

**CHEADLE ROYAL HEALTHCARE  
LIMITED**

**Report and Financial Statements**

**30 June 2006**

TUESDAY



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COMPANIES HOUSE

# **CHEADLE ROYAL HEALTHCARE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2006**

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# **CHEADLE ROYAL HEALTHCARE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2006**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

P F Batchelor

J P Ward (resigned 8 March 2006)

J Shaw

A Evans (appointed 28 April 2006)

#### **SECRETARY**

J Shaw

#### **REGISTERED OFFICE**

100 Wilmslow Road  
Heald Green  
Cheadle  
Cheshire  
SK8 3DG

#### **SOLICITORS**

Wragge & Co LLP  
55 Colmore Row  
Birmingham

#### **BANKERS**

Royal Bank of Scotland  
1 Spinningfields Square  
Manchester

#### **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 2006

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The ultimate parent company of Cheadle Royal Healthcare Limited is Affinity Healthcare Holdings Limited

The company's principal activity is the provision of private healthcare. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

As shown in the company's profit and loss account on page 6, the company's sales have increased by 14% over the prior year.

The company regards the EBITDA as the most important measure of financial performance. EBITDA for the current financial year was £7,446,659 (2005 - £6,870,228), representing 33% (2005 - 35%) as a percentage of sales respectively.

The balance sheet on page 7 of the financial statements shows that the company's financial position at the year end is in cash terms, consistent with the prior year. Details of amounts due to and from its fellow subsidiaries and parent undertakings are shown in notes 11 and 14 on pages 12 and 13 respectively.

No significant events have occurred since the balance sheet date.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The company operates in a competitive, regulated and changing market. The company provides services mainly to the NHS which is going through a period of change and restructuring.

The company operates entirely in the UK and is therefore not exposed to exchange rate risk.

Group risks are discussed in the group's Annual Report which does not form part of this Report.

### **RESULTS, DIVIDENDS AND TRANSFER TO RESERVES**

The company made a profit after taxation of £5,082,021 (2005 - £4,877,980 as restated for the prior year adjustment, see note 22 for further information). No dividends have been paid or proposed in the year (2005 - £nil). The retained profit for the year will be transferred to reserves.

### **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.

# CHEADLE ROYAL HEALTHCARE LIMITED

## DIRECTORS' REPORT (continued)

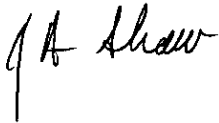
### AUDITORS

In the case of each of the persons who are directors of the company at the date when this report was approved

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each of the directors 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

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

1 March 2007

# **CHEADLE ROYAL HEALTHCARE LIMITED**

## **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 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 22. 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**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

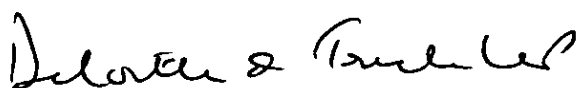
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its profit for the year then ended,
- 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.



Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Manchester

5 March 2007

# CHEADLE ROYAL HEALTHCARE LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 30 June 2006

	Note	2006 £	2005 (restated see note 22) £
<b>TURNOVER</b>	2	22,491,485	19,699,729
Cost of sales		(12,383,915)	(10,758,179)
<b>GROSS PROFIT</b>		10,107,570	8,941,550
Administrative expenses		(3,347,087)	(2,611,487)
<b>OPERATING PROFIT</b>		6,760,483	6,330,063
Interest receivable and similar income		9,585	37,623
Interest payable and similar charges	4	(8,377)	(134,105)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	6,761,691	6,233,581
Tax on profit on ordinary activities	6	(1,679,670)	(1,355,601)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	17	5,082,021	4,877,980

All activity arose from continuing operations

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 30 June 2006

	2006 £	2005 (restated see note 22) £
Profit for the financial year	5,082,021	4,877,980
<b>Total recognised gains and losses relating to the year</b>	5,082,021	4,877,980
Prior year adjustment in relation to FRS 17 (as explained in note 18)	131,000	
Prior year adjustment (as explained in note 22)	(46,071,542)	
<b>Total gains and losses recognised since last financial statements</b>	(40,858,521)	




# CHEADLE ROYAL HEALTHCARE LIMITED

## BALANCE SHEET At 30 June 2006

	Note	2006 £	2005 (restated see note 22) £
<b>FIXED ASSETS</b>			
Tangible assets	7	7,638,342	7,160,879
Investments	8	2	2
		<u>7,638,344</u>	<u>7,160,881</u>
<b>CURRENT ASSETS</b>			
Stocks	9	35,072	39,766
Debtors			
- due within one year	10	2,345,560	2,263,031
- due after one year	10	13,080,446	7,888,597
Cash at bank and in hand		530,199	198,634
		<u>15,991,277</u>	<u>10,390,028</u>
<b>CREDITORS: amounts falling due within one year</b>	11	(6,765,288)	(5,481,073)
<b>NET CURRENT ASSETS</b>		<u>9,225,989</u>	<u>4,908,955</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>16,864,333</u>	<u>12,069,836</u>
<b>CREDITORS: amounts falling due after more than one year</b>	13	(5,255,991)	(5,395,694)
<b>PROVISIONS FOR LIABILITIES</b>	14	(11,007)	(158,828)
<b>NET ASSETS</b>		<u>11,597,335</u>	<u>6,515,314</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	97	97
Share premium	17	212,800	212,800
Capital redemption reserve	17	907,203	907,203
Profit and loss account	17	10,477,235	5,395,214
<b>EQUITY SHAREHOLDERS' FUNDS</b>	15	<u>11,597,335</u>	<u>6,515,314</u>

These financial statements were approved by the Board of Directors on  
Signed on behalf of the Board of Directors

1 March 2007

Director 

# CHEADLE ROYAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2006

### 1. ACCOUNTING POLICIES

#### Accounting convention

The financial statements are prepared under the historical cost convention. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year with the exception of the policy for tangible fixed assets which is explained in note 22.

#### 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

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

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 at 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.

#### Pension costs

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### 1. ACCOUNTING POLICIES (continued)

# CHEADLE ROYAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2006

### 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.

	2006 £	2005 £
<b>Employee costs during the year:</b>		
Wages and salaries	10,769,714	8,679,634
Social security costs	981,793	811,840
Other pension costs	352,030	235,317
	<u>12,103,537</u>	<u>9,726,791</u>
	<b>No</b>	<b>No</b>
<b>Average number of persons employed:</b>		
Administrative	48	36
Professional	363	318
Technical and support	41	37
	<u>452</u>	<u>391</u>

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £	2005 £
Bank loans	<u>8,377</u>	<u>134,105</u>

### 5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006 £	2005 (restated see note 22) £
Profit on ordinary activities before taxation is after charging		
Depreciation		
Owned assets	686,175	540,165
Operating leases - other	-	35,161
Profit on sale of fixed asset	(51,248)	-
Auditors' remuneration - audit fees	14,188	13,513
- non-audit fees	10,869	9,024
	<u>749,984</u>	<u>698,863</u>

# CHEADLE ROYAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2006

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £	2005 £
<b>Current taxation</b>		
UK corporation tax at 30% (2005 30%)	-	584,073
Adjustments in respect of prior periods	(35,567)	(99,421)
	(35,567)	484,652
Group relief	1,894,635	848,216
Group relief adjustment in respect of prior years	(31,577)	-
Total current tax	1,827,491	1,332,868
<b>Deferred taxation</b>		
Origination and reversal of timing differences	(148,495)	(51,136)
Adjustments in respect of prior periods	674	73,869
	(147,821)	22,733
Tax on profit on ordinary activities	1,679,670	1,355,601

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30%. The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation

	2006 £	2005 (restated see note 22) £
Profit on ordinary activities before tax	6,761,691	6,233,581
Tax on profit on ordinary activities at standard rate	2,028,507	1,870,074
<b>Factors affecting charge for the year:</b>		
Capital allowances for period in excess of depreciation	(112,818)	(160,998)
Expenses not deductible for tax purposes	318,070	165,515
Utilisation of tax losses	-	-
Short term timing differences	(3,000)	13,500
Transfer pricing adjustment	(357,124)	(469,302)
Capital item expensed	21,000	13,500
Prior period adjustments	(67,144)	(99,421)
Total actual amount of current tax	1,827,491	1,332,868

### 7. TANGIBLE FIXED ASSETS

	Freehold property £	Fixtures & fittings £	Total £
<b>Cost</b>			
At 1 July 2005 (restated see note 22)	5,586,170	3,746,445	9,332,615
Additions	759,674	449,464	1,209,138
Disposals	(45,500)	-	(45,500)
At 30 June 2006	6,300,344	4,195,909	10,496,253
<b>Accumulated depreciation</b>			
At 1 July 2005 (restated see note 22)	106,955	2,064,781	2,171,736
Charge for the year	181,192	504,983	686,175

# CHEADLE ROYAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2006

At 30 June 2006	288,147	2,569,764	2,857,911
<b>Net book value</b>			
At 30 June 2006	6,012,197	1,626,145	7,638,342
At 30 June 2005 (restated see note 22)	5,479,215	1,681,664	7,160,879

The tangible fixed assets are stated at cost however the Directors have had them valued having regard to trading potential as an operational entity inclusive of freehold property and business goodwill as at 30 June 2006 by Colliers CRE, Chartered Surveyors Freehold property at Cheadle Royal Hospital was valued at £67,370,855 (2005 - £52,203,466) at 30 June 2006

### 8. INVESTMENTS

			Shares in subsidiary undertaking £
<b>Cost and net book value</b>			
At 1 July 2005 and 30 June 2006			2
<b>Subsidiary undertaking</b>	<b>Activity</b>	<b>Shares Owned</b>	<b>%</b>
Cheadle Royal Hospital Limited (incorporated in England and Wales)	Dormant	Ordinary	100

### 9. STOCKS

	2006 £	2005 £
Raw materials and consumables	35,072	39,766

### 10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Amounts falling due within one year		
Trade debtors	2,221,990	2,161,076
Other debtors	55,217	15,995
Prepayments and accrued income	68,353	85,960
Corporation tax recoverable	-	-
	2,345,560	2,263,031
Amounts falling due after one year		
Amounts due from fellow subsidiary	2,240,803	3,106,046
Amounts due from immediate parent company	4,768,592	2,146,627
Amounts due from intermediate parent company	6,029,255	2,635,924
Amounts due from ultimate parent company	41,796	-
	13,080,446	7,888,597
	15,426,006	10,151,628

# CHEADLE ROYAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2006

### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Trade creditors	489,488	586,829
Corporation tax	129,175	347,118
Group relief payable	5,333,257	3,470,199
Other creditors including taxation and social security (note 12)	343,699	549,776
Accruals and deferred income	469,669	527,151
	<u>6,765,288</u>	<u>5,481,073</u>

### 12. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2006 £	2005 £
Taxation and social security	324,287	284,345
Other creditors	19,412	265,431
	<u>343,699</u>	<u>549,776</u>

### 13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £	2005 £
Amounts due to immediate parent company	<u>5,255,991</u>	<u>5,395,694</u>

### 14. PROVISIONS FOR LIABILITIES

	Deferred tax £	
At 1 July 2005	158,828	
Credit for the year	(147,821)	
	<hr/>	
At 30 June 2006	11,007	
	<hr/> <hr/>	
Provision for deferred taxation consists of the following amounts		
	2006 £	2005 £
Capital allowances in excess of depreciation	6,818	173,999
Other timing differences	4,189	(15,171)
	<hr/>	<hr/>
	11,007	158,828

### 15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit for the financial year	<u>5,082,021</u>	<u>4,877,980</u>
Net increase in shareholders' funds	5,082,021	4,877,980

# CHEADLE ROYAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2006

Opening shareholders' funds	6,515,314	1,637,334
Closing shareholders' funds	11,597,335	6,515,314

### 16. CALLED UP SHARE CAPITAL

	2006 £	2005 £
<b>Authorised</b>		
100 ordinary shares of £1 each	100	100
<b>Called up, allotted and fully paid</b>		
97 ordinary shares of £1 each	97	97

### 17. RESERVES

	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £
At 1 July 2005 (as restated see note 22)	212,800	-	907,203	5,395,214
Retained profit for the year	-	-	-	5,082,021
At 30 June 2006	212,800	-	907,203	10,477,235

### 18. 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 £352,030 (2005 - £235,317). There were outstanding contributions payable to the fund at year end of £48,483 (2005 - £44,171).

#### Defined benefit scheme

The company contributed to the Cheadle Royal Hospital Pension Fund, a funded defined benefit pension scheme that has been closed to new entrants since 1994. Owing to the existence of significant surplus in the scheme, there is no pension cost for the period (2005 £Nil). As no contributions were paid during the period, there is no provision or prepayment (2005 £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 FRS 17 *Retirement Benefits*.

The figures below have been based on the most recent revaluation of the Cheadle Royal Hospital Pension Fund updated to 30 June 2006 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 2006	30 June 2005	30 June 2004	30 June 2006	30 June 2005	30 June 2004
Equities	n/a	n/a	n/a	Nil	Nil	Nil
Bonds	4.4%	4.2%	4.8%	Nil	Nil	£29.4m

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2006

The liabilities of the scheme at 30 June 2006 were calculated on the following bases as required under FRS 17

The balance sheet position for the scheme as calculated under FRS 17 at 30 June 2006 was as follows

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# CHEADLE ROYAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2006

### 18. PENSION SCHEMES (continued)

The surplus on the pension scheme as at 30 June 2005 has not been recognised on the balance sheet at that date due to the fact that the company has no legal entitlement to the surplus because the scheme is in wind up at 30 June 2006 and the trustees were aware of this intention as at 30 June 2005

The costs that will be incurred to wind up the scheme are not envisaged to be in excess of the surplus on the scheme as at 30 June 2006

Amount that has been charged to profit and loss account:

	2006 £	2005 £
Expected return on pension scheme assets	0.1m	1.4m
Interest on pension liabilities	(0.1m)	(1.2m)
Net return	-	0.2m
Current service cost	(0.1m)	(0.3m)
Actuarial gain	0.1m	-
Net pension cost	-	(0.1m)

The Fund has been closed to new entrants since 1994

Amount that have been recognised in the statement of total recognised gains and losses:

	2006 £	2005 £
Actual return less expected return on pension scheme assets	-	1.4m
Experience gains on liabilities	-	(1.3m)
Net gain recognised	-	0.1m

Movements in pension scheme surplus during the year:

	2006 £	2005 £
Recoverable surplus in scheme at beginning of year	2.5m	2.5m
Movement in year		
Current service costs	-	(0.3m)
Other finance income	-	0.2m
Actuarial loss, including effect of surplus cap	-	0.1m
Effect of wind up on company asset	(2.5m)	-
Surplus in scheme at end of year	-	2.5m

The surplus on the pension scheme as at 30 June 2005 has not been recognised on the balance sheet at that date due to the fact that the company has no legal entitlement to the surplus because the scheme is in wind up at 30 June 2006 and the trustees were aware of this intention as at 30 June 2005

The costs that will be incurred to wind up the scheme are not envisaged to be in excess of the surplus on the scheme as at 30 June 2006

# CHEADLE ROYAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2006

### 18. PENSION SCHEMES (continued)

History of experience gains and losses:

	2006 £	2005 £	2004 £	2003 £
Difference between expected and actual return of scheme assets	(0.2m)	1.4m	(0.8m)	1.6m
Percentage of scheme assets	(22%)	96%	(3%)	6%
Experience gains and losses on scheme liabilities	0.3m	(1.3m)	0.8m	(0.3m)
Percentage of scheme liabilities	30%	88%	4%	(1%)
Total amount recognised in statement of total recognised gains and losses	-	0.1m	0.3m	(1.4m)
Percentage of scheme liabilities	-	9%	1%	(6%)

### 19. OPERATING LEASE COMMITMENTS

At 30 June 2006 the company was committed to making the following payments during the next year in respect of operating leases

	Other 2006 £	Other 2005 £
<b>Leases which expire:</b>		
Within one year	8,766	7,012
Within two to five years	19,149	27,083

### 20. CAPITAL COMMITMENTS

	2006 £	2005 £
Contracted for but not provided	443,688	233,112

### 21. 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

# CHEADLE ROYAL HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2006

### 22. PRIOR YEAR ADJUSTMENT

The company previously revalued its freehold properties every year. The annual valuation was performed by a Chartered Surveyor on the basis of the trading potential of the freehold property as an operational entity plus the business goodwill of the site. During the current year the directors reconsidered the accounting policy for freehold property, and concluded that the most appropriate accounting policy for these tangible fixed assets is to include them in the accounts at cost. The comparative figures in the primary statements and notes have been restated to reflect the new policy.

The effects of the change in policy are summarised below:

	2006 £	2005 £
<b>Profit and loss account</b>		
Reduction in depreciation charge on freehold properties	881,041	652,709
<b>Increase in profit for the financial year</b>	<u>881,041</u>	<u>652,709</u>
<b>Balance sheet</b>		
Reduction in net book value of tangible fixed assets and associated revaluation reserve	61,358,658	46,724,251
<b>Decrease in net assets</b>	<u>61,358,658</u>	<u>46,724,251</u>