

**CHEADLE ROYAL HEALTHCARE  
LIMITED**

**Report and Financial Statements**

**30 June 2001**



**Deloitte & Touche  
Chartered Accountants  
2 Queen's Terrace  
Aberdeen  
AB10 1XL**

**REPORT AND FINANCIAL STATEMENTS 2001**

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**REPORT AND FINANCIAL STATEMENTS 2001**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

P F Batchelor  
E D Burling  
D Chappell (Chairman)  
S F Hemsley  
S P McKeown  
R Russell  
J P Ward

**SECRETARY**

P F Batchelor

**REGISTERED OFFICE**

100 Wilmslow Road  
Cheadle  
Cheshire  
SK8 3DG

**SOLICITORS**

Hammond Suddards  
Trinity Court  
16 John Dalton Street  
Manchester  
M2 6HY

**BANKERS**

HSBC  
5 Great Underbank  
Stockport  
Cheshire  
SK1 1LH

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
2 Queen's Terrace  
Aberdeen  
AB10 1XL

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 June 2001.

**ACTIVITIES**

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

**RESULTS, DIVIDENDS AND TRANSFER TO RESERVES**

The company made a profit before taxation of £2,927,456 (2000: £1,172,860). The retained profit after tax and dividends of £1,428,483 (2000: £725,497) has been transferred to reserves.

**REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The company has traded successfully during the year and the directors are optimistic about the long term prospects for continued growth.

**SHARE CAPITAL**

Details of the changes in share capital during the year are given in note 19. On 1 July 2000, 846,667 cumulative redeemable preference shares of £0.81 each were redeemed for £1 per share.

On 26 October 2000 a resolution was passed whereby the existing "A" and "B" ordinary shares of £1 each were re-classified as ordinary shares of £1 each, ranking pari passu in all respects.

**DIRECTORS**

The present membership of the Board is set out on page 1. Their beneficial interests in the shares of the company were as follows:

	<b>Ordinary Shares of £1 each</b>	
	<b>30 June 2001</b>	<b>1 July 2000</b>
P F Batchelor	-	8
E D Burling	-	5
D G Chappell	-	-
S F Hemsley	-	8
S P McKeown	-	8
R Russell	-	-
J P Ward	-	8

P F Batchelor, E D Burling and S F Hemsley are directors of the immediate parent company, Affinity Healthcare Limited. R Russell and D G Chappell are also directors of the ultimate parent company, Healthcare Scotland Limited. Their interests in the share capital of these companies are disclosed in their respective 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.

## **DIRECTORS' REPORT**

### **AUDITORS**

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

Approved by the Board of Directors

and signed by order of the Board



Secretary

8 March 2002

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company 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 2001 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

#### **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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

Chartered Accountants and Registered Auditors

14 March 2002

**PROFIT AND LOSS ACCOUNT**  
**Year ended 30 June 2001**

	Note	2001 £	2000 £
<b>TURNOVER: continuing operations</b>	2	10,934,453	8,564,955
Cost of sales		(5,784,038)	(5,078,424)
Gross profit		5,150,415	3,486,531
Administrative expenses		(2,115,185)	(2,270,695)
<b>OPERATING PROFIT: continuing operations</b>		3,035,230	1,215,836
Interest receivable and similar income		18,639	27,530
Interest payable and similar charges	4	(126,413)	(70,506)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	2,927,456	1,172,860
Tax on profit on ordinary activities	6	(864,817)	(395,150)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		2,062,639	777,710
Dividends payable (including non-equity)	7	(634,156)	(52,213)
<b>PROFIT TRANSFERRED TO RESERVES</b>	20	1,428,483	725,497

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 30 June 2001**

	2001 £	2000 £
Profit for financial year	2,062,639	777,710
Unrealised surplus on revaluation of fixed assets	5,830,523	871,515
<b>Total recognised gains and losses relating to the year</b>	7,893,162	1,649,225



**BALANCE SHEET**  
**At 30 June 2001**

	Note	2001 £	2000 £
<b>FIXED ASSETS</b>			
Intangible assets	8	-	11,752
Tangible assets	9	12,800,000	6,900,000
Investments	10	2	3
		<u>12,800,002</u>	<u>6,911,755</u>
<b>CURRENT ASSETS</b>			
Stocks	11	20,278	9,072
Debtors	12	3,061,586	985,404
Cash at bank and in hand		291,473	228,622
		<u>3,373,337</u>	<u>1,223,098</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(2,545,071)</u>	<u>(1,290,294)</u>
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>		<u>828,266</u>	<u>(67,196)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		13,628,268	6,844,559
<b>CREDITORS: amounts falling due after more than one year</b>	16	(1,159,992)	(795,013)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	<u>(86,039)</u>	<u>(79,648)</u>
<b>TOTAL NET ASSETS</b>		<u>12,382,237</u>	<u>5,969,898</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	97	685,898
Profit and loss account	20	1,425,730	843,914
Share premium	20	212,800	212,800
Capital redemption reserve	20	907,203	221,402
Revaluation reserve	20	9,836,407	4,005,884
<b>SHAREHOLDERS' FUNDS</b>		<u>12,382,237</u>	<u>5,969,898</u>
Amounts attributable to equity shareholders		12,382,237	1,065,416
Amounts attributable to non-equity shareholders		<u>-</u>	<u>4,904,482</u>

These financial statements were approved by the Board of Directors on *8 March 2002*

Signed on behalf of the Board of Directors



Director

**NOTES TO THE ACCOUNTS****Year ended 30 June 2001****1. ACCOUNTING POLICIES**

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

**Accounting convention**

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

**Group accounts**

The company is exempt from preparing group accounts as a result of the company and its subsidiaries being included in the consolidated accounts of the immediate parent company, Affinity Healthcare Limited.

**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.

**Goodwill**

Goodwill arising on acquisition of trade and assets is amortised over 20 years, being the estimated useful economic life of that asset.

**Tangible fixed assets**

No depreciation is provided on freehold land and buildings because any charge would be immaterial based on the estimated useful lives of these assets. A professional valuation of these assets is also carried out at the end of the year to ensure there has been no impairment in values. This treatment is contrary to the Companies Act 1985 but the directors believe it is necessary to give a true and fair view. On other assets, depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Fixtures, fittings and motor vehicles - over 7 years

**Stocks**

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

**Deferred taxation**

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

**Pension costs**

The company operates both defined benefit and defined contribution schemes. Pension costs charged to the profit and loss account represent amounts payable by the company to the defined contribution schemes

**2. TURNOVER**

Turnover and profit on ordinary activities before taxation are attributable to one activity, the provision of healthcare services. Turnover is stated exclusive of value added taxation and is fully derived from work performed in the United Kingdom.

**NOTES TO THE ACCOUNTS**

**Year ended 30 June 2001**

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	2001 £	2000 £
Directors' emoluments	86,289	413,851
Directors' pension contributions	-	13,966
	<u>86,289</u>	<u>427,817</u>
	No	No
Number of directors who are members of a defined benefit scheme	<u>1</u>	<u>1</u>
Number of directors for whom contributions are made into a private pension scheme	<u>-</u>	<u>3</u>
	£	£
Highest paid director Remuneration	<u>46,483</u>	<u>132,813</u>
R Russell and D Chappell are directors of the ultimate holding company, Healthcare Scotland Limited, and are also directors of Affinity Healthcare Limited, Healthcare Scotland Management Limited, Albyn Hospital Limited, Fernbrae Hospital Limited and UK Private Healthcare Limited. R Russell is also a director of Cheadle Royal Hospital Limited. It is not practical to allocate their total remuneration for the year, which was received from Healthcare Scotland Management Limited, between their services as directors of Healthcare Scotland Management Limited and of its subsidiaries.		
	£	£
Employee costs during the period:		
Wages and salaries	4,439,785	3,497,580
Social security costs	343,939	248,399
Other pension costs	57,290	39,684
	<u>4,841,014</u>	<u>3,785,663</u>
	No	No
Average number of persons employed:		
Administrative	49	39
Professional	255	197
Technical and support	45	47
	<u>349</u>	<u>283</u>

## NOTES TO THE ACCOUNTS

Year ended 30 June 2001

## 4. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
Bank loans	126,413	70,506

## 5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001 £	2000 £
Profit on ordinary activities before taxation is after charging:		
Depreciation		
Owned assets	218,200	192,361
Operating leases - other	6,010	-
Auditors' remuneration – audit fees	5,400	5,000
- non audit fees	7,150	4,500
Goodwill amortisation	709	709

## 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
<b>Current year</b>		
UK corporation tax at 30% (2000: 30%)	353,649	375,971
Group relief	518,139	-
Deferred tax	6,391	21,877
	878,179	397,848
<b>Adjustment in respect of prior years</b>		
Corporation tax	(32,633)	(2,698)
Group relief	19,271	-
	864,817	395,150

## 7. DIVIDENDS

	2001 £	2000 £
<b>Non Equity Shares:</b>		
Cumulative redeemable preference dividend paid	-	52,213
<b>Equity Shares:</b>		
Ordinary shares – final proposed - £6,538 per ordinary share (2000: £nil)	634,155	-
Dividend in specie (note 10)	1	-
	634,156	52,213

**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 2001**

**8. INTANGIBLE FIXED ASSETS**

	<b>Goodwill £</b>
<b>Cost</b>	
At 1 July 2000	14,174
Reclassification to heritable operational entity (note 9)	(14,174)
At 30 June 2001	-
<b>Accumulated depreciation</b>	
At 1 July 2000	2,422
Charge for the year	709
Reclassification to heritable operational entity (note 9)	(3,131)
At 30 June 2001	-
<b>Net book value</b>	
At 30 June 2001	-
At 1 July 2000	11,752

**9. TANGIBLE FIXED ASSETS**

	<b>Heritable Operational Entity £</b>	<b>Fixtures &amp; Fittings and Motor Vehicles £</b>	<b>Total £</b>
<b>Cost or valuation</b>			
At 1 July 2000	5,665,929	1,557,506	7,223,435
Additions	-	276,634	276,634
Reclassification from goodwill	14,174	-	14,174
Adjustment arising on revaluation	5,830,523	-	5,830,523
At 30 June 2001	11,510,626	1,834,140	13,344,766
<b>Accumulated Depreciation</b>			
At 1 July 2000	-	323,435	323,435
Charge for the year	-	218,200	218,200
Reclassified from goodwill	3,131	-	3,131
At 30 June 2001	3,131	541,635	544,766
<b>Net book value</b>			
At 30 June 2001	11,507,495	1,292,505	12,800,000
At 30 June 2000	5,665,929	1,234,071	6,900,000

## NOTES TO THE ACCOUNTS

Year ended 30 June 2001

## 9. TANGIBLE FIXED ASSETS (Continued)

Comparable amounts determined according to the historical cost convention:

	Heritable Operational Entity £	Fixtures & Fittings and Motor Vehicles £	Total £
Cost	1,685,262	1,834,140	3,519,402
Accumulated depreciation	11,043	541,635	552,678
<b>Net book value</b>			
At 30 June 2001	1,674,219	1,292,505	2,966,724
At 30 June 2000	1,674,928	1,234,701	2,909,629

No depreciation is provided on freehold land and buildings as the charge is not material based on the estimated useful lives of the assets.

Cheadle Royal Hospital was revalued having regard to trading potential as an operational entity inclusive of heritable property, all plant, machinery, fittings and equipment and business goodwill as at 30 June 2001 by Weatherall, Green and Smith, Chartered Surveyors. The residual book value of goodwill (note 8) has consequently been reclassified within the valuation of the operational entity in accordance with Financial Reporting Standard 15.

This represents a change in accounting policy which the directors consider appropriate having regard to the specialised nature of the property. The change in policy has no effect on the results of the period.

## 10. INVESTMENTS HELD AS FIXED ASSETS

				Shares in subsidiary under- takings £
<b>Cost and net book value</b>				
At 1 July 2000				3
Disposals				(1)
At 30 June 2001				2
Subsidiary undertaking	Investment £	Country of incorpora- tion and registration	Activity	Proportion of ordinary shares held
Cheadle Royal Hospital Limited	2	England	Dormant	100%

On 26 October 2001 the investment of £1, being the entire issued share capital of Trees Park Healthcare Limited, was transferred to Affinity Healthcare Limited, the immediate parent company, by way of a dividend in specie.

**NOTES TO THE ACCOUNTS****Year ended 30 June 2001****11. STOCKS**

	2001 £	2000 £
Raw materials and consumables	20,278	9,072

**12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2001 £	2000 £
Trade debtors	1,157,496	866,878
Prepayments and accrued income	29,497	55,643
Amounts due from group companies	1,804,076	35,106
Other debtors	70,517	27,777
	<u>3,061,586</u>	<u>985,404</u>

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2001 £	2000 £
Bank loans (Note 15)	554,546	262,688
Trade creditors	327,279	320,176
Other creditors including taxation and social security (Note 14)	122,240	167,221
Corporation tax	725,293	278,044
Accruals and deferred income	181,558	148,909
Dividends payable	634,155	113,256
	<u>2,545,071</u>	<u>1,290,294</u>

## NOTES TO THE ACCOUNTS

Year ended 30 June 2001

## 14. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2001 £	2000 £
This heading includes:		
Taxation and social security	119,762	115,895

## 15. BORROWINGS

	2001 £	2000 £
Bank loans	1,714,538	1,057,701
Due within one year	554,546	262,688
Due after more than one year	1,159,992	795,013
	1,714,538	1,057,701
Analysis of repayments:		
Within one year	554,546	262,688
Between one and two years	509,546	212,688
Between two and five years	598,325	471,064
Over five years	52,121	111,261
	1,714,538	1,057,701

The term loans are secured by a bond and floating charge over the assets of the company and all bear interest at 1.25% above the bank's base rate.

The company is part of an arrangement with the group's bankers whereby cross-guarantees have been provided to group companies to enable balances in credit to be offset against overdrawn balances. The company's contingent liability at 30 June 2001 under this arrangement amounted to £4,000,944 (2000: £2,370,397).

The loans are all repayable to HSBC plc.

Loan 1 is repayable in 70 monthly instalments of £5,057.

Loan 2 is repayable in 7 quarterly instalments of £13,000.

Loan 3 is repayable in annual tranches of not less than £100,000.

Loan 4 has 3 repayment deadlines. £164,000 is to be repaid by 31 December 2001, a further £273,333 is to be repaid by 31 December 2002 and the final £300,000 is to be repaid by 30 June 2004.

Loan 5 is repayable in 57 monthly instalments of £3,333.



**NOTES TO THE ACCOUNTS****Year ended 30 June 2001****16. CREDITORS FALLING DUE IN MORE THAN ONE YEAR**

	<b>2001</b> £	<b>2000</b> £
Bank loans	<u>1,159,992</u>	<u>795,013</u>

**17. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Deferred Tax £</b>
At 1 July 2000	79,648
Profit and loss account charge for the year	<u>6,391</u>
At 30 June 2001	<u>86,039</u>

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

	<b>2001</b> £	<b>2000</b> £
Capital allowances in excess of depreciation	65,652	68,996
Other timing differences	<u>20,387</u>	<u>10,652</u>
	<u>86,039</u>	<u>79,648</u>

Capital gains tax would arise in the event of the disposal of the company's land and buildings at the revalued amount in circumstances in which rollover relief was unavailable. As the likelihood of this is remote, the amount of such tax has not been quantified.

## NOTES TO THE ACCOUNTS

Year ended 30 June 2001

## 18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit for the financial year	2,062,639	777,710
Dividends	(634,156)	(52,213)
Repurchase of ordinary shares	-	(219,000)
Redemption of preference shares	(846,667)	-
Adjustment arising upon revaluation	5,830,523	871,515
Net addition to shareholders' funds	6,412,339	1,378,012
Opening shareholders' funds	5,969,898	4,591,886
Closing shareholders' funds	12,382,237	5,969,898

## 19. CALLED UP SHARE CAPITAL

	2001 £	2000 £
<b>Authorised</b>		
100 ordinary shares of £1 each	100	-
60 "A" ordinary shares of £1 each	-	60
40 "B" ordinary shares of £1 each	-	40
1,120,000 Cumulative redeemable preference shares of £0.81 each	-	907,200
	100	907,300
<b>Called up, allotted and fully paid</b>		
97 ordinary shares of £1 each	97	-
60 "A" ordinary shares of £1 each	-	60
37 "B" ordinary shares of £1 each	-	37
846,667 Cumulative redeemable preference shares of £0.81 each	-	685,801
	97	685,898

**Ordinary Shares**

On 26 October 2000 a resolution was passed whereby the existing "A" and "B" ordinary shares of £1 each were re-classified as ordinary shares of £1 each, ranking pari passu in all respects.

**Cumulative Redeemable Preference Shares**

The Cumulative Redeemable Preference Shares of £0.81 each entitled the holder to receive a cumulative preference dividend at the rate of 6.15% per annum on the subscription price accruing from 1 July 1998 and payable half yearly on 30 June and 31 December in each year. In addition the Cumulative Redeemable Preference Shares entitled the holder to a special preference dividend of 7.466% per annum on the subscription price per preference share (£1.00) accruing from the date of subscription to 1 July 1998 and payable on 30 June 2001. The special preference dividend for 2001 was waived due to the issued Cumulative Redeemable Preference Shares of £0.81 being redeemed in full at £1 per share during the year.

NOTES TO THE ACCOUNTS  
Year ended 30 June 2001

## 20. RESERVES

	Revaluation reserve £	Capital redemption reserve £	Share premium account £	Profit and Loss Account £
At 1 July 2000	4,005,884	221,402	212,800	843,914
Adjustment arising upon revaluation in year	5,830,523	-	-	-
Retained profit for the year	-	-	-	1,428,483
Repurchase of preference shares	-	685,801	-	(685,801)
Premium on repurchase of preference shares	-	-	-	(160,866)
At 30 June 2001	<u>9,836,407</u>	<u>907,203</u>	<u>212,800</u>	<u>1,425,730</u>

## 21. PENSION SCHEMES

**Defined Benefit Scheme**

The company operates the Cheadle Royal Hospital Pension Fund, a funded defined benefit pension scheme. The total pension cost for the period was £nil (2000: £nil). There is no provision for pension costs (2000: £nil) in the balance sheet as at 30 June 2001 due to the existence of a contributions holiday since the last formal valuation report.

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 additional disclosures relating to its pension scheme. These are provided below.

**SSAP 24**

A valuation was carried out by a qualified independent actuary at 31 March 1998 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	5.9% p.a.
Increase in:	
Salaries	4.7 p.a.
Present and future pensions	2.7% 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 £27.43m (154%).

**FRS 17**

The figures below have been based on the annual report of Cheadle Royal Hospital Pension Fund as at 31 March 2001, the most recent year-end of the scheme. The assets in the scheme and the expected rate of return were:

## NOTES TO THE ACCOUNTS

### Year ended 30 June 2001

#### 21. PENSION SCHEMES (continued)

Asset	Long term rate of return expected at 30 June 2001	Value at 30 June 2001
Equities	N/A	Nil
Bonds	5%	£27.0m
Other	5%	£2.4m

The liabilities of the scheme at 30 June 2001 were calculated on the following bases as required under FRS 17:

Assumptions at 30 June 2001	
Discount rate	6.2%
Rate of increase in salaries	4.6%
Rate of increase in pensions in payment	2.6%
Rate of increase in pensions in deferment	2.6%
Inflation assumption	2.6%

The balance sheet position for the Company's schemes as calculated under FRS 17 at 30 June 2001 was as follows:

Fair value of assets	£29.4m
Present value of scheme liabilities	(£19.3m)
Surplus in the scheme	£10.1m
Unrecognised surplus in the scheme	£5.0m
Net pension asset	£5.1m

#### 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 £57,290 (2000: £53,650). There were no outstanding contributions payable to or receivable from the fund at either the current or previous year end.

#### 22. OPERATING LEASE COMMITMENTS

At 30 June 2001 the company was committed to making the following payments during the next year in respect of operating leases:

	Other 2001 £	2000 £
<b>Leases which expire:</b>		
Within two to five years	12,019	-

**NOTES TO THE ACCOUNTS**

**Year ended 30 June 2001**

**23. ULTIMATE PARENT COMPANY**

The ultimate parent company is Healthcare Scotland Limited, a company registered in Scotland. Copies of the financial statements of the ultimate parent company may be obtained from Healthcare Scotland Limited, 35 Albert Street, Aberdeen, AB25 1XU.

The immediate parent company is Affinity Healthcare Limited, a company registered in England. Copies of the financial statements of the immediate parent company may be obtained from Affinity Healthcare Limited, 100 Wilmslow Road, Heald Green, Cheadle 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 group companies.