

AFFINITY HOSPITALS GROUP LIMITED

Report and Financial Statements

30 June 2006



AFFINITY HOSPITALS GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS 2006

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AFFINITY HOSPITALS GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Ward (resigned 8 March 2006)
P Batchelor
J Shaw
A Evans (appointed 28 April 2006)

SECRETARY

J Shaw

REGISTERED OFFICE

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB

SOLICITORS

Wragge & Co LLP
55 Colmore Row
Birmingham

BANKERS

Royal Bank of Scotland
1 Spinningfields Square
Manchester

AUDITORS

Deloitte & Touche LLP
Manchester

AFFINITY HOSPITALS GROUP LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited company financial statements for the year ended 30 June 2006

This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the companies Act 1985

PRINCIPAL ACTIVITY

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

RESULTS, DIVIDENDS AND TRANSFER TO RESERVES

The company made a profit after taxation of £202,592 (2005 – £102,389) which has been transferred to reserves
No dividend is proposed in respect of the year (2005 £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

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

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
1 March 2007

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

We have audited the financial statements of Affinity Hospitals Group Limited for the year ended 30 June 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 14. 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, in accordance with the relevant financial reporting framework, 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 other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 2006 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

Date

5 March 2007

AFFINITY HOSPITALS GROUP LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2006

| | Note | 2006 £ | 2005 £ |
|--|------|-----------|-----------|
| Administrative expenses | | | (1,016) |
| OPERATING LOSS | 3 | | (1,016) |
| Interest receivable and similar income | 4 | 12 | |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | | 12 | (1,016) |
| Tax on profit/(loss) on ordinary activities | 5 | 202,580 | 103,405 |
| PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES | 11 | 202,592 | 102,389 |

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

BALANCE SHEET

At 30 June 2006

| | Note | 2006 £ | 2005 £ |
|---|------|-------------------------|-------------------------|
| FIXED ASSETS | | | |
| Investments | 6 | <u>12,171,333</u> | <u>12,454,102</u> |
| CURRENT ASSETS | | | |
| Debtors | | | |
| amounts due within one year | 7 | 308,126 | 106,905 |
| amounts due after one year | 7 | <u>1,544,054</u> | <u>1,542,683</u> |
| | | 1,852,180 | 1,649,588 |
| CREDITORS: Amounts falling due within one year | 8 | | <u>(4,485,132)</u> |
| NET CURRENT ASSETS/(LIABILITIES) | | <u>1,852,180</u> | <u>(2,835,544)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>14,023,513</u> | <u>9,618,558</u> |
| CREDITORS: Amounts falling due after one year | 9 | <u>(10,671,599)</u> | <u>(6,469,236)</u> |
| NET ASSETS | | <u><u>3,351,914</u></u> | <u><u>3,149,322</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 10 | 350,123 | 350,123 |
| Share premium account | 11 | 45,881 | 45,881 |
| Profit and loss account | 11 | <u>2,955,910</u> | <u>2,753,318</u> |
| EQUITY SHAREHOLDERS' FUNDS | 12 | <u><u>3,351,914</u></u> | <u><u>3,149,322</u></u> |

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

1 March 2007

Director



AFFINITY HOSPITALS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2006

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

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

| | 2006 £ | 2005 £ |
|-----------------------------------|-----------|-----------|
| Operating loss is after charging: | | |
| Auditors' remuneration | | 1,016 |

AFFINITY HOSPITALS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2006

4. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2006 £ | 2005 £ |
|----------------|-----------|-----------|
| Other interest | 12 | |

5. TAX ON PROFIT /(LOSS) ON ORDINARY ACTIVITIES

| | 2006 £ | 2005 £ |
|--|-----------|-----------|
| Current taxation | | |
| Group relief | (198,528) | (103,405) |
| Adjustments in respect of prior years group relief | (4,052) | |
| Total current tax | (202,580) | (103,405) |

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

| | 2006 £ | 2005 £ |
|--|-----------|-----------|
| Profit/(loss) on ordinary activities before tax | 12 | (1,016) |
| Tax on profit/(loss) on ordinary activities at standard rate | (4) | (305) |
| Factors affecting charge for the period: | | |
| Prior year adjustments | (198,524) | |
| Transfer pricing adjustment | (4,052) | (103,100) |
| Total actual amount of current tax | (202,580) | (103,405) |

6. INVESTMENTS

| | Shares in subsidiary undertakings £ |
|--------------------------------|--|
| Cost and net book value | |
| At 1 July 2005 | 12,454,102 |
| Adjustment | (282,769) |
| At 30 June 2006 | 12,171,333 |

| Subsidiary undertakings | Country of incorporation | Shares owned | % |
|----------------------------|-----------------------------|--------------|------|
| Affinity Hospitals Limited | England and Wales | Ordinary | 100% |

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

The £282,769 adjustment in the year relates to the difference between the expected deferred consideration, in relation to the earn out, and the actual amount paid

AFFINITY HOSPITALS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2006

7. DEBTORS

| | 2006 £ | 2005 £ |
|--|------------------|------------------|
| Amounts falling due within one year | | |
| Corporation tax recoverable | 2,149 | 3,500 |
| Group relief receivable | 305,977 | 103,405 |
| | <u>308,126</u> | <u>106,905</u> |
| Amounts falling due after one year | | |
| Amounts owed by immediate parent company | 1,544,054 | 1,542,683 |
| | <u>1,852,180</u> | <u>1,649,588</u> |

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2006 £ | 2005 £ |
|------------------------|-----------|-----------|
| Deferred consideration | | 4,485,132 |

The prior year deferred consideration balance included £4,396,998 relating to an earn out clause, and estimated net proceeds of £88,134 in relation to the sale of land owed by the acquired group. Both of these were satisfied by the issue of loan notes in the year by another group company.

9. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

| | 2006 £ | 2005 £ |
|---------------------------------|------------|-----------|
| Amounts owed to group companies | 10,671,599 | 6,469,236 |

10. CALLED UP SHARE CAPITAL

| | 2006 £ | 2005 £ |
|------------------------------------|-----------|-----------|
| Authorised | | |
| 350,123 ordinary shares of £1 each | 350,123 | 350,123 |
| Called up and allotted | | |
| 350,123 ordinary shares of £1 each | 350,123 | 350,123 |

11. RESERVES

| | Share premium account £ | Profit and loss account £ |
|---------------------|----------------------------------|------------------------------------|
| At 1 July 2005 | 45,881 | 2,753,318 |
| Profit for the year | | 202,592 |
| At 30 June 2006 | 45,881 | 2,955,910 |

AFFINITY HOSPITALS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2006

12. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

| | 2006 £ | 2005 £ |
|-------------------------------|------------------|------------------|
| Profit for the financial year | 202,592 | 102,389 |
| Opening shareholders' funds | <u>3,149,322</u> | <u>3,046,933</u> |
| Closing shareholders' funds | <u>3,351,914</u> | <u>3,149,322</u> |

13. 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.

14. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption included in Financial Reporting Standards No 8 "Related Party Disclosures" for the wholly owned subsidiaries not to disclose transactions with entities that are part of the group.