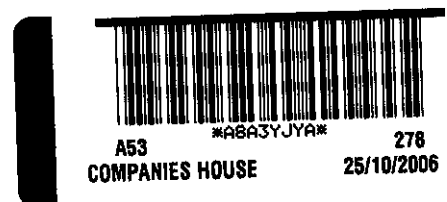


5389607

Classic Hospitals Property Limited

Report and Financial Statements

For the period ended 31 December 2005



Classic Hospitals Property Limited

Registered No: 5389607

Directors

A D Stevensen (Chief Executive Officer)

R J Best (Finance Director)

D Gray (Chief Operations Officer)

Secretary

Mitre Secretaries Limited

Auditors

Ernst & Young LLP

1 More Place

London

SE1 2AF

Bankers

Bank of Scotland

The Mound

Edinburgh

EH1 1YZ

Solicitors

CMS Cameron McKenna LLP

Mitre House

160 Aldersgate Street

London

EC1A 4DD

Registered Office

Mitre House

160 Aldersgate Street

London

EC1A 4DD

Directors' report

The directors present their report and financial statements of the company for the period ended 31 December 2005.

Results and dividends

The profit and loss account for the period is set out on page 5. The profit for the period after taxation amounted to £944,359.

The directors do not recommend the payment of a dividend.

Principal activity

The company's principal activity during the period was ownership and leasing of private hospitals.

The company was incorporated on 11 March 2005 as Intercede 2027 Limited and changed its name to Classic Hospitals Property Limited on 16 August 2005. The company commenced trading on the 24 July 2005 when it acquired 6 freehold and leasehold properties from group undertakings (note 8).

Review of the business and future developments

The directors consider the performance of the company to be satisfactory and do not foresee any significant changes in the forthcoming year.

Directors and their interests

The directors who served during the period were:

A D Stevensen	(appointed 22 April 2005)
R J Best	(appointed 22 April 2005)
D Gray	(appointed 23 July 2005)

No director has an interest in the shares of the company.

The directors are also directors of Classic Hospitals Group Limited, this company's parent undertaking. The directors' share holding in Classic Hospitals Group Limited at the period end are as shown below:

A D Stevensen	243,750 Ordinary £0.10 shares
R J Best	138,125 Ordinary £0.10 shares
D Gray	73,125 Ordinary £0.10 shares


Charitable and political donations

During the period, the company made no charitable or political donations.

Auditors

Ernst & Young LLP were appointed by the directors during the period. A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

R J Best
Director
Date: 
26th MAY 2006

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom generally accepted accounting practice.

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 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, 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 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 Classic Hospitals Property Limited

We have audited the company's financial statements for the period ended 31 December 2005 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 18. These financial statements have been prepared on the basis of 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 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 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 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 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 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 affairs of the company as at 31 December 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London
Date: *26 May 2006*

Profit and loss account

for the period ended 31 December 2005

	Note	2005 £'000
Turnover	2	1,607
Cost of sales		-
Gross Profit		1,607
Administrative expenses		159
Operating profit on ordinary activities before interest and taxation		1,448
Interest receivable and other income	4	284
Interest payable and similar charges	5	(788)
Profit on ordinary activities before taxation	6	944
Tax on profit on ordinary activities	7	-
Retained profit for the period	14	944

The company has no other recognised gains and losses therefore no statement of total recognised gains and losses has been presented.

There were no material differences between reported profit and losses and historical profit and losses on ordinary activities before taxation.

The above results for the period from the commencement of trade on 24 July 2005 to 31 December 2005 are derived entirely from acquired activities.

Balance sheet

as at 31 December 2005

	Note	2005 £'000
Fixed assets		
Tangible assets	8	25,637
Investments	9	13,649
		<hr/> 39,286
Current assets		
Debtors	10	13,933
Cash at bank and in hand		-
		<hr/> 13,933
Creditors: amounts falling due within one year	11	38,626
		<hr/> 24,693
Net current liabilities		
		<hr/> 14,593
Total assets less current liabilities		<hr/> <hr/> 14,593
 Capital and Reserves		
Called up share capital	13	13,649
Profit and loss account	14	944
		<hr/> 14,593
Shareholders' funds		<hr/> <hr/> 14,593

Approved by the Board

R J Best
Director

Date:

26th MAY 2006

A D Stevensen
Director

Date:

26th May 2006

Notes to the financial statements

at 31 December 2005

1. Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the principal company accounting policies which have been applied consistently is set out below.

Basis of preparation

The financial statements have been prepared under the historical cost convention. No consolidated accounts are prepared, as the company is a wholly owned subsidiary of Classic Hospitals Group Limited, a company registered in England and is therefore exempt under Section 228(1) of the Companies Act 1985.

Tangible fixed assets

Freehold and leasehold properties, including hospital properties, are stated at cost. Other tangible assets are stated at cost.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

Freehold buildings	-	50 years
Leasehold land and buildings	-	over the length of the lease

There is no depreciation charge made in respect of freehold land. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Rental income

Rent receivable arising on leased properties is accounted for on a straight line basis over the lease terms.

Investments

Fixed assets investments are stated at cost less provision for impairment. The carrying value of investments are stated less provision for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements

at 31 December 2005

2. Turnover

Turnover is stated net of value added tax and represents amounts due in respect of rent due on properties owned and managed by the company.

3. Directors and employees

The company had no employees during the period and consequently incurred no staff costs. The directors of the company are also directors and officers of other companies within Classic Hospitals Group Limited. These directors' services to the company do not occupy a significant amount of time. As such these directors do not consider that they receive any remuneration in respect of services to the company for the period ended 31 December 2005.

4. Interest receivable and other income

*Period ended
31 December
2005
£'000*

Intercompany interest	284
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5. Interest payable and similar charges

*Period ended
31 December
2005
£'000*

Intercompany interest	788
-----------------------	-----

6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is arrived at after charging:

*Period ended
31 December
2005
£'000*

Depreciation	- owned tangible assets	159
Auditors' remuneration	- audit services	-

Auditors' costs have been borne by Classic Hospitals Limited, a fellow subsidiary undertaking.

Notes to the financial statements

at 31 December 2005

7. Tax on profit on ordinary activities

a) Tax on profit on ordinary activities

The tax charge is made up as follows:

*Period ended
31 December
2005
£'000*

Current tax:

UK corporation tax

-

Total current tax

-

Deferred tax:

Origination and reversal of timing differences (note 7d)

-

Tax on profit on ordinary activities

-

b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are reconciled below:

*Period ended
31 December
2005
£'000*

Profit on ordinary activities before tax

944

Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%

283

Effects of:

Expenses not deductible for tax purposes

48

Group relief

(331)

Total current tax

-

c) Factors that may affect future tax charges

The company does not expect to be able to claim capital allowances in excess of depreciation in future years. The company expects to continue to claim group relief on taxable profits generated in future years.

d) Deferred tax

There is no charge in respect of deferred taxation for the period ended 31 December 2005.

Notes to the financial statements

at 31 December 2005

8. Tangible fixed assets

	<i>Freehold Land and Buildings</i>	<i>Long Leasehold Land and Buildings</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost:</i>			
Transferred from group undertakings	23,855	1,941	25,796
At 31 December 2005	23,855	1,941	25,796
<i>Depreciation:</i>			
Provided during the period	147	12	159
At 31 December 2005	147	12	159
<i>Net book value:</i>			
At 31 December 2005	23,708	1,929	25,637

The freehold and leasehold land and buildings transferred in from group undertakings are leased back to Classic Hospitals Limited, a fellow subsidiary undertaking.

On the 23 July 2005 Classic Hospitals Limited a subsidiary undertaking of Classic Hospitals Property limited acquired the trade and certain assets from BUPA Hospitals Limited and Goldsborough Developments Limited. The consideration was satisfied by funding arrangements entered into by Classic Hospitals Group Limited, the ultimate parent company and by the immediate acquiring company Classic Hospitals Limited.

Immediately post acquisition, the freehold and leasehold of six hospitals were acquired by Classic Hospitals Property Limited and leased back to Classic Hospitals Limited under a formal sale and leaseback agreement. The purchase was satisfied through an intercompany loan from Classic Hospitals Limited to Classic Hospitals Property Limited. The loan accrues interest at 5% per annum.

9. Investments

	<i>2005 £'000</i>
<i>Cost</i>	
Additions	13,649
At 31 December 2005	13,649

Classic Hospitals Property Limited holds 100% of the issued ordinary share capital of Classic Hospitals Limited. Classic Hospitals Limited principal activity is the operation of private hospitals and the provision of private healthcare facilities.

Notes to the financial statements

at 31 December 2005

10. Debtors: amounts falling due within one year

	2005 £'000
Amounts due from group undertakings	13,933
	<u>13,933</u>

11. Creditors: amounts falling due within one year

	2005 £'000
Amounts owed to group undertakings	38,626
	<u>38,626</u>

12. Deferred taxation

Deferred tax liabilities are analysed as follows:

	<i>Provided</i> 2005 £'000	<i>Not provided</i> 2005 £'000
Capital allowances in advance of depreciation	-	-
Losses	-	-
	<u>-</u>	<u>-</u>

13. Share capital

	<i>Ordinary shares of £1 nominal value</i>	
	2005 No.	2005 £'000
<i>Authorised:</i>		
Ordinary shares	15,000,000	15,000
<i>Allotted, called up and fully paid:</i>		
Ordinary shares	13,648,943	13,649
	<u>13,648,943</u>	<u>13,649</u>

During the period the authorised share capital was increased to £15,000,000.

During the period, 13,648,943 ordinary shares of £1 each, with an aggregate nominal value of £13,648,943, were issued for a consideration of £13,648,943 to Classic Hospitals Group Limited.

Notes to the financial statements

at 31 December 2005

14. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital £'000</i>	<i>Profit and loss account £'000</i>	<i>Total share- holders' Funds £'000</i>
Retained profit for the period	-	944	944
New share capital issued	13,649	-	13,649
At 31 December 2005	13,649	944	14,593

15. Commitments

Operating leases

At 31 December 2005, the company had no annual commitments under non-cancellable operating leases.

16. Cash flow

The company, as a wholly owned subsidiary of a Group which publishes consolidated financial statements in which the company is included, is exempt under the terms of Financial Reporting Standard (FRS) No.1 (Revised) 'Cash Flow Statements' from publishing a cash flow statement.

17. Ultimate parent and controlling party

The immediate and ultimate parent undertaking of Classic Hospitals Property Limited is Classic Hospitals Group Limited, a company registered in England and Wales. The results of Classic Hospitals Property Limited are included in the consolidated financial statements of Classic Hospitals Group Limited. Copies of these financial statements can be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

18. Related parties

As the company is a wholly owned subsidiary undertaking of Classic Hospitals Group Limited, a company registered in England and Wales which publishes consolidated financial statements, the company has, pursuant to paragraph 17 of FRS 8 'Related Party Disclosures', not included details of transactions with other group companies which are subsidiary undertakings of the group.

There were no other related party transactions.