Company Registration No. 03254624

CHEADLE ROYAL HEALTHCARE LIMITED

Report and Financial Statements

30 June 2004

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CHEADLE ROYAL HEALTHCARE LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

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CHEADLE ROYAL HEALTHCARE LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P F Batchelor
S F Hemsley
R Russell
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

HSBC
5 Great Underbank
Stockport
Cheshire

AUDITORS

Deloitte & Touche LLP
Aberdeen

CHEADLE ROYAL HEALTHCARE LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2004.

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 £3,032,312 (2003: £3,916,656). Dividends of £3,000,000 have been paid or proposed in the year (2003: £7,200,000). The retained profit for the year of £32,312 (2003: loss of £3,283,344) 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.

P F Batchelor, S F Hemsley and J P Ward are directors of the immediate parent company, Affinity Healthcare Limited. R Russell is a director of the ultimate parent company, Healthcare Scotland Limited. Their respective interests in the share capital of these companies are disclosed in their financial statements.

R Morris resigned as a director and company secretary on 11 July 2003. J Shaw was appointed as a director and company secretary on 1 October 2003.

D G Chappell resigned as a director on 26 March 2004.

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 J A Shaw

Date: 3 September 2004

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 2004 which comprise the profit and loss account, the statement of total recognised gains 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 2004 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
Aberdeen

Date: 15 September 2004

PROFIT AND LOSS ACCOUNT
Year ended 30 June 2004

	Note	2004 £	2003 £
TURNOVER: ***continuing operations***	2	15,934,088	13,177,908
Cost of sales		(8,784,131)	(7,242,071)
Gross profit		7,149,957	5,935,837
Administrative expenses before exceptional items		(2,458,044)	(2,223,372)
Exceptional item – refunded surplus on pension scheme		-	1,517,360
Total administrative costs		(2,458,044)	(706,012)
OPERATING PROFIT: continuing operations		4,691,913	5,229,825
Interest receivable and similar income		2,944	18,855
Interest payable and similar charges	4	(229,550)	(171,139)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	4,465,307	5,077,541
Tax on profit on ordinary activities	6	(1,432,995)	(1,160,885)
PROFIT FOR THE FINANCIAL YEAR		3,032,312	3,916,656
Dividends payable	7	(3,000,000)	(7,200,000)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	19	32,312	(3,283,344)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 June 2004

	2004 £	2003 £
Profit for the financial year	32,312	3,916,656
Unrealised surplus/(deficit) on revaluation of fixed assets	725,623	(1,112,310)
Total recognised gains and losses relating to the year	757,935	2,804,346

BALANCE SHEET
At 30 June 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Tangible assets	8	24,000,000	21,000,000
Investments	9	2	2
		24,000,002	21,000,002
CURRENT ASSETS			
Stocks	10	53,254	46,672
Debtors	11	6,987,877	5,693,685
Cash at bank and in hand		337,479	53,287
		7,378,610	5,793,644
CREDITORS: amounts falling due within one year	12	(8,441,139)	(5,878,759)
NET CURRENT LIABILITIES		(1,062,529)	(85,115)
TOTAL ASSETS LESS CURRENT LIABILITIES		22,937,473	20,914,887
CREDITORS: amounts falling due after more than one year	14	(3,269,933)	(2,008,025)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(136,095)	(133,352)
TOTAL NET ASSETS		19,531,445	18,773,510
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	17,894,111	17,168,488
Profit and loss account	19	517,234	484,922
SHAREHOLDERS' FUNDS	17	19,531,445	18,773,510

These financial statements were approved by the board of directors on 3 September 2004

Signed on behalf of the board of directors

Director

NOTES TO THE ACCOUNTS
Year ended 30 June 2004

1. ACCOUNTING POLICIES

Accounting convention

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

Group Accounts

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 accounts by virtue of the fact that the company is a subsidiary of another company which prepares group accounts. 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

Freehold property, including land and buildings is re-valued on an annual basis, inclusive of operational goodwill.

No depreciation is provided on freehold land. Also no depreciation is charged on freehold buildings because any charge would be immaterial based on the estimated remaining useful lives of these assets. On other assets, depreciation is provided on cost 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.

Investments

Investments are shown at the lower of cost or estimated market value.

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 ACCOUNTS
Year ended 30 June 2004

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.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

R Russell and D Chappell were directors of the ultimate holding company, Healthcare Scotland Limited. P F Batchelor, J Shaw, J Ward and S F Hemsley are directors of the immediate parent company, Affinity Healthcare Limited. The remuneration of these directors is borne by the respective companies. It is not practical to allocate the total remuneration of these directors between the above companies.

	2004 £	2003 £
Employee costs during the year:		
Wages and salaries	7,208,215	5,887,361
Social security costs	680,095	491,355
Other pension costs	199,678	102,170
	8,087,988	6,480,886

	No	No
Average number of persons employed:		
Administrative	41	50
Professional	265	242
Technical and support	40	40
	346	332

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £	2003 £
Bank loans	229,550	171,139

NOTES TO THE ACCOUNTS
Year ended 30 June 2004

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004 £	2003 £
Profit on ordinary activities before taxation is after charging:		
Depreciation		
Owned assets	414,484	371,262
Operating leases - other	26,168	3,738
Auditors' remuneration - audit fees	8,832	6,762
- non audit fees	23,299	17,681

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £	2003 £
Current taxation		
UK corporation tax at 30% (2002: 30%)	941,333	161,071
Adjustments in respect of prior periods	(20,352)	(42,187)
	920,981	118,884
Group relief	482,469	932,385
Group relief adjustment in respect of prior years	26,802	25,914
Total current tax	1,430,252	1,077,183
Deferred taxation		
Origination and reversal of timing differences	(20,481)	10,212
Adjustments in respect of prior periods	23,224	73,490
Tax on profit on ordinary activities	1,432,995	1,160,885

The standard rate of tax for the year, based on the UK standard rate of corporation tax of 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:

Profit on ordinary activities before tax	4,465,307	5,077,541
Tax on profit on ordinary activities at standard rate	1,339,592	1,523,262
Factors affecting charge for the year:		
Capital allowances for period in excess of depreciation	(19,796)	(29,261)
Expenses not deductible for tax purposes	63,731	50,805
Utilisation of tax losses	10,669	-
Short term timing differences	29,608	3,858
Refunded surplus on pension scheme	-	(455,208)
Prior period adjustments	6,448	(16,273)
Total actual amount of current tax	1,430,252	1,077,183

NOTES TO THE ACCOUNTS
Year ended 30 June 2004

7. DIVIDENDS

	2004 £	2003 £
Equity Shares:		
Ordinary shares – final proposed - £30,928 per ordinary share (2003: £74,227 per ordinary share)	3,000,000	7,200,000

8. TANGIBLE FIXED ASSETS

	Freehold property £	Fixtures & fittings £	Total £
Cost or valuation			
At 1 July 2003	19,496,541	2,720,546	22,217,087
Additions	2,175,543	513,318	2,688,861
Adjustment arising on revaluation	725,623	-	725,623
At 30 June 2004	22,397,707	3,233,864	25,631,571
Accumulated Depreciation			
At 1 July 2003	3,131	1,213,956	1,217,087
Charge for the year	-	414,484	414,484
At 30 June 2004	3,131	1,628,440	1,631,571
Net book value			
At 30 June 2004	22,394,576	1,605,424	24,000,000
At 30 June 2003	19,493,410	1,506,590	21,000,000

Comparable amounts determined according to the historical cost convention:

	Freehold property £	Fixtures & fittings £	Total £
Cost	4,503,596	3,233,864	7,737,503
Accumulated depreciation	(3,131)	(1,628,440)	(1,631,614)
Net book value			
At 30 June 2004	4,500,465	1,605,424	6,105,889
At 30 June 2003	2,324,922	1,506,590	3,831,512

NOTES TO THE ACCOUNTS
Year ended 30 June 2004

8. TANGIBLE FIXED ASSETS (Continued)

No depreciation is provided on freehold property 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 freehold property, all plant, machinery, fittings and equipment and business goodwill as at 30 June 2004 by Weatherall, Green and Smith (North) Limited t/a Sanderson Weatherall, Chartered Surveyors. The residual book value of goodwill has consequently been reclassified within the valuation of the operational entity in accordance with Financial Reporting Standard 15.

9. INVESTMENTS

	Shares in subsidiary under-taking £
Cost and net book value	
At 1 July 2003 and 30 June 2004	2

Subsidiary undertaking	Activity	Shares Owned	%
Cheadle Royal Hospital Limited. Incorporated in Great Britain.	Dormant	Ordinary	100

10. STOCKS

	2004 £	2003 £
Raw materials and consumables	53,254	46,672

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Trade debtors	2,136,011	1,486,090
Amounts due from parent company	662,852	-
Amounts due from fellow subsidiary	4,022,964	4,047,145
Other debtors	63,499	87,396
Prepayments and accrued income	82,200	39,291
Corporation tax recoverable	20,351	33,763
	6,987,877	5,693,685

NOTES TO THE ACCOUNTS
Year ended 30 June 2004

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Bank loans (note 15)	977,351	855,945
Trade creditors	515,842	428,681
Amounts due to parent	3,000,000	2,041,904
Corporation tax	547,089	-
Group relief payable	2,621,983	2,112,712
Other creditors including taxation and social security (note 13)	231,876	210,818
Accruals and deferred income	546,998	228,699
	8,441,139	5,878,759

13. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2004 £	2003 £
This heading includes:		
Taxation and social security	222,913	210,818

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

	2004 £	2003 £
Bank loans (note 15)	3,269,933	2,008,025

NOTES TO THE ACCOUNTS
Year ended 30 June 2004

15. BORROWINGS

	2004 £	2003 £
Bank loans	4,247,284	2,863,970
Due within one year	977,351	855,945
Due after more than one year	3,269,933	2,008,025
	4,247,284	2,863,970
Analysis of repayments:		
Within one year	977,351	855,945
Between one and two years	635,928	794,278
Between two and five years	1,224,959	1,213,747
Over five years	1,409,046	-
	4,247,284	2,863,970

The bank loans are secured by a fixed charge over the assets of the company. All loans are repayable to HSBC plc and bear interest at 1.25% to 1.75% per annum above the bank's base rate. The repayment terms of the loans are not uniform and are repayable over the next 1 to 120 months.

The company is part of an arrangement with the group's bankers whereby cross-guarantees have been entered into with other group companies. The company's contingent liability at 30 June 2004 under this arrangement amounted to £2,104,292 (2003: £2,823,958).

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Tax £
At 1 July 2003	133,352
Charge for the year	2,743
At 30 June 2004	136,095

Provision for deferred taxation consists of the following amounts:

	2004 £	2003 £
Capital allowances in excess of depreciation	168,013	128,193
Other timing differences	(17,040)	5,159
Losses	(14,878)	-
	136,095	133,352

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 £5,150,546 (2003: £5,162,404).

NOTES TO THE ACCOUNTS
Year ended 30 June 2004

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit for the financial year	3,032,312	3,916,656
Dividends	(3,000,000)	(7,200,000)
Adjustment arising upon revaluation	725,623	(1,112,310)
Net increase/(decrease) in shareholders' funds	757,935	(4,395,654)
Opening shareholders' funds	18,773,510	23,169,164
Closing shareholders' funds	19,531,445	18,773,510

18. CALLED UP SHARE CAPITAL

	2004 £	2003 £
Authorised		
100 ordinary shares of £1 each	100	100
Called up, allotted and fully paid		
97 ordinary shares of £1 each	97	97

19. RESERVES

	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £
At 1 July 2003	212,800	17,168,488	907,203	484,922
Adjustment arising upon revaluation in year	-	725,623	-	-
Retained profit for the year	-	-	-	32,312
At 30 June 2004	212,800	17,894,111	907,203	517,234

NOTES TO THE ACCOUNTS
Year ended 30 June 2004

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 £199,678 (2003: £102,170). There were outstanding contributions payable to the fund at year end of £30,100 (2003: £22,940).

Defined benefit scheme

The company contributes to the Cheadle Royal Hospital Pension Fund, a funded defined benefit pension scheme. Owing to the existence of significant surplus in the scheme, there is no pension cost for the period (2003: £Nil). As no contributions were paid during the period, there is no provision or prepayment (2003: £Nil).

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.

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 2004 by an independent qualified actuary. The assets in the scheme and the expected rate of return were:

NOTES TO THE ACCOUNTS
Year ended 30 June 2004

Asset	Long term rate of return expected at			Value at		
	30 June 2004	30 June 2003	30 June 2002	30 June 2004	30 June 2003	30 June 2002
Equities	n/a	n/a	n/a	Nil	Nil	Nil
Bonds	4.8%	4.5%	4.9%	£29.4m	£29.7m	£28.1m
Other	4.8%	4.5%	4.9%	Nil	Nil	£2.4m

NOTES TO THE ACCOUNTS
Year ended 30 June 2004

20. PENSION SCHEMES (Continued)

The liabilities of the scheme at 30 June 2004 were calculated on the following bases as required under FRS 17:

Assumptions	30 June 2004	30 June 2003	30 June 2002
Discount rate	5.7%	5.0%	5.9%
Rate of increase in salaries	4.9%	4.6%	4.6%
Rate of increase in pensions in payment	2.9%	2.6%	2.6%
Inflation assumption	2.9%	2.6%	2.6%

The balance sheet position for the scheme as calculated under FRS 17 at 30 June 2004 was as follows:

	30 June 2004 £	30 June 2003 £
Fair value of assets	29.4m	29.7m
Present value of scheme liabilities	(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 £1.8m (2003: £1.6m).

Amount that would be charged to profit and loss account:

	2004 £	2003 £
Expected return on pension scheme assets	1.3m	1.0m
Interest on pension liabilities	(1.1m)	(0.8m)
Other finance income	-	2.4m
Net return	0.2m	2.6m
Current service cost	(0.3m)	(0.2m)
Net pension cost	(0.1m)	2.4m

The Fund has been closed to new entrants since 1994.

NOTES TO THE ACCOUNTS
Year ended 30 June 2004

20. PENSION SCHEMES (Continued)

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

	2004 £	2003 £
Actual return less expected return on pension scheme assets	(0.8m)	1.6m
Experience gains on liabilities	0.8m	(0.3m)
Changes in assumptions	1.3m	(2.9m)
	1.3m	(1.6m)
Adjustment due to surplus cap	(1.0m)	0.2m
Net gain/(loss) recognised	0.3m	(1.4m)

Movements in pension scheme surplus during the year:

	2004 £	2003 £
Recoverable surplus in scheme at beginning of year	2.3m	3.7m
Movement in year:		
Current service costs	(0.3m)	(0.2m)
Other finance income	0.2m	0.2m
Actuarial loss, including effect of surplus cap	0.3m	(1.4m)
Surplus in scheme at end of year	2.5m	2.3m

History of experience gains and losses:

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

NOTES TO THE ACCOUNTS
Year ended 30 June 2004

21. OPERATING LEASE COMMITMENTS

At 30 June 2004 the company was committed to making the following payments during the next year in respect of operating leases:

	Other 2004 £	Other 2003 £
Leases which expire:		
Within one year	10,837	-
Within two to five years	12,943	6,010

22. CAPITAL COMMITMENTS

	2004 £	2003 £
Contracted for but not provided	1,288,238	-

23. ULTIMATE PARENT COMPANY

The ultimate parent company is Healthcare Scotland Limited. Copies of its financial statements of the ultimate parent company may be obtained from Healthcare Scotland Limited, 35 Albert Street, Aberdeen.

The immediate parent company is Affinity Healthcare Limited. Copies of its financial statements may be obtained from Affinity Healthcare 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.