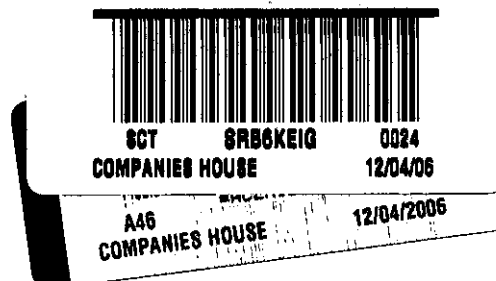


**AFFINITY HOSPITALS GROUP LIMITED**  
**(formerly Affinity Hospitals Limited,**  
**Healthcare England Limited)**

**Report and Financial Statements**

**30 June 2005**



**AFFINITY HOSPITALS GROUP LIMITED (formerly Affinity Hospitals Limited,  
Healthcare England Limited)**

**REPORT AND FINANCIAL STATEMENTS 2005**

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**AFFINITY HOSPITALS GROUP LIMITED (formerly Affinity Hospitals Limited,  
Healthcare England Limited)**

**REPORT AND FINANCIAL STATEMENTS 2005**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

R Russell	(resigned 23 December 2004)
J Ward	(appointed 23 December 2004)
P Batchelor	(appointed 23 December 2004)
J Shaw	(appointed 23 December 2004)

**SECRETARY**

R Russell	(resigned 18 March 2004)
S Russell	(appointed 18 March 2004, resigned 23 December 2004)
D Chappell	(appointed 23 December 2004, resigned 24 December 2004)
J Shaw	(appointed 23 December 2004)

**REGISTERED OFFICE**

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2DB

**SOLICITORS**

Hammond Suddards  
Trinity Court  
16 John Dalton Street  
Manchester

**BANKERS**

Royal Bank of Scotland  
1 Spinningfields Square  
Manchester

**AUDITORS**

Deloitte & Touche LLP  
Manchester

**AFFINITY HOSPITALS GROUP LIMITED (formerly Affinity Hospitals Limited,  
Healthcare England Limited)**

**DIRECTORS' REPORT**

The directors present their annual report and the audited company financial statements for the year ending 30 June 2005.

**PRINCIPAL ACTIVITY**

The company is the holding company for a group of companies engaged in the provision of private healthcare.

The company changed its name from Healthcare England Limited to Affinity Hospitals Limited on 11 January 2005, and to Affinity Hospitals Group Limited on 2 June 2005.

**RESULTS, DIVIDENDS AND TRANSFER TO RESERVES**

The company made a profit after taxation of £102,389 (2004: profit £259,546) which has been transferred to reserves. No dividend is proposed in respect of the year (2004: £nil).

**DIRECTORS**

The present membership of the board is set out on page 1.

The directors do not have any direct beneficial interest in the shares of the company. Their interests in the ultimate parent company, Affinity Healthcare Holdings Limited, are disclosed in the financial statements of that 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 on its behalf:

Director

*J A Shaw*

*27 October 2005*

## **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**

### **AFFINITY HOSPITALS GROUP LIMITED (FORMERLY AFFINITY HOSPITALS LIMITED, FORMERLY HEALTHCARE ENGLAND LIMITED)**

We have audited the financial statements of Affinity Hospitals Group Limited (formerly Affinity Hospitals Limited, formerly Healthcare England Limited) for the year ended 30 June 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 13. 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 2005 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  
Manchester

*27 October 2005*

**AFFINITY HOSPITALS GROUP LIMITED (formerly Affinity Hospitals Limited,  
Healthcare England Limited)**

**PROFIT AND LOSS ACCOUNT**  
**Year ended 30 June 2005**

	Note	2005 £	2004 £
Administrative expenses		(1,016)	(3,585)
<b>OPERATING LOSS</b>	3	(1,016)	(3,585)
Gain on disposal of subsidiary		-	249,997
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,016)	246,412
Tax on (loss)/profit on ordinary activities	4	103,405	13,134
<b>PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES</b>	10	102,389	259,546

There are no recognised gains or losses for the current or preceding financial year other than as included above. Accordingly, no statement of total recognised gains and losses is presented.

All activity arose from continuing operations.

**AFFINITY HOSPITALS GROUP LIMITED (formerly Affinity Hospitals Limited,  
Healthcare England Limited)**

**BALANCE SHEET**  
**At 30 June 2005**

	Note	2005 £	2004 £
<b>FIXED ASSETS</b>			
Investments	5	12,454,102	1,499,734
<b>CURRENT ASSETS</b>			
Debtors			
- amounts due within one year	6	106,905	1,550,784
- amounts due after one year	6	1,542,683	-
		1,649,588	1,550,784
<b>CREDITORS: Amounts falling due within one year</b>	7	(4,485,132)	(3,585)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(2,835,544)	1,547,199
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		9,618,558	3,046,933
<b>CREDITORS: Amounts falling due after one year</b>	8	(6,469,236)	-
<b>NET ASSETS</b>		3,149,322	3,046,933
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	350,123	350,123
Share premium account	10	45,881	45,881
Profit and loss account	10	2,753,318	2,650,929
<b>EQUITY SHAREHOLDERS' FUNDS</b>	11	3,149,322	3,046,933

These financial statements were approved by the Board of Directors on  
and signed on its behalf:

27 October 2005

Director

*J A Shaw*  
*AB*

Director



**AFFINITY HOSPITALS GROUP LIMITED (formerly Affinity Hospitals Limited,  
Healthcare England Limited)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 June 2005**

**1. ACCOUNTING POLICIES**

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

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Exemption from consolidation**

The company is exempt under S228 of the Companies Act 1985 from preparing group financial statements as the results of the company and its subsidiaries are included in the financial statements of the ultimate parent company, Affinity Healthcare Holdings Limited. These financial statements therefore represent the results of the company only.

**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.

**Investments**

Investments in subsidiary undertakings held as fixed assets are stated at cost less provision for any impairment.

**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 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 assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	2005 £	2004 £
Directors' remuneration	-	-

There were no employees during the current or prior year. Directors' remuneration is borne by another group company as it is not practical to allocate the total remuneration between each of the group companies.

**3. OPERATING LOSS**

	2005 £	2004 £
Operating loss is after charging:		
Auditors' remuneration	1,016	2,585

**AFFINITY HOSPITALS GROUP LIMITED (formerly Affinity Hospitals Limited,  
Healthcare England Limited)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 June 2005**

**4. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**

	2005 £	2004 £
<b>Current taxation</b>		
Group relief	(103,405)	(1,076)
Adjustments in respect of prior years: group relief	-	(12,058)
	<u>(103,405)</u>	<u>(13,134)</u>
<b>Total current tax</b>	<u>(103,405)</u>	<u>(13,134)</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30%. The actual tax credit for the current year differs from the standard rate for the reasons set out in the reconciliation below:

	2005 £	2004 £
(Loss)/profit on ordinary activities before tax	(1,016)	246,412
Tax on (loss)/profit on ordinary activities at standard rate	(305)	73,923
<b>Factors affecting charge for the period:</b>		
Chargeable gains exempted by substantial shareholdings relief	-	(74,999)
Prior year adjustments	-	(12,058)
Expenses not deductible for tax purposes	-	-
Transfer pricing adjustment	(103,100)	-
	<u>(103,405)</u>	<u>(13,134)</u>
<b>Total actual amount of current tax</b>	<u>(103,405)</u>	<u>(13,134)</u>

**5. INVESTMENTS**

	Shares in subsidiary undertakings £
<b>Cost and net book value</b>	
At 1 July 2004	1,499,734
Additions	10,954,368
	<u>12,454,102</u>
At 30 June 2005	<u>12,454,102</u>

Subsidiary undertakings	Country of incorporation	Shares owned	%
Affinity Hospitals Limited (formerly Affinity Healthcare Limited)	England and Wales	Ordinary	100%

The addition during the year represents additional shares purchased in Affinity Hospitals Limited.

Affinity Hospitals Limited in turn owns 100% of the issued share capital of Cheadle Royal Healthcare Limited and Middleton St George Healthcare Limited.

Subsidiaries' activities are the provision of private healthcare services.

£6,469,236 of the addition in investments was satisfied in cash with the remaining consideration being deferred (see note 7).

**AFFINITY HOSPITALS GROUP LIMITED (formerly Affinity Hospitals Limited,  
Healthcare England Limited)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 June 2005**

**6. DEBTORS**

Amounts falling due within one year:

	2005 £	2004 £
Amounts owed by immediate parent company	-	1,538,725
Amounts owed by related parties (note 12)	-	12,058
Unpaid share capital	-	1
Corporation tax recoverable	3,500	-
Group relief receivable	103,405	-
	<u>106,905</u>	<u>1,550,784</u>
Amounts falling due after one year:		
Amounts owed by immediate parent company	1,542,683	-
	<u>1,649,588</u>	<u>1,550,784</u>

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

	2005 £	2004 £
Deferred consideration	4,485,132	-
Accruals and deferred income	-	3,585
	<u>4,485,132</u>	<u>3,585</u>

Deferred consideration amounting to £4,396,998 relating to an earn-out clause will be satisfied by loan notes. This amount was determined by reference to the trading performance of specific treatment units within the acquired group.

The remaining deferred consideration of £88,134 is the estimated net proceeds in relation to the sale of land owed by the acquired group.

**8. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR**

	2005 £	2004 £
Amounts owed to group companies	<u>6,469,236</u>	<u>-</u>

**9. CALLED UP SHARE CAPITAL**

	2005 £	2004 £
<b>Authorised</b>		
350,123 ordinary shares of £1 each	<u>350,123</u>	<u>350,123</u>
<b>Called up and allotted</b>		
350,123 ordinary shares of £1 each	<u>350,123</u>	<u>350,123</u>

**AFFINITY HOSPITALS GROUP LIMITED (formerly Affinity Hospitals Limited,  
Healthcare England Limited)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 June 2005**

**10. RESERVES**

	Share premium account £	Profit and loss account £
At 1 July 2004	45,881	2,650,929
Profit for the year	-	102,389
At 30 June 2005	<u>45,881</u>	<u>2,753,318</u>

**11. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS**

	2005 £	2004 £
Profit for the financial year	102,389	259,546
Opening shareholders' funds	<u>3,046,933</u>	<u>2,787,387</u>
Closing shareholders' funds	<u>3,149,322</u>	<u>3,046,933</u>

**12. ULTIMATE PARENT COMPANY**

The directors regard Duke Street Capital V Limited as the ultimate controlling party of the company. The ultimate parent company is Affinity Healthcare Holdings Limited. Copies of the consolidated financial statements of the parent company may be obtained from Affinity Healthcare Holdings Limited, 100 Wilmslow Road, Heald Green, Cheadle, Cheshire, SK8 3DG.

The company has taken advantage of paragraph 3(c) of FRS8 "Related Party Disclosures" which allows exemption from disclosure of related party transactions with group companies.

**13. RELATED PARTY TRANSACTIONS**

There were no amounts due to or from related parties at the year end. In the prior year there was an amount of £12,058 due from UK Private Healthcare Limited a company that was disposed of during the prior year.