

Affinity Hospitals Group Limited  
Annual report and financial statements  
for the year ended 31 December 2011

Registered number: SC224907

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Affinity Hospitals Group Limited  
Annual report and financial statements  
for the year ended 31 December 2011  
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# **Affinity Hospitals Group Limited**

## **Directors' report for the year ended 31 December 2011**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2011.

### **Principal activities and review of business**

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

The results for the year are set out in the Profit and loss account on page 6 and the position of the company as at the year end is set out in the Balance sheet on page 7.

### **Future developments**

The company has not traded in the current or prior period and the directors do not expect it to in the forthcoming financial period.

### **Key performance indicators**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business. The development, performance and position of Priory Group No. 1 Limited, which includes the company, is discussed in the group's annual report which does not form part of this report.

### **Financial risk management**

The company's operations mean that it is exposed to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The directors monitor the risks in order to limit the adverse effects on the financial performance by reviewing levels of debt finance and the related finance costs, however these are integrated with the risks of group and not managed separately. Accordingly, the financial risk management policies of Priory Group No. 1 Limited, which include those of the company, are discussed in the group's annual report which does not form part of this report.

### **Principal risks and uncertainties**

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of Priory Group No. 1 Limited, which include those of the company, are discussed in the Group's annual report which does not form part of this report.

### **Going concern**

The ultimate parent company, Priory Group No. 1 Limited, has confirmed that it will continue to provide financial support to the company for the foreseeable future and for at least 12 months from the date of approval of these financial statements. Accordingly the financial statements have been prepared on the going concern basis.

### **Results and dividends**

The directors do not recommend the payment of a dividend (2010: £nil).

# Affinity Hospitals Group Limited

## Directors

The directors of the company who held office during the year and up to the date of signing the financial statements were as follows:

P Scott  
M Franzidis  
J Lock

In accordance with the articles of association, no directors retire by rotation.

## Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

## Provision of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

## Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 prepared 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 judgements 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.

## Affinity Hospitals Group Limited

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.

By order of the board



David Hall  
Company Secretary  
6 September 2012

38-40 Mansionhouse Road  
Glasgow  
G41 3DW

# **Affinity Hospitals Group Limited**

## **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 31 December 2011 which comprise the Profit and loss account, the Balance sheet, the Statement of accounting policies and the related notes. 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).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of directors' responsibilities set out on pages 2 and 3 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 and express an opinion on 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **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. In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 31 December 2011 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.

## Affinity Hospitals Group Limited

### 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.



Richard Bunter (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
6 September 2012

## Affinity Hospitals Group Limited

### Profit and loss account for the year ended 31 December 2011

		Year ended 31 December 2011	Period ended 31 December 2010
	Note	£'000	£'000
Profit on ordinary activities before taxation		-	-
Tax on profit on ordinary activities	3	346	-
Profit for the financial year	8	346	-

The results for the current and prior year derive from continuing activities.

The company had no other recognised gains or losses for the year other than the profit above, therefore no statement of total recognised gains and losses is presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

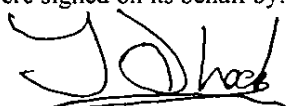


# Affinity Hospitals Group Limited

## Balance sheet as at 31 December 2011

	Note	2011 £'000	2010 £'000
<b>Fixed assets</b>			
Investments	4	12,171	12,171
<b>Current assets</b>			
Debtors	5	346	2,561
Creditors: amounts falling due within one year	6	(8,110)	(10,671)
<b>Net current liabilities</b>		<b>(7,764)</b>	<b>(8,110)</b>
<b>Net assets</b>		<b>4,407</b>	<b>4,061</b>
<b>Capital and reserves</b>			
Called up share capital	7	350	350
Share premium account	8	46	46
Profit and loss account	8	4,011	3,665
<b>Total shareholders' funds</b>	9	<b>4,407</b>	<b>4,061</b>

The financial statements on pages 6 to 13 were approved by the board of directors on 6 September 2012 and were signed on its behalf by:



Jason Lock  
Director

Registered number: SC224907

# **Affinity Hospitals Group Limited**

## **Statement of accounting policies**

The following accounting policies have been applied consistently in the company's financial statements.

### **Basis of preparation**

The financial statements have been prepared on the going concern basis in accordance with applicable UK accounting standards and UK company law and under the historical cost accounting rules. The accounting reference date was shortened from 18 March to 31 December in the prior period.

The ultimate parent company, Priory Group No. 1 Limited, has confirmed that it will continue to provide financial support to the company for the foreseeable future and for at least 12 months from the date of approval of these financial statements. Accordingly the financial statements have been prepared on the going concern basis.

The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements on the grounds that it is included in the consolidated financial statements of a parent undertaking. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 'Cash flow statements' (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own publicly available consolidated financial statements.

As the company is a wholly owned subsidiary of Priory Group No. 1 Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group.

### **Investments**

Investments held as fixed assets are shown at cost less provision for impairment.

### **Deferred taxation**

The charge for taxation is based on the profit for the period and takes into account taxation deferred.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured in a non-discounted basis.

## **Affinity Hospitals Group Limited**

### **Group relief**

Payment is generally made for group relief at the current tax rate at the time of first estimating the tax provision. To the extent that amendments are subsequently made to the group relief plan, there is generally no payment or receipt in respect of the change.

# Affinity Hospitals Group Limited

## Notes to the financial statements for the year ended 31 December 2011

### 1 Profit on ordinary activities before taxation

The remuneration of the auditors of £500 (2010: £500) was borne by another group undertaking.

### 2 Remuneration of directors

The costs relating to the directors' services have been borne by Priory Central Services Limited, a fellow group company. No amounts have been recharged to the company in respect of the directors' services and the directors do not believe that it is practical to allocate these costs between group companies.

### 3 Tax on profit on ordinary activities

	Year ended 31 December 2011 £'000	Period ended 31 December 2010 £'000
Current taxation:		
Group relief	216	-
Adjustments in respect of prior periods	130	-
<b>Total tax credit</b>	<b>346</b>	<b>-</b>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 26.49% (2010: 28%). The actual tax credit for the year is higher than (2010: equal to) the standard rate for the reasons set out in the following reconciliation:

	Year ended 31 December 2011 £'000	Period ended 31 December 2010 £'000
Profit on ordinary activities before tax	-	-
Tax on profit on ordinary activities at standard rate	-	-
Factors affecting charge for the year:		
Transfer pricing adjustment	216	-
Adjustments in respect of prior periods	130	-
<b>Total current tax credit for the year</b>	<b>346</b>	<b>-</b>

# Affinity Hospitals Group Limited

## 3 Tax on profit on ordinary activities (continued)

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011. A further reduction in this corporation tax rate effective on 1 April 2012 from 26% to 25% was substantively enacted for the purposes of FRS 19 on 5 July 2011. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 26.49% and deferred taxation has been calculated based on a rate of 25%.

In addition to the changes in rates of corporation tax disclosed above a number of further changes to the UK corporation tax system were announced in the March 2012 UK Budget Statement. Changes to the corporation tax rate on 1 April 2012, substantively enacted for the purposes of FRS 19 on 26 March 2012, will reduce to 24%, a 1% reduction from the rate substantively enacted on 5 July 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed reductions of the main rate of corporation tax by 1% per year to 22% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25% to 22%, if these applied to the deferred tax balance at the balance sheet date, would be immaterial.

## 4 Investments

### Shares in group undertakings

	Total £'000
Cost and net book value	
At 31 December 2010 and 31 December 2011	12,171

### Subsidiary undertakings

The subsidiary undertaking in which the company's direct interest at the year end is more than 20% is as follows:

Subsidiary undertaking	Principal activities	Country of incorporation	Class and percentage of shares held
Affinity Hospitals Limited	Intermediate holding company	United Kingdom	100% ordinary

The directors consider that the carrying value of the investment is supported by its underlying net assets

# Affinity Hospitals Group Limited

## 5 Debtors

	2011	2010
	£'000	£'000
Due within one year:		
Group relief receivable	346	-
Due after more than one year:		
Amounts owed by group undertakings	-	2,561
	346	2,561

Amounts owed by group undertakings are non-interest bearing and repayable on demand.

## 6 Creditors: amounts falling due within one year

	2011	2010
	£'000	£'000
Amounts owed to group undertakings	8,110	10,671

Amounts owed to group undertakings are unsecured, non-interest bearing and repayable on demand.

## 7 Called up share capital

	2011	2010
	£'000	£'000
Authorised, allotted, called-up and fully paid		
350,123 ordinary shares of £1 each	350	350

## 8 Reserves

	Share premium account	Profit and loss account
	£'000	£'000
At 1 January 2011	46	3,665
Profit for the financial year	-	346
At 31 December 2011	46	4,011

# Affinity Hospitals Group Limited

## 9 Reconciliation of movements in shareholders' funds

	2011	2010
	£'000	£'000
Profit for the financial year	346	-
Net addition to shareholders' funds	346	-
Opening shareholders' funds	4,061	4,061
Closing shareholders' funds	4,407	4,061

## 10 Ultimate parent company and controlling party

The company's immediate parent company, which is incorporated in Scotland, is Affinity Hospitals Holding Limited.

The ultimate parent undertaking and controlling party is Priory Group No. 1 Limited, a company incorporated in England. Priory Group No. 1 Limited is beneficially owned by funds managed by Advent International Corporation which is considered by the directors to be the ultimate controlling party of the company.

Priory Group No. 1 Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2011. Priory Group No. 3 PLC is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2011. The consolidated financial statements of Priory Group No. 1 Limited and Priory Group No. 3 PLC can be obtained from the Company Secretary at 21 Exhibition House, Addison Bridge Place, London, W14 8XP.