

**Company Registration No. 3864079**

**MIDDLETON ST GEORGE HEALTHCARE  
LIMITED**

**Report and Financial Statements**

**30 June 2008**

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# **MIDDLETON ST GEORGE HEALTHCARE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2008**

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# **MIDDLETON ST GEORGE HEALTHCARE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2008**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

T MacDonald-Milner (appointed 31 March 2008)  
P Batchelor (resigned 31 March 2008)  
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 & Touche LLP  
Chartered Accountants and Registered Auditors  
Manchester, United Kingdom

# **MIDDLETON ST GEORGE HEALTHCARE LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 June 2008.

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

The ultimate parent company of Middleton St George 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 44.1% over the prior year. The company benefited from a full year's trading of the secure female services which were opened towards the end of the 2007 financial year, together with the opening of a forensic services unit in April 2008.

The company regards the earnings before interest, taxation, depreciation and amortisation ('EBITDA') as an important measure of financial performance. EBITDA for the current financial year is £2,448,283 (2007 - £1,362,888), representing 22 % as a percentage of sales (2007 - 18%), as a result of higher levels of turnover.

The balance sheet on page 7 of the financial statements shows that the company's net assets at the year end increased by £1,655,756 due to the retained profit for the year.

Details of amounts due to and from its fellow subsidiaries and parent undertakings are shown in notes 10 and 13 on pages 11 and 12 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 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.

### **RESULTS AND TRANSFER TO RESERVES**

The company made a profit before taxation of £1,816,454 (2007 - £793,880). The retained profit after tax of £1,655,756 (2007 - £825,701) has been 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.

### **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.

# MIDDLETON ST GEORGE 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.

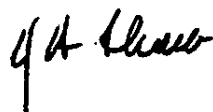
This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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. Accordingly Deloitte & Touche LLP will continue to act as auditors to the company.

Approved by the Board of Directors  
and signed by order of the Board:

Secretary

Date



17 October 2008

## **MIDDLETON ST GEORGE HEALTHCARE LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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). The financial statements are required by law to 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 estimates that are reasonable and prudent;
- state whether applicable UK 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 that 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIDDLETON ST GEORGE HEALTHCARE LIMITED**

We have audited the financial statements of Middleton St George Healthcare Limited for the year ended 30 June 2008 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 consider the implications for our report if we become aware of any apparent misstatements within it.

### **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 2008 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, United Kingdom

17 October 2008

# MIDDLETON ST GEORGE HEALTHCARE LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 30 June 2008

	Note	2008 £	2007 £
<b>TURNOVER: continuing operations</b>	2	11,170,960	7,750,511
Cost of sales		(6,638,663)	(4,631,604)
<b>GROSS PROFIT</b>		<u>4,532,297</u>	<u>3,118,907</u>
Administrative expenses		(2,671,717)	(2,322,832)
<b>OPERATING PROFIT: continuing operations</b>		<u>1,860,580</u>	<u>796,075</u>
Interest receivable and similar income	4	8,211	-
Interest payable and similar charges	5	-	(2,195)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	<u>1,868,791</u>	<u>793,880</u>
Tax on profit on ordinary activities	7	(213,035)	31,821
<b>PROFIT FOR THE FINANCIAL YEAR</b>	15,17	<u><u>1,655,756</u></u>	<u><u>825,701</u></u>

The accompanying notes are an integral part of this profit and loss account.

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.



# MIDDLETON ST GEORGE HEALTHCARE LIMITED

## BALANCE SHEET

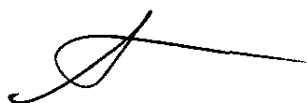
At 30 June 2008

	Note	2008 £	2007 £
<b>FIXED ASSETS</b>			
Tangible assets	8	10,821,621	10,503,861
<b>CURRENT ASSETS</b>			
Stocks	9	16,275	13,830
Debtors			
- due within one year	10	1,933,554	1,111,203
- due after one year	10	625,844	675,657
Cash at bank and in hand		456,609	10,049
		3,032,282	1,810,739
<b>CREDITORS: amounts falling due within one year</b>	11	(1,214,198)	(1,270,737)
<b>NET CURRENT ASSETS</b>		1,818,084	540,002
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		12,639,705	11,043,863
<b>CREDITORS: amounts falling due after more than one year</b>	13	(9,170,030)	(9,229,944)
<b>NET ASSETS</b>		3,469,675	1,813,919
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	1	1
Profit and loss account	17	3,469,674	1,813,918
<b>EQUITY SHAREHOLDER'S FUNDS</b>	15	3,469,675	1,813,919

These financial statements were approved by the Board of Directors on

17 October 2008

Signed on behalf of the Board of Directors



Director

# MIDDLETON ST GEORGE HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

### 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.

#### 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 flow 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

#### 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.

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.

#### Pension costs

The company operates a defined contribution scheme. Pension costs charged to the profit and loss account represent amounts payable by the company to the scheme.

#### 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 tax.

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.

# MIDDLETON ST GEORGE HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

### 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.

	2008 £	2007 £
<b>Employee costs during the year:</b>		
Wages and salaries	6,248,201	4,574,964
Social security costs	580,377	430,532
Other pension costs	153,107	117,278
	<u>6,981,685</u>	<u>5,122,774</u>
<b>Average number of persons employed:</b>	<b>No</b>	<b>No</b>
Administrative	24	21
Professional	68	58
Technical and support	127	86
	<u>219</u>	<u>165</u>

### 4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008 £	2007 £
Bank interest	<u>8,211</u>	<u>-</u>

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £	2007 £
Bank loans and overdraft	<u>-</u>	<u>2,195</u>

### 6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2008 £	2007 £
Profit on ordinary activities before taxation is after charging:		
Depreciation on owned assets	587,703	566,813
Operating leases – hire of plant and machinery	2,146	1,408
Auditors' remuneration - audit fees	11,442	10,795
- non-audit fees (tax services)	38,995	18,448
	<u>639,286</u>	<u>597,464</u>

# MIDDLETON ST GEORGE HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2008

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £	2007 £
<b>Current taxation</b>		
UK corporation tax at 29.5% (2007: 30%)	-	-
Adjustments in respect of prior periods	-	1,671
	<u>-</u>	<u>1,671</u>
Group relief	1,681	-
Group relief adjustments in respect of prior year	211,354	(18,121)
	<u>213,035</u>	<u>(16,450)</u>
Total current tax charge/(credit)	213,035	(16,450)
<b>Deferred taxation</b>		
Origination and reversal of timing differences	13,695	(23,935)
Adjustments in respect of prior periods	(13,695)	8,564
	<u>-</u>	<u>(15,371)</u>
Total deferred tax credit	-	(15,371)
Tax on profit on ordinary activities	<u>213,035</u>	<u>(31,821)</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 29.5% (2007 – 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:

	2008 £	2007 £
Profit on ordinary activities before tax	1,868,791	793,880
Tax on profit on ordinary activities at standard rate of 29.5% (2007 – 30%)	551,293	238,164
<b>Factors affecting charge for the year:</b>		
Capital allowances for period greater than depreciation	(134,333)	(104,592)
Other timing differences	(6,375)	240,956
Expenses not deductible for tax purposes	32,098	27,608
Transfer pricing adjustments	(441,002)	(402,886)
Capital items expensed	-	750
Prior period adjustments	211,354	(16,450)
	<u>213,035</u>	<u>(16,450)</u>
Total actual amount of current tax	213,035	(16,450)

# MIDDLETON ST GEORGE HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2008

### 8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Fixtures & fittings £	Total £
<b>Cost</b>			
At 1 July 2007	9,726,620	3,434,068	13,160,688
Additions	758,858	146,605	905,463
At 30 June 2008	10,485,478	3,580,673	14,066,151
<b>Accumulated depreciation</b>			
At 1 July 2007	190,267	2,466,560	2,656,827
Charge for the year	173,626	414,077	587,703
At 30 June 2008	363,893	2,880,637	3,244,530
<b>Net book value</b>			
At 30 June 2008	10,121,585	700,036	10,821,621
At 30 June 2007	9,536,353	967,508	10,503,861

### 9. STOCKS

	2008 £	2007 £
Raw materials and consumables	16,275	13,830

### 10. DEBTORS

	2008 £	2007 £
Amounts falling due within one year:		
Trade debtors	1,764,338	790,114
Other debtors	899	516
Prepayments	120,920	60,141
Group relief receivable	47,397	260,432
	1,933,554	1,111,203
Amounts falling due after one year:		
Amounts due from group companies	625,844	675,657
	2,559,398	1,786,860

# MIDDLETON ST GEORGE HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2008

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

	2008 £	2007 £
Bank overdraft	-	97,612
Trade creditors	280,942	636,798
Other creditors including taxation and social security (note 12)	588,219	369,743
Accruals	345,037	166,584
	<u>1,214,198</u>	<u>1,270,737</u>

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

	2008 £	2007 £
Taxation and social security	248,758	160,118
Other creditors	339,461	209,625
	<u>588,219</u>	<u>369,743</u>

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

	2008 £	2007 £
Amounts owed to group companies	<u>9,170,030</u>	<u>9,229,944</u>

### 14. PROVISIONS

	£
<b>Deferred taxation:</b>	
At 1 July 2007	-
Charge for the year	13,965
Prior year adjustment	(13,965)
At 30 June 2008	<u>-</u>

Provision for deferred taxation consists of the following amounts:

	2008 £	2007 £
Capital allowances in excess of depreciation	-	114,264
Other	-	(114,264)
	<u>-</u>	<u>-</u>

The company has not recognised a deferred tax asset of £18,273 (2007- £100,000) in relation to trading losses as there is no certainty over the recoverability of this asset at 30 June 2008.

# MIDDLETON ST GEORGE HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

### 15. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS

	2008 £	2007 £
Profit for the year	1,655,756	825,701
Net movement in equity shareholder's funds	1,655,756	825,701
Opening equity shareholder's funds	1,813,919	988,218
Closing equity shareholder's funds	3,469,675	1,813,919

### 16. CALLED UP SHARE CAPITAL

	2008 £	2007 £
Authorised 100 ordinary shares of £1 each	100	100
Called up, allotted and fully paid 1 ordinary share of £1	1	1

### 17. RESERVES

	Profit and loss account £
At 1 July 2007	1,813,918
Retained profit for the year	1,655,756
At 30 June 2008	3,469,674

### 18. PENSION SCHEME

The company operates a defined contribution scheme. The assets are held separately from those of the company in an independently administered fund. The pension costs charged to the profit and loss account amounted to £153,107 (2007 - £117,278). Contributions of £72,605 (2007 - £30,687) were due to the fund at the year end.

### 19. OPERATING LEASE COMMITMENTS

At 30 June 2008 the company was committed to making the following payments during the following year in respect of operating leases:

	Plant and machinery 2008 £	2007 £
Leases which expire:		
Within one to two years	2,146	-
Within two to five years	-	3,200

## MIDDLETON ST GEORGE HEALTHCARE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

#### 20. CONTINGENT LIABILITIES

A claim has been received from HM Revenue and Customs against the company in respect of VAT that was not charged by the contractors of a new building at the Darlington site on the basis that the company makes supplies of care, which zero rates the construction of a new facility. The claim is for VAT which HM Revenue and Customs believe the contractors should have charged the company on the new building.

The company has taken legal advice to the effect that the action is unlikely to succeed and accordingly no liability has been made in the financial statements. In the event that the claim was to succeed the VAT payable would be £1,104,449 plus interest and penalties.

#### 21. CAPITAL COMMITMENTS

	2008 £	2007 £
Contracted for but not provided	<u>475,534</u>	<u>1,881,082</u>

#### 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 FRS 8 (Related Party Disclosures) which allows exemption from disclosure of related party transactions with group companies.