

**CHEADLE ROYAL HEALTHCARE
LIMITED**

Report and Financial Statements

30 June 2005



CHEADLE ROYAL HEALTHCARE LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Statement of total recognised gains and losses	5
Note of historical cost profits and losses	5
Balance sheet	6
Notes to the financial statements	7

CHEADLE ROYAL HEALTHCARE LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P F Batchelor
S F Hemsley (resigned 23 December 2004)
R Russell (resigned 23 December 2004)
J P Ward
J Shaw

SECRETARY

J Shaw

REGISTERED OFFICE

100 Wilmslow Road
Heald Green
Cheadle
Cheshire

SOLICITORS

Hammond Suddards
Trinity Court
16 John Dalton Street
Manchester

BANKERS

Royal Bank of Scotland
1 Spinningfields Square
Manchester

HSBC
5 Great Underbank
Stockport
Cheshire

AUDITORS

Deloitte & Touche LLP
Manchester

CHEADLE ROYAL HEALTHCARE LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2005.

ACTIVITIES

Cheadle Royal Healthcare Limited is engaged in the provision of private healthcare and operates Cheadle Royal Hospital.

RESULTS, DIVIDENDS AND TRANSFER TO RESERVES

The company made a profit after taxation of £4,225,271 (2004 - £3,032,312). Dividends of £nil have been paid or proposed in the year (2004 - £3,000,000). The retained profit for the year of £4,225,271 (2004 - £32,312) will be transferred to reserves.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company has traded successfully during the year and the directors are confident about the prospects for the company.

DIRECTORS

The present membership of the board is set out on page 1. The directors have no direct beneficial interests in the shares of the company.

The directors are directors of the immediate parent company, Affinity Hospitals Limited, and of the ultimate parent company, Affinity Healthcare Holdings Limited. Their respective interests in the share capital of these companies are disclosed in their financial statements.

EMPLOYEE INVOLVEMENT

The company provides information to employees covering various aspects of the company's current and future activities along with certain financial information.


EMPLOYMENT OF DISABLED PERSONS

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

AUDITORS

A resolution to reappoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors
and signed by order of the board:


Secretary

Date 27 October 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company 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 company 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHEADLE ROYAL HEALTHCARE LIMITED

We have audited the financial statements of Cheadle Royal Healthcare Limited for the year ended 30 June 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet and the related notes 1 to 23. 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 auditors' 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit 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 the company's affairs as at 30 June 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester
Date: 27 October 2005.

CHEADLE ROYAL HEALTHCARE LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2005

	Note	2005 £	2004 £
TURNOVER	2	19,699,729	15,934,088
Cost of sales		(10,758,179)	(8,784,131)
GROSS PROFIT		8,941,550	7,149,957
Administrative expenses		(3,264,196)	(2,458,044)
OPERATING PROFIT		5,677,354	4,691,913
Interest receivable and similar income		37,623	2,944
Interest payable and similar charges	4	(134,105)	(229,550)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	5,580,872	4,465,307
Tax on profit on ordinary activities	6	(1,355,601)	(1,432,995)
PROFIT FOR THE FINANCIAL YEAR		4,225,271	3,032,312
Dividends payable	7	-	(3,000,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	19	4,225,271	32,312

All activity arose from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 30 June 2005

	2005 £	2004 £
Profit for the financial year	4,225,271	32,312
Unrealised surplus on revaluation of fixed assets	29,482,849	725,623
Total recognised gains and losses relating to the year	33,708,120	757,935

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Year ended 30 June 2005

	2005 £	2004 £
Reported profit on ordinary activities before taxation	5,580,872	4,465,307
Difference between a historical cost depreciation charge and the actual charge for the year	294,828	-
Historical cost profit on ordinary activities before taxation	5,875,700	4,465,307
Historical cost profit for the year after taxation and dividends	4,520,099	32,312

CHEADLE ROYAL HEALTHCARE LIMITED

BALANCE SHEET

At 30 June 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Tangible assets	8	53,885,130	24,000,000
Investments	9	2	2
		<u>53,885,132</u>	<u>24,000,002</u>
CURRENT ASSETS			
Stocks	10	39,766	53,254
Debtors			
- due within one year	11	2,263,031	6,987,877
- due after one year	11	7,888,597	-
Cash at bank and in hand		198,634	337,479
		<u>10,390,028</u>	<u>7,378,610</u>
CREDITORS: amounts falling due within one year	12	<u>(5,481,073)</u>	<u>(8,441,139)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>4,908,955</u>	<u>(1,062,529)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		58,794,087	22,937,473
CREDITORS: amounts falling due after more than one year	14	(5,395,694)	(3,269,933)
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(158,828)</u>	<u>(136,095)</u>
NET ASSETS		<u>53,239,565</u>	<u>19,531,445</u>
CAPITAL AND RESERVES			
Called up share capital	18	97	97
Share premium	19	212,800	212,800
Capital redemption reserve	19	907,203	907,203
Revaluation reserve	19	47,082,132	17,894,111
Profit and loss account	19	5,037,333	517,234
EQUITY SHAREHOLDERS' FUNDS	17	<u>53,239,565</u>	<u>19,531,445</u>

These financial statements were approved by the Board of Directors on: 27 October 2005

Signed on behalf of the Board of Directors

Director



Director



NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2005

1. ACCOUNTING POLICIES

Accounting convention

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

Group Financial statements

Under the provision of section 228 of the Companies Act 1985 and in accordance with paragraphs 21b and 21c of Financial Reporting Standard 2, the company is exempt from preparing consolidated financial statements by virtue of the fact that the company is a subsidiary of another company which prepares group financial statements. The financial statements therefore present information about the company as an individual undertaking and not as a group.

Cash flow statement

The company has taken advantage of exemptions within FRS1 and has not prepared a cash flow statement on the grounds that the company is a wholly owned subsidiary of a parent undertaking which produces consolidated financial statements including a consolidated cash flow statement dealing with the cash flows of the group.

Tangible fixed assets

Individual freehold properties are revalued every year with the surplus or deficit on book value being transferred to the revaluation reserve. Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

On all assets, depreciation is provided on cost or valuation in equal annual instalments over the estimated useful economic lives of the assets. The rates of depreciation are as follows:

Fixtures and fittings	- 7 years.
Freehold land and buildings	- 50 years

Investments

Investments are shown cost.

Stocks

Stocks are stated at cost, which comprises materials only.

Taxation

Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset.

Deferred tax has not been provided on revaluations of fixed assets. This would only become payable if the assets were sold.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2005

1. ACCOUNTING POLICIES (continued)

Pension costs

The company operates both defined benefit and defined contribution schemes. The expected costs of providing pensions and other post retirement benefits, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the schemes operated within the company in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Leases

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

2. TURNOVER

Turnover and profit on ordinary activities before taxation represents the value of services attributable to the company's principal activity, the provision of healthcare services. All turnover arises in the United Kingdom and is stated exclusive of value added taxation.

Revenue is recognised when the company has obtained the right to receive consideration in exchange for its performance of the provision of private healthcare services. Revenue is recognised on a daily basis in accordance with the patients' stay in the private healthcare units provided by the company.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

In the current and preceding years there are no directors emoluments.

The remuneration of the directors is borne by the ultimate parent company. It is not practical to allocate the total remuneration of these directors between each of the group companies.

	2005 £	2004 £
Employee costs during the year:		
Wages and salaries	8,679,634	7,208,215
Social security costs	811,840	680,095
Other pension costs	235,317	199,678
	<u>9,726,791</u>	<u>8,087,988</u>
	No	No
Average number of persons employed:		
Administrative	36	41
Professional	318	265
Technical and support	37	40
	<u>391</u>	<u>346</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Bank loans	<u>134,105</u>	<u>229,550</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2005

7. DIVIDENDS

	2005 £	2004 £
Equity Shares:		
Ordinary shares – final proposed - £nil per ordinary share (2004 - £30,928 per ordinary share)	-	3,000,000

8. TANGIBLE FIXED ASSETS

	Freehold property £	Fixtures & fittings £	Total £
Cost or valuation			
At 1 July 2004	22,397,707	3,233,864	25,631,571
Additions	1,147,574	512,581	1,660,155
Adjustment arising on revaluation	29,482,849	-	29,482,849
Disposals	(65,000)	-	(65,000)
At 30 June 2005	52,963,130	3,746,445	56,709,575
Accumulated depreciation			
At 1 July 2004	3,131	1,628,440	1,631,571
Charge for the year	756,533	436,341	1,192,874
Disposals	-	-	-
At 30 June 2005	759,664	2,064,781	2,824,445
Net book value			
At 30 June 2005	52,203,466	1,681,664	53,885,130
At 30 June 2004	22,394,576	1,605,424	24,000,000

Comparable amounts determined according to the historical cost convention:

	Freehold property £	Fixtures & fittings £	Total £
Cost	5,586,170	3,746,445	9,332,615
Accumulated depreciation	(759,664)	(2,064,781)	(2,824,445)
Net book value			
At 30 June 2005	4,826,506	1,681,664	6,508,170
At 30 June 2004	4,500,465	1,605,424	6,105,889

Cheadle Royal Hospital was revalued having regard to trading potential as an operational entity inclusive of freehold property and business goodwill as at 6 December 2004 by Colliers CRE, Chartered Surveyors.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2005

9. INVESTMENTS

		Shares in subsidiary under-taking £
Cost and net book value		
At 1 July 2004 and 30 June 2005		<u>2</u>
Subsidiary undertaking	Activity	Shares Owned %
Cheadle Royal Hospital Limited (incorporated in England and Wales).	Dormant	Ordinary 100

10. STOCKS

	2005 £	2004 £
Raw materials and consumables	<u>39,766</u>	<u>53,254</u>

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Amounts falling due within one year:		
Trade debtors	2,161,076	2,136,011
Amounts due from immediate parent company	-	662,852
Amounts due from fellow subsidiary	-	4,022,964
Other debtors	15,995	63,499
Prepayments and accrued income	85,960	82,200
Corporation tax recoverable	-	20,351
	<u>2,263,031</u>	<u>6,987,877</u>
Amounts falling due after one year		
Amounts due from immediate parent company	2,146,627	-
Amounts due from fellow subsidiary	3,106,046	-
Amounts due from intermediate parent company	2,635,924	-
	<u>7,888,597</u>	<u>-</u>
	<u>10,151,628</u>	<u>-</u>

CHEADLE ROYAL HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2005

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Bank loans (note 15)	-	977,351
Trade creditors	586,829	515,842
Amounts due to immediate parent company	-	3,000,000
Corporation tax	347,118	547,089
Group relief payable	3,470,199	2,621,983
Other creditors including taxation and social security (note 13)	549,776	231,876
Accruals and deferred income	527,151	546,998
	<u>5,481,073</u>	<u>8,441,139</u>

13. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2005 £	2004 £
Taxation and social security	284,345	222,913
Other creditors	265,431	8,963
	<u>549,776</u>	<u>231,876</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005 £	2004 £
Bank loans (note 15)	-	3,269,933
Amounts due to immediate parent company	5,395,694	-
	<u>5,395,694</u>	<u>3,269,933</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2005

15. BORROWINGS

	2005	2004
	£	£
Bank loans	-	4,247,284
Due within one year	-	977,351
Due after more than one year	-	3,269,933
	-	4,247,284
Analysis of repayments:		
Within one year	-	977,351
Between one and two years	-	635,928
Between two and five years	-	1,224,959
Over five years	-	1,409,046
	-	4,247,284

During the year, the company repaid all external borrowings.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £
At 1 July 2004	136,095
Charge for the year	22,733
At 30 June 2005	158,828

Provision for deferred taxation consists of the following amounts:

	2005	2004
	£	£
Capital allowances in excess of depreciation	173,999	168,013
Other timing differences	(15,171)	(17,040)
Losses	-	(14,878)
	158,828	136,095

Deferred tax has not been provided on the revaluation of fixed assets. This tax will only become payable if the assets are sold and rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £14,651,034 (2004 - £5,150,546).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2005

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	2004
	£	£
Profit for the financial year	4,225,271	3,032,312
Dividends	-	(3,000,000)
Adjustment arising upon revaluation	29,482,849	725,623
Net increase in shareholders' funds	33,708,120	757,935
Opening shareholders' funds	19,531,445	18,773,510
Closing shareholders' funds	<u>53,239,565</u>	<u>19,531,445</u>

18. CALLED UP SHARE CAPITAL

	2005	2004
	£	£
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Called up, allotted and fully paid		
97 ordinary shares of £1 each	<u>97</u>	<u>97</u>

19. RESERVES

	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £
At 1 July 2004	212,800	17,894,111	907,203	517,234
Adjustment arising upon revaluation in year	-	29,482,849	-	-
Retained profit for the year	-	-	-	4,225,271
Transfer	-	(294,828)	-	294,828
At 30 June 2005	<u>212,800</u>	<u>47,082,132</u>	<u>907,203</u>	<u>5,037,333</u>

20. PENSION SCHEMES

Defined contribution schemes

The assets of these schemes are held separately from those of the company in independently administered funds. The pension costs charged to the profit and loss account in the period in respect of private pension schemes amounted to £235,317 (2004: £199,678). There were outstanding contributions payable to the fund at year end of £44,171 (2004: £30,100).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2005

20. PENSION SCHEMES (continued)

Defined benefit scheme

The company contributes to the Cheadle Royal Hospital Pension Fund, a funded defined benefit pension scheme that is closed to new entrants. Owing to the existence of significant surplus in the scheme, there is no pension cost for the period (2004: £Nil). As no contributions were paid during the period, there is no provision or prepayment (2004: £Nil).

On 15 June 2005 the company gave notice to the Trustees to terminate their contributions to the Fund. Wind-up of the fund was automatically triggered on 15 September 2005. The Trustees have secured all members contractual benefits on a guaranteed basis with an insurance policy with Prudential. On 8 July 2005 assets of £29.8m were transferred to Prudential with the remaining £1.5m of assets being transferred to the Trustees bank account to meet estimated remaining cash flows from the Fund until the end of the wind up process.

The company currently accounts for pensions under SSAP 24 *Accounting for Pension Costs*. Under the transitional arrangements for FRS 17 *Retirement Benefits*, the company is required to provide the additional disclosures in relation to its pension scheme, as set out below.

SSAP 24

A valuation was carried out by a qualified independent actuary at 31 March 2001 using the aggregate method. Following the valuation, it was agreed that the employer would continue its contribution holiday.

The assumptions which have the most significant effect on the results of the valuation are set out below:

Investment returns	4.5% p.a.
Increase in:	
Salaries	4.4% p.a.
Present and future pensions	1.95% p.a.

The total market value of Cheadle Royal Hospital Pension Fund's assets at the last valuation date, together with the funding level as a percentage of accrued benefits after allowing for future increases in earnings, was £30.2m (122%).

The funding level allows for changes to the Fund which were implemented at 1 November 2002. These changes were:

- All benefits for all members were increased by 10%. The increase for members who were pensioners at 1 November was back dated to 1 September 2001.
- A refund of the surplus was paid to the employer of £2,411,900; an amount received net of tax was £1,517,360.
- A three year contribution holiday for members was implemented with effect from 1 November 2002.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2005

20. PENSION SCHEMES (continued)

FRS 17

The figures below have been based on the most recent revaluation of the Cheadle Royal Hospital Pension Fund as at 31 March 2001, the most recent year-end of the scheme, updated to 30 June 2005 by an independent qualified actuary. The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at			Value at		
	30 June 2005	30 June 2004	30 June 2003	30 June 2005	30 June 2004	30 June 2003
Equities	n/a	n/a	n/a	Nil	Nil	Nil
Bonds	4.2%	4.8%	4.5%	Nil	£29.4m	£29.7m
Other	4.2%	4.8%	4.5%	£1.5m	Nil	Nil

The liabilities of the scheme at 30 June 2005 were calculated on the following bases as required under FRS 17:

Assumptions	30 June 2005	30 June 2004	30 June 2003
Discount rate	5.0%	5.7%	5.0%
Rate of increase in salaries	4.7%	4.9%	4.6%
Rate of increase in pensions in payment	2.7%	2.9%	2.6%
Inflation assumption	2.7%	2.9%	2.6%

The balance sheet position for the scheme as calculated under FRS 17 at 30 June 2005 was as follows:

	30 June 2005 £	30 June 2004 £	30 June 2003 £
Fair value of assets	1.5m	29.4m	29.7m
Present value of scheme liabilities	(1.5m)	(21.7m)	(23.2m)
Surplus in the scheme	-	7.7m	6.5m
Present value of scheme liabilities	-	(5.2m)	(4.2m)
Unrecognised surplus in the scheme	-	2.5m	2.3m
Related deferred tax liability	-	(0.7m)	(0.7m)
Net pension asset	-	1.8m	1.6m

Full implementation of FRS17 would increase net assets by £nil (2004: £1.8m).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2005

20. PENSION SCHEMES (continued)

Amount that would be charged to profit and loss account:

	2005	2004
	£	£
Expected return on pension scheme assets	1.4m	1.3m
Interest on pension liabilities	(1.2m)	(1.1m)
Other finance income	-	-
Net return	0.2m	0.2m
Current service cost	(0.3m)	(0.3m)
Effect of scheme wind-up	(2.5m)	-
Net pension cost	(2.6m)	(0.1m)

The Fund has been closed to new entrants since 1994.

Amount that would be recognised in the statement of total recognised gains and losses:

	2005	2004
	£	£
Actual return less expected return on pension scheme assets	1.4m	(0.8m)
Experience gains on liabilities	(1.3m)	0.8m
Changes in assumptions	-	1.3m
Adjustment due to surplus cap	0.1m	1.3m
	-	(1.0m)
Net gain/(loss) recognised	0.1m	0.3m

The analysis of reserves that would have arisen if FRS 17 had been fully implemented is as follows:

	2005	2004
	£m	£m
Profit and loss reserve excluding pension asset	5.0m	0.5m
Amount relating to defined benefit pension scheme asset, net of related deferred tax	-	1.8m
Profit and loss reserve	5.0m	2.3m

Movements in pension scheme surplus during the year:

	2005	2004
	£	£
Recoverable surplus in scheme at beginning of year	2.5m	2.3m
Movement in year:		
Current service costs	(0.3m)	(0.3m)
Other finance income	0.2m	0.2m
Actuarial loss, including effect of surplus cap	0.1m	0.3m
Effect of wind-up on company asset	(2.5m)	-
Surplus in scheme at end of year	-	2.5m

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2005

20. PENSION SCHEMES (continued)

History of experience gains and losses:

	2005	2004	2003	2002
	£	£	£	£
Difference between expected and actual return of scheme assets:	1.4m	(0.8m)	1.6m	0.5m
Percentage of scheme assets	96%	(3%)	6%	1.6%
Experience gains and losses on scheme liabilities:	(1.3m)	0.8m	(0.3m)	2.9m
Percentage of scheme liabilities	0%	4%	(1%)	16.1%
Total amount recognised in statement of total recognised gains and losses	0.1m	0.3m	(1.4m)	(1.4m)
Percentage of scheme liabilities	0%	1%	(6%)	(7.7%)

21. OPERATING LEASE COMMITMENTS

At 30 June 2005 the company was committed to making the following payments during the next year in respect of operating leases:

	Other 2005	Other 2004
	£	£
Leases which expire:		
Within one year	7,012	10,837
Within two to five years	27,083	12,943

22. CAPITAL COMMITMENTS

	2005	2004
	£	£
Contracted for but not provided	233,112	1,288,238

23. ULTIMATE PARENT COMPANY

The directors regard Duke Street Capital V Limited as the ultimate controlling party of the company.

The ultimate parent company is Affinity Healthcare Holdings Limited (formerly Ingleby (1640) Limited). Copies of the financial statements of the ultimate parent company may be obtained from Affinity Healthcare Holdings Limited, 100 Wilmslow Road, Heald Green, Cheadle.

The immediate parent company is Affinity Hospitals Limited. Copies of its financial statements may be obtained from Affinity Hospitals Limited, 100 Wilmslow Road, Heald Green, Cheadle.

The company has taken advantage of paragraph 3 (c) of FRS8 "Related Party Disclosures" which allows exemption from disclosure of related party transactions with group companies.