

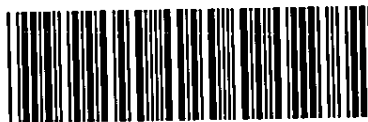
**Spire Redwood Hospital Limited
(Formerly BUPA Redwood Hospital Limited)**

(Registered No. 3014160)

Directors' Report and Financial Statements

For the four month period ended 31 December 2007

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Spire Redwood Hospital Limited

Report of the directors for the 4 month period to 31 December 2007

The directors present their report and the audited financial statements for the four month period ended 31 December 2007

1. Business review and principal activity

The principal activity of the company was the operation of the Redwood Independent Sector Treatment Centre (ISTC), a joint venture between Surrey and Sussex NHS Trust and BUPA Hospitals. The Surrey and Sussex NHS Trust decided not to renew the joint venture and the treatment centre was handed back to the Trust on 1 December 2007. The company was compensated for the transfer of assets to the Trust which resulted in a profit of £118,958.

On 31 August 2007 the company, as part of the BHS (Holdings) Limited group, was acquired by Spire Healthcare Group Limited, a company ultimately controlled by the private equity firm Cinven Limited. On 12 October 2007 the company changed its name to Spire Redwood Hospital Limited.

The results for the period of the company show a pre-tax profit of £280,752 (8 month period to 31 August 2007: £644,740) and sales of £3,075,103 (8 month period to 31 August 2007: £7,938,918).

The company has net assets of £6,453,063 (31 August 2007: £6,284,230).

No dividend is proposed for the 4 month period to 31 December 2007 (8 month period to 31 August 2007: £ nil).

2. Future outlook

Following the termination of the joint venture the company is not expected to trade in 2008.

3. Directors and directors' interests of persons

F D Gregory	Resigned 8 October 2007
C M Hollingsworth	Resigned 13 February 2008
R J E Jones	Appointed 1 February 2008
R Roger	Appointed 8 October 2007
R J Wise	Appointed 1 February 2008

There were no directors' interests requiring disclosure under Section 234 of the Companies Act 1985.

Report of the directors

for the 4 month period to 31 December 2007 - continued

4. Companies (Audit, Investigations and Community Enterprise) Act 2004

As at the date of this report, indemnities are in force under which the company has agreed to indemnify certain directors, to the extent permitted by law and the company's articles of association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as directors of the company

5. Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office

6. International Financial Reporting Standards

Group accounts are prepared in accordance with International Financial Reporting Standards (IFRS) The company is not required to report under IFRS and therefore these accounts are prepared in accordance with applicable UK accounting standards

7. Disclosure of Information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware Each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Registered Office

120 Holborn
London
EC1N 2TD

22 May 2008

By Order of the Board



D F Toner
Secretary

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Spire Redwood Hospital Limited

Independent auditors' report to the members of Spire Redwood Hospital Limited

We have audited the financial statements of Spire Redwood Hospital Limited for the four month period ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Spire Redwood Hospital Limited

Independent auditors' report to the members of Spire Redwood Hospital Limited - continued

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the period then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP
KPMG LLP
Chartered Accountants
Registered Auditor
22 May 2008

8 Salisbury Square
London EC4Y 8BB

Spire Redwood Hospital Limited

Profit and Loss Account for the 4 month period to 31 December 2007

	<i>Note</i>	4 month period to 31 December 2007 £	8 month period to 31 August 2007 £
Turnover		3,075,103	7,938,918
Operating expenses		(2,814,125)	(6,990,059)
Operating profit		<u>260,978</u>	<u>948,859</u>
Profit on disposal of fixed assets		118,958	-
Interest receivable and similar income	4	48,766	37,962
Interest payable and similar charges	5	<u>(147,950)</u>	<u>(342,081)</u>
Profit on ordinary activities before taxation	6	280,752	644,740
Tax (charge)/credit on profit on ordinary activities	8	(111,919)	303,611
Retained profit for the financial period		<u><u>168,833</u></u>	<u><u>948,351</u></u>

The operating profit is all derived from discontinued operations

There were no recognised gains and losses other than the profit for the financial period

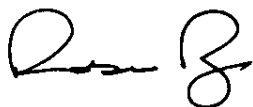
The accounting policies and notes on pages 9 to 20 form part of these financial statements

Spire Redwood Hospital Limited

Balance Sheet as at 31 December 2007

	<i>Note</i>	31 December 2007 £	31 August 2007 £
Fixed assets			
Tangible assets	9	-	4,528,159
Current assets			
Stocks		-	362,931
Debtors	10	8,539,979	4,185,119
Cash at bank and in hand		-	1,917,114
		8,539,979	6,465,164
Creditors amounts falling due within one year	11	(2,086,916)	(4,258,857)
Net current assets		6,453,063	2,206,307
Total assets less current liabilities		6,453,063	6,734,466
Provisions for liabilities and charges	12	-	(450,236)
Net assets		6,453,063	6,284,230
Capital and reserves			
Called up share capital	14	9,000,001	9,000,001
Profit and loss account	15	(2,546,938)	(2,715,771)
Equity shareholders' funds		6,453,063	6,284,230

These financial statements were approved by the Board of Directors on 22 May 2008 and were signed on its behalf by



R Roger
Director

The accounting policies and notes on pages 9 to 20 form part of these financial statements

Spire Redwood Hospital Limited

Note of historical cost profits and losses for the four month period ended 31 December 2007

	4 month period to 31 December 2007 £	8 month period to 31 August 2007 £
Reported profit on ordinary activities before taxation	280,752	644,740
Difference between the historical cost depreciation charge and the actual depreciation charge on the revalued amount	(19,684)	(52,491)
Historical cost profit on ordinary activities before taxation	<u>261,068</u>	<u>592,249</u>
Historical cost profit on ordinary activities after taxation and dividends	<u>149,149</u>	<u>895,860</u>

Reconciliation of movements in shareholders' funds for the four month period ended 31 December 2007

	4 month period to 31 December 2007 £	8 month period to 31 August 2007 £
Retained profit for the financial period	168,833	948,351
Net addition to shareholders' funds	<u>168,833</u>	<u>948,351</u>
Opening shareholders' funds	6,284,230	5,335,879
Closing shareholders' funds	<u>6,453,063</u>	<u>6,284,230</u>

**Notes to the financial statements
for the 4 month period to 31 December 2007**

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost accounting convention modified to include the revaluation of land and buildings and on a going concern basis

All accounting policies have been applied consistently during the period

As the company is a wholly owned subsidiary undertaking of Spire Healthcare (Holdings) Limited, a company registered in England and Wales, which publishes consolidated accounts, the company has pursuant to paragraph 17 of Financial Reporting Standard No 8 Related Party Disclosure (FRS 8) not included details of transactions with other group companies which are subsidiary undertakings of the Spire Healthcare (Holdings) group. There were no other related party transactions.

Cash flow statement

Under Financial Reporting Standard No 1 Cash flow statements (revised 1996) (FRS 1) the company is exempt from the requirement to prepare a cash flow statement, on the grounds that it is a wholly owned subsidiary undertaking of Spire Healthcare (Holdings) Limited, a company that prepares a consolidated cash flow statement for the Spire Healthcare (Holdings) Limited Group.

Turnover

Turnover, all of which arises in the UK, is derived from the provision of services to patients during the year after deducting trade discounts and value added tax.

Stocks

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

Cost means purchase price, less trade discounts, calculated on an average basis. Net realisable value means estimated selling price, less trade discounts, and less all costs to be incurred in marketing, selling and distribution.

The difference between the estimated replacement cost of stock and the purchase price or production cost is not material.

Spire Redwood Hospital Limited

Notes to the financial statements for the 4 month period to 31 December 2007

1 Accounting policies - continued

Fixed assets and depreciation

Leasehold properties are stated at valuation. The valuation takes into account the future trading potential of the properties on an existing use basis. Unrealised revaluation gains are taken to the revaluation reserve unless they reverse revaluation losses previously taken to the profit and loss account. Unrealised revaluation losses are taken to the revaluation reserve until the carrying value is reduced to the original cost of the asset, at which point any further losses are taken to the profit and loss account.

Other tangible assets are stated at cost.

Tangible assets are depreciated so as to write off the cost or valuation by equal instalments over their estimated economic lives, as follows:

Leasehold land and buildings	- term of the lease
Plant and machinery	- 3 - 10 years
Fixtures, fittings & equipment	- 3 - 10 years

The estimated economic lives of the leasehold properties are reviewed annually and revised as appropriate, taking into consideration the levels of expenditure incurred on an ongoing basis to maintain the properties in a fit and proper state for their ongoing use as hospitals.

**Notes to the financial statements
for the 4 month period to 31 December 2007**

1 Accounting policies - continued

Taxation including deferred taxation

The charge for taxation is based on the result for the period and takes into account deferred tax

Deferred tax is provided in full on all timing differences that have originated, but not reversed, at the balance sheet date which result in an obligation to pay more, or a right to pay less or to receive more, tax with the following exceptions

- ♦ Provision is made for tax on gains arising from the revaluation of property to its fixed value, the fair value adjustment of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned and without it being possible to claim rollover relief. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold
- ♦ Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on current tax rates and laws

Trading losses surrendered to other group subsidiary undertakings are made on a full payment basis

Defined contribution pension scheme

The company operates a defined contribution pension scheme, The Spire Healthcare Pension Plan. The assets of the scheme are held separately from those of the company in independently administered funds

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred

Spire Redwood Hospital Limited

Notes to the financial statements for the 4 month period to 31 December 2007

1 Accounting policies - continued

Leases

Leasing arrangements which transfer to the company substantially all the risks and rewards of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in tangible assets and depreciated over their estimated economic lives or over the term of the lease, whichever is the shorter. The capital element of the leasing commitments is included in liabilities as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the profit and loss account in proportion to the capital element outstanding.

Operating lease rentals are charged to the profit and loss account in the period in which they are incurred.

2. Immediate and ultimate parent undertakings

The immediate parent undertaking of Spire Redwood Hospital Limited is Spire Healthcare (Holdings) Limited, a company registered in England and Wales. The results of Spire Redwood Hospital Limited are included in the consolidated accounts of Spire Healthcare (Holdings) Limited and copies of these accounts may be obtained from the Registrar of Companies, Cardiff, CF14 3UZ.

The ultimate parent undertakings of Spire Redwood Hospital Limited are Fourth Cinven Fund (No 1) LP, Fourth Cinven Fund (No 2) LP, Fourth Cinven Fund (No 3 - VCOC) LP, Fourth Cinven Fund (No 4) LP, Fourth Cinven Fund (UBTI) LP, Fourth Cinven Fund Co-Investment Partnership and Fourth Cinven (MACIF) LP (together the 'Cinven Funds'), being funds managed and advised by Cinven Limited, a company incorporated under the laws of England and Wales.

Accordingly, the directors consider the company's ultimate controlling party is Cinven Limited, the managers and advisor to the Cinven Funds.

Spire Redwood Hospital Limited

Notes to the financial statements for the 4 month period to 31 December 2007

3. Staff costs and directors' remuneration

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows

	Number of employees	
	4 month period to 31 December 2007	8 month period to 31 August 2007
Medical	43	57
Other	24	31
	<u>67</u>	<u>88</u>

The aggregate payroll costs of these persons were as follows

	4 month period to 31 December 2007 £	8 month period to 31 August 2007 £
Wages and salaries	544,013	1,358,324
Social security costs	49,747	146,964
Other pension costs (see note 16)	7,236	72,192
	<u>600,996</u>	<u>1,577,480</u>

No remuneration was paid to any of the directors for the period (8 month period to 31 August 2007 £ nil)

4. Interest receivable and similar income

	4 month period to 31 December 2007 £	8 month period to 31 August 2007 £
Amounts receivable from Group undertakings	9,326	37,962
Other	39,440	-
	<u>48,766</u>	<u>37,962</u>

Spire Redwood Hospital Limited

Notes to the financial statements for the 4 month period to 31 December 2007

5. Interest payable and similar charges

	4 month period to 31 December 2007 £	8 month period to 31 August 2007 £
Amounts payable to Group undertakings	<u>147,950</u>	<u>342,081</u>

6. Profit on ordinary activities before taxation

	4 month period to 31 December 2007 £	8 month period to 31 August 2007 £
<i>Profit on ordinary activities is stated after charging .</i>		
Depreciation and other amounts written off tangible fixed assets		
Owned	111,380	129,420
Leased - under finance leases	937	2,499
Hire of other assets - rentals payable under operating leases	<u>75,000</u>	<u>200,000</u>

7. Auditors' remuneration

	4 month period to 31 December 2007 £	8 month period to 31 August 2007 £
Fees for the audit of the company	<u>8,000</u>	<u>8,000</u>

Fees for the audit of the company represent the amount receivable by the company's auditors. The amount may not be borne by the company.

Fees paid to the company's auditors, KPMG LLP, and its associates for services other than the statutory audit of the company are not disclosed in these accounts since the consolidated accounts of Spire Healthcare (Holdings) Limited are required to disclose non-audit fees on a consolidated basis.

Spire Redwood Hospital Limited

Notes to the financial statements for the 4 month period to 31 December 2007

8. Tax on profit on ordinary activities

	4 month period to 31 December 2007 £	8 month period to 31 August 2007 £
(i) Analysis of tax charge/(credit) in the period		
Current tax		
UK corporation tax on profit for the period	566,558	(290,248)
Deferred tax		
Origination and reversal of timing differences	(454,639)	32,724
Change in tax rates	-	(29,823)
Adjustments in respect of prior periods	-	(16,264)
Tax charge/(credit) on profit on ordinary activities	<u>111,919</u>	<u>(303,611)</u>

(ii) Factors affecting the tax charge

The tax assessed for the period is higher/lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below

	4 month period to 31 December 2007 £	8 month period to 31 August 2007 £
Profit on ordinary activities before taxation	<u>280,752</u>	<u>644,740</u>
Tax charge on profit on ordinary activities at 30%	84,225	193,422
Effects of		
Expenses not deductible for tax purposes	9,260	15,328
Transfer pricing arrangement		(50,375)
Accelerated capital allowances	450,236	(40,356)
Deferred tax on short term and other timing differences	3,991	5,294
Difference between current and deferred tax rates	18,846	-
Adjustments to tax charge in respect of prior periods	-	(290,248)
Group relief not paid for	-	(123,313)
Total current tax charge/(credit) for the period	<u>566,558</u>	<u>(290,248)</u>

Spire Redwood Hospital Limited

Notes to the financial statements for the 4 month period to 31 December 2007

9. Tangible assets

	Short leasehold property £	Fixtures, fittings & equipment £	Total £
Cost or valuation			
At 1 September 2007	3,380,177	3,026,637	6,406,814
Additions	-	92,201	92,201
Disposals	(3,380,177)	(3,118,838)	(6,499,015)
At 31 December 2007	-	-	-
Depreciation			
At 1 September 2007	115,491	1,763,164	1,878,655
Charge for the period	43,309	69,008	112,317
Disposals	(158,800)	(1,832,172)	(1,990,972)
At 31 December 2007	-	-	-
Net Book Value			
At 31 December 2007	-	-	-
At 31 August 2007	3,264,686	1,263,473	4,528,159
Depreciable amount at 31 December 2007	-	-	-
Depreciable amount at 31 August 2007	3,380,177	3,026,637	6,406,814

Particulars relating to revalued assets are given below

	31 December 2007 £	31 August 2007 £
Land and buildings		
At 2006 existing use value	-	3,380,177
At cost	-	-
Aggregate depreciation thereon	-	(115,491)
	-	3,264,686

Spire Redwood Hospital Limited

Notes to the financial statements for the 4 month period to 31 December 2007

9. Tangible assets - continued

	31 December 2007	31 August 2007
	£	£
Historical cost of revalued assets	-	5,740,522
Aggregate depreciation based on historical cost	-	(2,018,319)
	<hr/>	<hr/>
Historical cost net book value	-	3,722,203

Included in the total net book value of fixtures and fittings is £nil (31 August 2007 £1,392) in respect of assets held under finance leases. Depreciation for the period on these assets was £937 (31 August 2007 £2,499)

10. Debtors

	31 December 2007	31 August 2007
	£	£
Amounts falling due within one year:		
Trade debtors	2,518,142	3,289,151
Amounts owed by group undertakings	1,106,727	767,218
Prepayments and accrued income	10,966	21,534
Other debtors	4,899,741	107,216
Deferred tax	4,403	-
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	8,539,979	4,185,119

11. Creditors - amounts falling due within one year :

	31 December 2007	31 August 2007
	£	£
Bank overdraft	1,321	-
Trade creditors	575,588	1,224,166
Amounts owed to Group undertakings	-	2,770,229
Corporation tax	566,558	-
Other creditors	596,494	10,900
Accruals and deferred income	346,955	253,562
	<hr/>	<hr/>
	2,086,916	4,258,857

Spire Redwood Hospital Limited

Notes to the financial statements for the 4 month period to 31 December 2007

12. Provisions for liabilities and charges

	Deferred taxation £
At 1 September 2007	450,236
Released in period	(454,639)
Transferred to debtors	4,403
At 31 December 2007	-

13. Deferred taxation

Deferred tax assets and liabilities are analysed as follows

	Provided	
	31 December 2007 £	31 August 2007 £
Accelerated capital allowances	(4,403)	450,236
Other timing differences	-	-
	<u>(4,403)</u>	<u>450,236</u>

The movement for the period in the net deferred tax provision is as follows

	31 December 2007 £
At 1 September 2007	450,236
Deferred tax credit for the period	(454,639)
Transferred to debtors	4,403
At 31 December 2007	-

The net deferred tax asset is included within debtors (see note 10)

Spire Redwood Hospital Limited

Notes to the financial statements for the 4 month period to 31 December 2007

14. Share capital

	31 December 2007 £	31 August 2007 £
Authorised		
9,001,000 ordinary shares of £1 each	<u>9,001,000</u>	<u>9,001,000</u>
Allotted, called-up and fully paid		
9,000,001 ordinary shares of £1 each	<u>9,000,001</u>	<u>9,000,001</u>

15. Reserves

	Profit and loss account £
At 1 September 2007	(2,715,771)
Retained profit	<u>168,833</u>
At 31 December 2007	<u>(2,546,938)</u>

16. Pensions

As of 1 September 2007 employees of Spire Redwood Hospital Limited were able to join The Spire Healthcare Pension Plan, a defined contribution scheme. The scheme operates a salary sacrifice arrangement whereby the employer's contribution rate takes account of pension contributions paid as part of this arrangement, leading to a corresponding reduction in wages and salaries. The pension cost to the company in respect of this scheme equalled the employer's contributions payable in the period.

The total pension cost included in the profit and loss account amounted to £7,236 (8 month period to 31 August 2007 £72,192).

Spire Redwood Hospital Limited

Notes to the financial statements for the 4 month period to 31 December 2007

17 Commitments

Operating leases

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings	
	31 December 2007	31 August 2007
	£	£
Operating leases which expire		
Over five years	-	300,000

18 Contingent liabilities

The company has given certain undertakings in respect of the Senior Facilities Agreement entered into by Spire Healthcare Group Limited on 30 August 2007. The amount outstanding at the balance sheet date for these loans was £1,228,000,000.

The company has given a guarantee and other undertakings to a maximum of £15,000,000, as part of the Group Unlimited Inter Company Composite Guarantee, in respect of the overdraft and loans of certain of the Spire Healthcare (Holdings) Limited group.

The company's bankers have provided guarantees on behalf of the Spire Healthcare (Holdings) Limited relating to performance on NHS contracts totalling £24,349,000. If Spire Healthcare (Holdings) Limited fails to meet targets set by the relevant NHS Trusts, then these amounts will become payable by Spire Healthcare Group Limited to the guarantors.

Under a group registration the company is jointly and severally liable for value added tax due by certain other Group companies. The amount outstanding at the balance sheet date for VAT was £141,000.