

**CHEADLE ROYAL HEALTHCARE
LIMITED**

Annual Report and Financial Statements

30 June 2009



CHEADLE ROYAL HEALTHCARE LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

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CHEADLE ROYAL HEALTHCARE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T MacDonald-Milner
J Shaw
A Evans

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 Plc
1 Spinningfields Square
Manchester

AUDITORS

Deloitte LLP
Chartered Accountants and Statutory Auditors
Manchester, United Kingdom

CHEADLE ROYAL HEALTHCARE LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2009

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 12% over the prior year. The increase in turnover resulted mainly from additional business in the young persons and eating disorder services.

The company regards the earnings before interest, taxation, depreciation and amortisation ('EBITDA') as the most important measure of financial performance. EBITDA for the current financial year was £8,608,307 (2008 - £7,651,367), representing 30.0% (2008 - 29.8%) as a percentage of sales.

The balance sheet on page 7 of the financial statements shows that the company's net assets at the year end increased by £5,906,713 due to the retained profits for the year.

The directors expect the general level of activity to continue at a consistent level in the forthcoming year.

Details of amounts due to and from its fellow subsidiaries and parent undertakings are shown in notes 10 and 13 on page 12.

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 almost exclusively to the NHS and works closely with that organisation to ensure that the services provided by the company meet the needs of the NHS. The NHS is moving towards a greater emphasis on commissioning services by means of a contract rather than a spot purchase. To date, the company has been successful in responding to such tenders. This approach from the NHS may lead to slightly lower future margins for the company, but potentially a greater degree of certainty for future revenues.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

RESULTS, DIVIDENDS AND TRANSFER TO RESERVES

The retained profit after tax of £5,906,713 (2008 - £5,499,589) has been transferred to reserves. No dividends have been paid or proposed in the year (2008 - £nil).

DIRECTORS

The present membership of the board is set out on page 1. All of the directors served throughout the year and thereafter.

DIRECTORS' INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

EMPLOYEE INVOLVEMENT

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

CHEADLE ROYAL HEALTHCARE LIMITED

DIRECTORS' REPORT (continued)

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

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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The company has elected to dispense with the holding of annual general meetings, the laying of accounts before the company in general meetings and the annual appointment of auditors. On 1st December 2008 Deloitte & Touche LLP changed its name to Deloitte LLP and accordingly Deloitte LLP will continue to act as auditors to the Company.

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

J A Shaw
Secretary
Date

J A Shaw
28 October 2009

CHEADLE ROYAL HEALTHCARE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 2009, 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Patrick Loftus (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Manchester, United Kingdom
28 October 2009

CHEADLE ROYAL HEALTHCARE LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2009

	Note	2009 £	2008 £
TURNOVER	2	28,739,447	25,658,548
Cost of sales		(16,976,188)	(15,107,445)
GROSS PROFIT		11,763,259	10,551,103
Administrative expenses		(3,748,724)	(3,461,108)
OPERATING PROFIT		8,014,535	7,089,995
Interest receivable and similar income	4	2,404	27,646
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	8,016,939	7,117,641
Tax on profit on ordinary activities	6	(2,110,226)	(1,618,052)
PROFIT FOR THE FINANCIAL YEAR	15,17	5,906,713	5,499,589

All activity arose from continuing operations

The company has no recognised gains and losses other than the results for the year as disclosed above. Accordingly a separate statement of total recognised gains and losses has not been included

CHEADLE ROYAL HEALTHCARE LIMITED

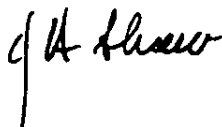
BALANCE SHEET 30 June 2009

	Note	2009 £	2008 £
FIXED ASSETS			
Tangible assets	7	11,488,579	10,503,936
Investments	8	102	102
		<u>11,488,681</u>	<u>10,504,038</u>
CURRENT ASSETS			
Stocks	9	35,699	26,104
Debtors			
- due within one year	10	2,684,371	2,995,277
- due after one year	10	29,096,171	23,531,922
Cash at bank and in hand		766,507	468
		<u>32,582,748</u>	<u>26,553,771</u>
CREDITORS: amounts falling due within one year	11	<u>(12,083,970)</u>	<u>(10,976,963)</u>
NET CURRENT ASSETS		<u>20,498,778</u>	<u>15,576,808</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		31,987,459	26,080,846
CREDITORS: amounts falling due after more than one year	13	<u>(5,244,665)</u>	<u>(5,244,765)</u>
NET ASSETS		<u><u>26,742,794</u></u>	<u><u>20,836,081</u></u>
CAPITAL AND RESERVES			
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	25,622,694	19,715,981
SHAREHOLDER'S FUNDS	15	<u><u>26,742,794</u></u>	<u><u>20,836,081</u></u>

The financial statements of Cheadle Royal Healthcare Limited, registered number 03254624 were approved by the board of directors and authorised for issue on *28 October 2009*

Signed on behalf of the Board of Directors

Director



CHEADLE ROYAL HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2009

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Going Concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 2. The directors' report on pages 2 to 3 describes the financial position of the company. Although the company has net current liabilities after considering its debtors due after more than one year, which are all intercompany receivables, the company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current bank facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Group Financial statements

Under the provision of section 400 of the Companies Act 2006 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 less provision for impairment.

Stocks

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

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

CHEADLE ROYAL HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2009

1. ACCOUNTING POLICIES (continued)

Pension costs

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.

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.

	2009 £	2008 £
Employee costs during the year:		
Wages and salaries	14,327,226	12,059,727
Social security costs	1,446,359	1,218,408
Other pension costs	538,629	452,035
	<u>16,312,214</u>	<u>13,730,170</u>
	No	No
Average number of persons employed:		
Administrative	41	50
Professional	431	366
Technical and support	50	41
	<u>522</u>	<u>457</u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 £	2008 £
Bank interest	<u>2,404</u>	<u>27,646</u>

CHEADLE ROYAL HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2009

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2009 £	2008 £
Profit on ordinary activities before taxation is after charging		
Depreciation – owned assets	593,772	561,372
Operating leases – hire of plant and machinery	39,217	38,572
Auditors' remuneration - audit fees for the audit of the company's annual accounts	13,584	11,423
- non-audit fees (tax services)	15,109	14,571
	<u>15,109</u>	<u>14,571</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009 £	2008 £
Current taxation		
UK corporation tax at 28% (2008 29.5%)	-	-
Adjustments in respect of prior periods	-	-
	<u>-</u>	<u>-</u>
Group relief	2,103,575	1,885,887
Group relief adjustment in respect of prior years	6,651	(267,835)
	<u>2,110,226</u>	<u>1,618,052</u>
Total current tax	<u>2,110,226</u>	<u>1,618,052</u>
Deferred taxation		
Origination and reversal of timing differences	-	22,981
Adjustments in respect of prior periods	-	(22,981)
	<u>-</u>	<u>-</u>
Total deferred tax	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>2,110,226</u>	<u>1,618,052</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 28% (2008 – 29.5%) The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation

	2009 £	2008 £
Profit on ordinary activities before tax	8,016,939	7,117,641
Tax on profit on ordinary activities at standard rate of 28% (2008 – 29.5%)	2,244,743	2,099,704
Factors affecting charge for the year:		
Capital allowances for period in excess of depreciation	(52,818)	(102,475)
Expenses not deductible for tax purposes	42,101	41,967
Short term timing differences	(16,612)	48,778
Transfer pricing adjustment	(113,839)	(202,087)
Capital item expensed	-	-
Prior period adjustments	6,651	(267,835)
	<u>2,110,226</u>	<u>1,618,052</u>
Total actual amount of current tax	<u>2,110,226</u>	<u>1,618,052</u>

CHEADLE ROYAL HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2009

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Fixtures & fittings £	Total £
Cost			
At 1 July 2008	9,857,660	4,593,618	14,451,278
Additions	1,076,339	502,076	1,578,415
At 30 June 2009	10,933,999	5,095,694	16,029,693
Accumulated depreciation			
At 1 July 2008	574,932	3,372,410	3,947,342
Charge for the year	196,546	397,226	593,772
At 30 June 2009	771,478	3,769,636	4,541,114
Net book value			
At 30 June 2009	10,162,521	1,326,058	11,488,579
At 30 June 2008	9,282,728	1,221,208	10,503,936

8. INVESTMENTS

	Shares in subsidiary under- taking £
Cost and net book value	
At 1 July 2008 and 30 June 2009	102

Subsidiary undertaking	Shares Owned	%
Cheadle Royal Hospital Limited (Dormant)	Ordinary	100
Cheadle Royal Residential Services Limited	Ordinary	100

The principal activities of Cheadle Royal Residential Services Limited is the provision of healthcare services
Both subsidiary undertakings are incorporated in England and Wales

9. STOCKS

	2009 £	2008 £
Raw materials and consumables	35,699	26,104

CHEADLE ROYAL HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2009

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Amounts falling due within one year		
Trade debtors	2,433,084	2,740,057
Other debtors	132,689	128,800
Prepayments and accrued income	118,598	126,420
	<u>2,684,371</u>	<u>2,995,277</u>
Amounts falling due after one year		
Amounts due from fellow subsidiary	4,497,507	4,219,169
Amounts due from immediate parent company	11,274,137	9,513,226
Amounts due from intermediate parent company	13,292,751	9,767,751
Amounts due from ultimate parent company	31,776	31,776
	<u>29,096,171</u>	<u>23,531,922</u>
	<u>31,780,542</u>	<u>26,527,199</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Trade creditors	627,793	726,177
Group relief payable	10,351,070	8,240,844
Other creditors including taxation and social security (note 12)	465,017	423,761
Accruals and deferred income	640,090	1,004,159
Bank overdraft	-	582,022
	<u>12,083,970</u>	<u>10,976,963</u>

12. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2009 £	2008 £
Taxation and social security	432,356	390,099
Other creditors	32,661	33,662
	<u>465,017</u>	<u>423,761</u>

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

	2009 £	2008 £
Amounts due to subsidiaries	-	100
Amounts due to other group companies	5,244,665	5,244,665
	<u>5,244,665</u>	<u>5,244,765</u>

CHEADLE ROYAL HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2009

14. DEFERRED TAX

The company has not recognised a deferred tax asset of £104,414 (2008 - £154,465) in relation to capital allowances in excess of depreciation and other tax losses as there is no certainty over the recoverability of this asset at 30 June 2009

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2009 £	2008 £
Profit for the financial year	5,906,713	5,499,589
Net increase in shareholder's funds	5,906,713	5,499,589
Opening shareholder's funds	20,836,081	15,336,492
Closing shareholder's funds	26,742,794	20,836,081

16 CALLED UP SHARE CAPITAL

	2009 £	2008 £
Called up, allotted and fully paid 97 ordinary shares of £1 each	97	97

17. RESERVES

	Share premium account £	Capital redemption reserve £	Profit and loss account £
At 1 July 2008	212,800	907,203	19,715,981
Retained profit for the year	-	-	5,906,713
At 30 June 2009	212,800	907,203	25,622,694

CHEADLE ROYAL HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2009

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 £538,629 (2008 - £452,035). There were outstanding contributions payable to the fund at year end of £47,947 (2008 - £164,356).

19. OPERATING LEASE COMMITMENTS

At 30 June 2009 the company was committed to making the following payments during the next year in respect of operating leases

	Other 2009 £	Other 2008 £
Leases which expire:		
Within one year	12,543	-
Within one to two years	13,330	1,760
Within two to five years	17,880	33,484

20. CAPITAL COMMITMENTS

	2009 £	2008 £
Contracted for but not provided	298,822	87,582

21. CONTINGENT LIABILITIES

The company has cross guaranteed the repayment of bank loans and overdrafts of certain entities in the Affinity Healthcare Holding Limited group for £51,146,745 (2008 - £50,865,975).

22. ULTIMATE PARENT COMPANY

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

The ultimate parent company is Affinity Healthcare Holdings 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, Cheshire, SK8 3DG.

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, Cheshire, SK8 3DG.

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