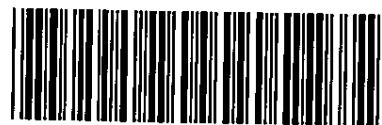


**MIDDLETON ST GEORGE HEALTHCARE
LIMITED**

Report and Financial Statements

30 June 2009

THURSDAY



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MIDDLETON ST GEORGE HEALTHCARE LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

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MIDDLETON ST GEORGE 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

MIDDLETON ST GEORGE 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 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 19.7% over the prior year. The company benefited from the opening of new forensic services units in April and September 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 £2,678,124 (2008 - £2,448,283), representing 20.0% as a percentage of sales (2008 - 21.9%).

The balance sheet on page 7 of the financial statements shows that the company's net assets at the year end increased by £1,958,637 due to the retained profit 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 pages 11 and 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 AND TRANSFER TO RESERVES

The retained profit after tax of £1,958,637 (2008 - £1,655,756) has been transferred to reserves. No dividends have been paid or proposed in the year (2008 - £nil).

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. All of the directors served during 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.

MIDDLETON ST GEORGE HEALTHCARE LIMITED

DIRECTORS' REPORT (continued)

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

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



28 October 2009

MIDDLETON ST GEORGE 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 MIDDLETON ST GEORGE HEALTHCARE LIMITED

We have audited the financial statements of Middleton St George 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 21. 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

MIDDLETON ST GEORGE HEALTHCARE LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2009

	Note	2009 £	2008 £
TURNOVER	2	13,377,508	11,170,960
Cost of sales		(8,418,380)	(6,638,663)
GROSS PROFIT		4,959,128	4,532,297
Administrative expenses		(2,758,311)	(2,671,717)
OPERATING PROFIT		2,200,817	1,860,580
Interest receivable and similar income	4	604	8,211
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	2,201,421	1,868,791
Tax on profit on ordinary activities	6	(242,784)	(213,035)
PROFIT FOR THE FINANCIAL YEAR	14,16	1,958,637	1,655,756

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

MIDDLETON ST GEORGE HEALTHCARE LIMITED

BALANCE SHEET

At 30 June 2009

	Note	2009 £	2008 £
FIXED ASSETS			
Tangible assets	7	10,804,153	10,821,621
CURRENT ASSETS			
Stocks	8	8,100	16,275
Debtors			
- due within one year	9	1,703,226	1,933,554
- due after one year	9	2,254,881	625,844
Cash at bank and in hand		442,637	456,609
		4,408,844	3,032,282
CREDITORS, amounts falling due within one year	10	(1,395,402)	(1,214,198)
NET CURRENT ASSETS		3,013,442	1,818,084
TOTAL ASSETS LESS CURRENT LIABILITIES		13,817,595	12,639,705
CREDITORS: amounts falling due after more than one year	12	(8,278,469)	(9,170,030)
PROVISIONS FOR LIABILITIES	13	(110,814)	-
NET ASSETS		5,428,312	3,469,675
CAPITAL AND RESERVES			
Called up share capital	15	1	1
Profit and loss account	16	5,428,311	3,469,674
SHAREHOLDER'S FUNDS	14	5,428,312	3,469,675

The financial statements of Middleton St George Limited, registered number 3864079 were approved by the board of directors and authorised for issue on *28 October 2009*

Signed on behalf of the Board of Directors

Director

J A Shaw

MIDDLETON ST GEORGE 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. 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.

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 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.

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.

MIDDLETON ST GEORGE HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2009

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.

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	7,798,786	6,248,201
Social security costs	750,893	580,377
Other pension costs	196,241	153,107
	<u>8,745,920</u>	<u>6,981,685</u>
	No	No
Average number of persons employed:		
Administrative	29	24
Professional	88	68
Technical and support	170	127
	<u>287</u>	<u>219</u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 £	2008 £
Bank interest	<u>604</u>	<u>8,211</u>

MIDDLETON ST GEORGE 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 on owned assets	477,307	587,703
Operating leases – hire of plant and machinery	18,153	2,146
Auditors' remuneration - audit fees for the audit of the company's annual accounts	13,606	11,442
- non-audit fees (tax services)	53,830	38,995
	<u>53,830</u>	<u>38,995</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009 £	2008 £
Current taxation		
UK corporation tax at 28% (2008 – 29.5%)	-	-
	<u>-</u>	<u>-</u>
Group relief	129,708	1,681
Group relief adjustments in respect of prior year	2,262	211,354
	<u>131,970</u>	<u>213,035</u>
Total current tax charge		
	<u>131,970</u>	<u>213,035</u>
Deferred taxation		
Origination and reversal of timing differences	110,814	13,695
Adjustments in respect of prior periods	-	(13,695)
	<u>110,814</u>	<u>-</u>
Total deferred tax charge		
	<u>110,814</u>	<u>-</u>
Tax on profit on ordinary activities	<u>242,784</u>	<u>213,035</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	2,201,421	1,868,791
Tax on profit on ordinary activities at standard rate of 28% (2008 – 29.5%)	616,398	551,293
Factors affecting charge for the year:		
Capital allowances for period greater than depreciation	(92,878)	(134,333)
Other timing differences	(33,970)	(6,375)
Expenses not deductible for tax purposes	40,803	32,098
Transfer pricing adjustments	(400,645)	(441,002)
Prior period adjustments	2,262	211,354
	<u>131,970</u>	<u>213,035</u>
Total actual amount of current tax		
	<u>131,970</u>	<u>213,035</u>

MIDDLETON ST GEORGE 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	10,485,478	3,580,673	14,066,151
Additions	258,710	201,129	459,839
At 30 June 2009	10,744,188	3,781,802	14,525,990
Accumulated depreciation			
At 1 July 2008	363,893	2,880,637	3,244,530
Charge for the year	213,110	264,197	477,307
At 30 June 2009	577,003	3,144,834	3,721,837
Net book value			
At 30 June 2009	10,167,185	636,968	10,804,153
At 30 June 2008	10,121,585	700,036	10,821,621

8. STOCKS

	2009 £	2008 £
Raw materials and consumables	8,100	16,275

9. DEBTORS

	2009 £	2008 £
Amounts falling due within one year		
Trade debtors	1,587,940	1,764,338
Other debtors	-	899
Prepayments	115,286	120,920
Group relief receivable	-	47,397
	1,703,226	1,933,554
Amounts falling due after one year		
Amounts due from group companies	2,254,881	625,844
	3,958,107	2,559,398

MIDDLETON ST GEORGE HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2009

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Trade creditors	400,844	280,942
Other creditors including taxation and social security (note 12)	664,999	588,219
Accruals	244,986	345,037
Corporation tax	84,573	-
	<u>1,395,402</u>	<u>1,214,198</u>

11. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2009 £	2008 £
Taxation and social security	203,671	248,758
Other creditors	461,328	339,461
	<u>664,999</u>	<u>588,219</u>

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

	2009 £	2008 £
Amounts owed to group companies	<u>8,278,469</u>	<u>9,170,030</u>

13. PROVISIONS FOR LIABILITIES

	£
Deferred taxation:	
At 1 July 2008	-
Charge for the year	<u>110,814</u>
At 30 June 2009	<u>110,814</u>

Provision for deferred taxation consists of the following amounts:

	2009 £	2008 £
Capital allowances in excess of depreciation	117,814	-
Other	(7,000)	-
	<u>110,814</u>	<u>-</u>

The company has no un-recognised deferred tax asset in relation to trading losses in the current year (2008 £18,273). The prior year amount was not recognised as there was 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 2009

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2009 £	2008 £
Profit for the year	1,958,637	1,655,756
Net movement in shareholder's funds	1,958,637	1,655,756
Opening shareholder's funds	3,469,675	1,813,919
Closing shareholder's funds	5,428,312	3,469,675

15. CALLED UP SHARE CAPITAL

	2009 £	2008 £
Called up, allotted and fully paid 1 ordinary share of £1	1	1

16. RESERVES

	Profit and loss account £
At 1 July 2008	3,469,674
Retained profit for the year	1,958,637
At 30 June 2009	5,428,311

17. 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 £196,241 (2008 - £153,107). No contributions were due to the fund at the year end (2008 - £72,605).

18. OPERATING LEASE COMMITMENTS

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

	Plant and machinery	
	2009 £	2008 £
Leases which expire		
Within one to two years	-	2,146
Within two to five years	6,078	-
After five years	12,075	-

MIDDLETON ST GEORGE HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2009

19 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.

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).

20. CAPITAL COMMITMENTS

	2009 £	2008 £
Contracted for but not provided	<u>366,363</u>	<u>475,534</u>

21. 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 wholly owned group companies.