £	Revaluation £	Fair value to the group £
Tangible fixed assets	12,538,572	1,880,621	14,419,193
Intangible fixed assets	1,828,828	-	1,828,828
Current assets	5,449,035	-	5,449,035
Creditors and provisions	(10,732,932)	-	(10,732,932)
Taxation	(143,449)	-	(143,449)
	<u>8,940,054</u>	<u>1,880,621</u>	<u>10,820,675</u>
Minority interests			(1,995,088)
			<u>8,825,587</u>
Negative goodwill			(2,025,587)
			<u>6,800,000</u>

3. TURNOVER

Turnover and profit on ordinary activities before taxation are attributable to one activity, the provision of hospital and consultant services. Turnover is all derived from work done in the United Kingdom.

NOTES TO THE ACCOUNTS

Period ended 30 June 2000

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2000
	£
Directors' fees	30,966
Directors' emoluments (excluding pension contributions)	868,587
	<u>899,553</u>
	£
Directors' pension contributions	33,192
	<u></u>
	No
Number of directors who are members of a defined contribution pension scheme	5
	<u></u>
	£
Remuneration of the highest paid director (excluding pension contributions)	135,000
	<u></u>
Pension contributions of the highest paid director	13,500
	<u></u>
	£
Employee costs during the period:	
Wages and salaries	7,851,235
Social security costs	582,900
Other pension costs	172,149
	<u>8,606,284</u>
	No
Average number of persons employed:	
Administrative	115
Professional	577
Technical and support	117
	<u>809</u>

NOTES TO THE ACCOUNTS

Period ended 30 June 2000

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2000
	£
Bank loan, overdrafts and other loans	1,009,439
Finance charges - hire purchase contracts	40,470
	<u>1,049,909</u>

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000
	£
Profit on ordinary activities before taxation is after charging/ (crediting):	
Depreciation - own assets	606,195
- assets held under hire purchase contracts	127,387
Auditors' remuneration:	
- Audit fees	24,594
Rentals under operating lease	732
Loss on sale of fixed assets	10,101
Goodwill amortisation	70,881
Negative goodwill amortisation	<u>(110,280)</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000
	£
Current year	
UK corporation tax at 30.75% (1999: 30.75%) based on profit for the period	534,909
Deferred taxation	41,214
	<u>576,123</u>
Prior year adjustments:	
Corporation tax	(2,698)
Deferred tax	(1,271)
	<u>572,154</u>

8. LOSS OF THE PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the year amounts to £448,074.

NOTES TO THE ACCOUNTS
Period ended 30 June 2000

9. INTANGIBLE FIXED ASSETS

The Group	Negative Goodwill £	Goodwill £	Total £
Cost			
Acquired with subsidiaries	-	1,828,828	1,828,828
Additions in year	-	206,550	206,550
Arising on consolidation	(2,025,587)	-	(2,025,587)
	<u>(2,025,587)</u>	<u>2,035,378</u>	<u>9,791</u>
Accumulated depreciation			
Charge for the period	(110,280)	70,881	(39,399)
	<u>(110,280)</u>	<u>70,881</u>	<u>(39,399)</u>
Net book value			
At 30 June 2000	<u>(1,915,307)</u>	<u>1,964,497</u>	<u>49,190</u>

Negative goodwill arising on consolidation is detailed within notes 2 and 24.

10. TANGIBLE FIXED ASSETS

The Group	Freehold Property £	Fixtures and Fittings and Motor Vehicles £	Total £
Cost or valuation			
Additions	13,165,998	4,744,184	17,910,182
Revaluation	854,585	-	854,585
Disposals	-	(55,811)	(55,811)
	<u>14,020,583</u>	<u>4,688,373</u>	<u>18,708,956</u>
At 30 June 2000			
Accumulated Depreciation			
Charge for the period	-	733,582	733,582
Disposals	-	(13,832)	(13,832)
	<u>-</u>	<u>719,750</u>	<u>719,750</u>
At 30 June 2000			
Net book value			
At 30 June 2000	<u>14,020,583</u>	<u>3,968,623</u>	<u>17,989,206</u>

FRS 15 *Tangible Fixed Assets* has been implemented and it has been decided that all freehold land and buildings will now be held at a valuation. All such assets were given a full valuation as at 30 June 2000 on the basis of open market value, with the exception of 35 Albert Street, Aberdeen which was valued on the basis of existing use, by F. G. Burnett, Chartered Surveyors and Property Consultants. The net book value of freehold land and buildings determined according to the historical cost convention is £14,921,561. The net book value of the group's fixed assets includes £896,607 in respect of assets held under hire purchase contracts. Depreciation charged on these assets amounted to £127,387 for the year.

NOTES TO THE ACCOUNTS
Period ended 30 June 2000

11. INVESTMENTS

	The Group Other Investments £	The Company Shares in subsidiary undertakings £
The Company		
Cost and net book value		
Additions	42,573	6,390,299
Cost and net book value at 30 June 2000	42,573	6,390,299

Subsidiary undertakings	Country of Incorporation & operation	Shares owned	%
Directly Owned			
Healthcare Scotland Management Limited	Scotland	Ordinary Preference	100 100
Indirectly Owned			
Albyn Hospital Limited	Scotland	Ordinary	100
Fernbrae Hospital Limited	Scotland	Ordinary	100
UK Private Healthcare Limited	England	Ordinary	100
Cheadle Royal Healthcare Limited	England	Ordinary Preference	61.85 100
Trees Park Healthcare Limited	England	Ordinary	100
Canadian Independent Healthcare Incorporation	Canada	Ordinary	100
CIH Properties Incorporation	Canada	Ordinary	100
Delbrook Surgical Clinic Incorporation	Canada	Ordinary	55

The principal activities of the subsidiary undertakings are the provision of hospital and consultancy services.

12. STOCKS

	The Group 2000 £	The Company 2000 £
Raw materials and consumables	209,509	-

NOTES TO THE ACCOUNTS
Period ended 30 June 2000

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group 2000 £	The Company 2000 £
Trade debtors	2,797,339	-
Amounts owed by subsidiary companies	-	467,851
Other debtors	453,324	-
Corporation tax recoverable	169,083	169,083
Prepayments and accrued income	78,776	-
	<u>3,498,522</u>	<u>636,934</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group 2000 £	The Company 2000 £
Bank overdraft (note 16)	3,877,427	525,456
Term loan (note 16)	551,379	422,220
Loan notes	1,000,000	1,000,000
Obligations under finance leases and hire purchase contracts (note 16)	219,171	-
Trade creditors	1,042,670	-
Amount owed to subsidiary companies	-	42,200
Other creditors including taxation and social security (note 15)	1,812,236	-
Accruals and deferred income	867,141	142,694
	<u>9,370,024</u>	<u>2,132,570</u>

15. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	The Group 2000 £	The Company 2000 £
This heading includes:		
Taxation and social security	737,115	-
Directors' loan accounts	210,500	-
	<u>947,615</u>	<u>-</u>

The directors' loan accounts are interest free and repayable upon demand.

NOTES TO THE ACCOUNTS
Period ended 30 June 2000

16. BORROWINGS

	The Group 2000 £	The Company 2000 £
Bank overdraft	3,877,427	525,456
Term loan	9,777,522	3,764,807
Loan notes	3,000,000	3,000,000
Finance leases and hire purchase contracts	747,777	-
	<u>17,402,726</u>	<u>7,290,263</u>
Due within one year	5,647,974	1,947,676
Due after more than one year	11,754,749	5,342,587
	<u>17,402,723</u>	<u>7,290,263</u>
Analysis of repayments:		
Bank overdraft		
Within one year or on demand	3,877,427	525,456
Term loan		
Within one year	551,379	422,220
Between one and two years	1,068,723	422,220
Between two and five years	3,130,420	844,440
Over five years	5,027,000	2,075,927
	<u>9,777,522</u>	<u>3,764,807</u>
Loan notes		
Within one year	1,000,000	1,000,000
Between one and two years	1,000,000	1,000,000
Between two and five years	1,000,000	1,000,000
	<u>3,000,000</u>	<u>3,000,000</u>
Finance leases and hire purchase contracts		
Within one year	219,171	-
Between one and two years	265,409	-
Between two and five years	263,197	-
	<u>747,777</u>	<u>-</u>

The bank loans and overdraft are secured by a bond and floating charge over the assets of the group. Obligations under hire purchase contracts are secured by the related leased assets. The term loan bears interest at 2% above the bank's base rate.

The loan notes carry a fixed rate of interest at 7% and are redeemable in three equal annual tranches commencing 1 July 2000.

NOTES TO THE ACCOUNTS
Period ended 30 June 2000

16. BORROWINGS (Continued)

Loans comprises seven individual loans.

Two of these loans are repayable to Bank of Scotland plc. The first of these is repayable in 108 monthly instalments of £35,185. This loan bears interest at 2.5% above the bank's base rate and is secured by all securities already held by the bank in respect of the group plus a letter of pledge over the Healthcare Scotland Limited interest in the shareholding of Cheadle Royal Healthcare Limited, a floating charge over the undertaking and assets of Healthcare Scotland Limited, and Cross Letters of Guarantee covering Healthcare Scotland Limited, Healthcare Scotland Management Limited, Albyn Hospital Limited, Fernbrae Hospital Limited, and UK Private Healthcare Limited. The second of these loans is repayable in 135 monthly instalments of £22,222. This loan is secured by a bond and floating charge over the assets of Albyn Hospital Limited. Interest is charged on this loan at 2% above the bank's base rate.

Another four of the loans are repayable to HSBC plc. The first of these is repayable in 82 monthly instalments of £5,057. The second is repayable in 11 quarterly instalments of £13,000. The third is repayable in annual tranches of no less than £100,000. All of these loans are secured by a bond and floating charge over the assets of Cheadle Royal Healthcare Limited. The final loan with HSBC plc is repayable in 180 monthly instalments of £10,278. This loan is secured by a fixed charge over the assets of Trees Park Healthcare Limited and also a cross company guarantee including Cheadle Royal Healthcare Limited.

The final loan is repayable in 60 monthly instalments of £1,750 to Hong Kong and Shanghai Bank. This loan is secured by a bond and floating charge over the assets of Delbrook Surgical Centre Inc.

NOTES TO THE ACCOUNTS
Period ended 30 June 2000

17. PROVISION FOR LIABILITIES AND CHARGES

	Group 2000 £	Company 1999 £
Deferred Tax		
Acquired with subsidiaries	416,391	-
Profit and loss account charge for the period	39,943	-
	<hr/>	<hr/>
At 30 June 2000	456,334	-
	<hr/>	<hr/>

The amounts of the deferred taxation liability provided and the total potential liability are as follows:

	Group 2000 £	Company 2000 £
Capital allowances in excess of depreciation	479,668	-
Other	(23,334)	-
	<hr/>	<hr/>
	456,334	-
	<hr/>	<hr/>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	The Group 2000 £
Profit for the financial period	607,633
Foreign exchange translation adjustment	(21,941)
Revaluation surplus	854,585
Issue of shares	150
	<hr/>
Net addition to shareholders' funds	1,440,427
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	1,440,427
	<hr/>

19. CALLED UP SHARE CAPITAL

	No	2000 £
Authorised		
Ordinary Shares of £0.001 each	150,002	150
	<hr/>	<hr/>
Called up, allotted and fully paid		
Ordinary Shares of £0.001 each	150,002	150
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Period ended 30 June 2000

20. RESERVES

	The Group	Profit and
	Revaluation	Loss
	Reserve	Account
	£	£
Profit for the year	-	607,633
Foreign exchange translation adjustment	-	(21,941)
Revaluations during year	1,187,024	-
Minority interest	(332,439)	-
	<hr/>	<hr/>
Balance as at 30 June 2000	854,585	585,692
	<hr/>	<hr/>
		The
		Company
		Profit and
		Loss
		Account
		£
Loss for the year		(448,074)
		<hr/>
Balance as at 30 June 2000		(448,074)
		<hr/>

21. OPERATING LEASE COMMITMENTS

At 30 June 2000 the group was committed to making the following payments during the next year in respect of operating leases:

	Other
	£
Leases which expire:	
Within one year	7,164
Within one to two years	-
Within two to five years	968
	<hr/>
	8,132
	<hr/>

22. RELATED PARTY TRANSACTIONS

At the year-end, the directors had loans to Healthcare Scotland Management Limited totalling £210,500 outstanding. The loans are repayable to R. Russell (£125,000) and D G Chappell (£85,500).

23. PENSION SCHEMES

The group operates a defined contribution scheme. The assets are held separately from those of the group in an independently administered fund. The pension costs charged to the profit and loss account during the period amounted to £172,149.

NOTES TO THE ACCOUNTS
Period ended 30 June 2000

24. PURCHASE OF SUBSIDIARY UNDERTAKINGS

	2000 £
Net assets acquired:	
Intangible fixed assets	1,828,828
Tangible fixed assets	14,419,193
Stocks	191,713
Debtors	2,676,253
Cash at bank and in hand	2,581,069
Creditors	(3,149,631)
Taxation	(143,449)
Bank overdraft	(2,646,558)
Loans and finance leases	(4,520,352)
Deferred tax	(416,391)
Minority interest	(1,995,088)
	<u>8,825,587</u>
Negative goodwill	(2,025,587)
	<u><u>6,800,000</u></u>
Satisfied by:	
Cash	3,800,000
Loan notes	3,000,000
	<u><u>6,800,000</u></u>