

Affinity Hospitals Group Limited

Directors' report and financial statements

Period from 1 July 2009 to 18 March 2010

Registered number SC224907

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Directors' report

The directors present their report and the audited financial statements of the company for the period from 1 July 2009 to 18 March 2010. The comparative figures are for the year ended 30 June 2009.

Principal activity

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

Business review and future developments

The company has not traded in the current period or the prior year and the Directors do not expect it to in the forthcoming financial period. As at 18 March 2010 the net assets of the company were £4,061,000 (30 June 2009: £3,929,000).

On 18 March 2010, Affinity Healthcare Holdings Limited (the company's ultimate parent undertaking) was acquired by Priory New Investments No. 3 Limited, a subsidiary of Priory Investments Holdings Limited. As a result of the transaction, the company's ultimate parent company from 18 March 2010 onwards is Priory Investments Holdings Limited (incorporated in the Cayman Islands).

Principal risks and uncertainties

The company considers its principal risks to be the financial performance of its subsidiary companies which support the carrying value of the company's investments. This risk is managed through regular contact and review with the subsidiary companies' executive teams.

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.

Dividends

The directors do not recommend the payment of a dividend (2009: *£nil*).

Directors' report *(continued)*

Directors

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

T MacDonald-Milner	(resigned 18 March 2010)
J Shaw	(resigned 18 March 2010)
A Evans	(resigned 18 March 2010)
P Scott	(appointed 18 March 2010)
M Franzidis	(appointed 18 March 2010)
J Lock	(appointed 18 March 2010)

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

Independent auditors

The company's previous auditors, Deloitte LLP, tendered their resignation on 18 March 2010. PricewaterhouseCoopers LLP were subsequently appointed as the company's auditors and have indicated their willingness to continue in office.

Provision of information to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



D Hall
Company Secretary

38 – 40 Mansionhouse Road
Glasgow
G41 3DW

21 December 2010

Statement of directors' responsibilities

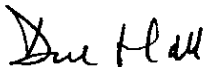
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 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;
- 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.

By order of the board



D Hall
Company Secretary

21 December 2010

Independent auditors' report to the members of Affinity Hospitals Group Limited

We have audited the financial statements of Affinity Hospitals Group Limited for the period from 1 July 2009 to 18 March 2010 which comprise the profit and loss account, the balance sheet 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 page 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 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.

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 18 March 2010 and of its result for the period 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.



Richard Bunter (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle

21 December 2010

Profit and loss account

for the period from 1 July 2009 to 18 March 2010

	Note	Period from 1 July 2009 to 18 March 2010 £000	Year ended 30 June 2009 £000
Profit on ordinary activities before taxation	2	-	-
Tax on profit on ordinary activities	4	132	185
Profit for the financial period	10	132	185

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


The company had no other recognised gains or losses for the period 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 period stated above and their historical cost equivalents.

Balance sheet
as at 18 March 2010

	Note	18 March 2010 £000	30 June 2009 £000
Fixed assets			
Investments	5	12,171	12,171
Current assets			
Debtors			
- amounts falling due within one year	6	1,017	885
- amounts falling due after more than one year	6	1,544	1,544
Net current assets		2,561	2,429
Total assets less current liabilities		14,732	14,600
Creditors: amounts falling due after more than one year	7	(10,671)	(10,671)
Net assets		4,061	3,929
Capital and reserves			
Called up share capital	8	350	350
Share premium account	9	46	46
Profit and loss account	9	3,665	3,533
Total shareholder's funds	10	4,061	3,929

The financial statements on pages 5 to 10 were approved by the board of directors on 21 December 2010 and were signed on its behalf by:



J Lock
Director

Notes to the financial statements

1 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 in accordance with applicable UK accounting standards and UK company law and under the historical cost accounting rules.

The company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group accounts 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 (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 published consolidated financial statements.

As the company is a wholly owned subsidiary of Affinity Healthcare Holdings Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

Investments

Investments in subsidiaries are stated at cost less provision for any impairment in value.

Taxation

The charge for taxation is based on the profit for the financial period and takes into account taxation deferred. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19 'Deferred tax'. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

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 change.

2 Profit on ordinary activities before taxation

The remuneration of the auditors in the period and the prior year was borne by another group undertaking.

The company had no employees during the period (2009: *nil*).

Notes to the financial statements (continued)

3 Directors' remuneration

Costs relating to the directors' services have been borne by another group undertaking. 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.

4 Tax on profit on ordinary activities

	Period from 1 July 2009 to 18 March 2010 £000	Year ended 30 June 2009 £000
Current taxation		
Group relief	(132)	(185)
Total current tax	(132)	(185)

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 28% (2009: 28%). The actual tax credit for the current and prior periods differs from the standard rate for the reasons set out in the following reconciliation:

	Period from 1 July 2009 to 18 March 2010 £000	Year ended 30 June 2009 £000
Profit on ordinary activities before tax	-	-
Tax on profit on ordinary activities at standard rate	-	-
<i>Factors affecting charge for the period</i>		
Transfer pricing adjustment	(132)	(185)
Total current tax credit for the period	(132)	(185)

Notes to the financial statements (continued)

5 Investments

	Total £000
<i>Shares in group undertakings</i>	
<i>Cost and net book value</i>	
At 1 July 2009 and 18 March 2010	12,171

The undertakings in which the company's interest at the year end is more than 20% are as follows:

	Principal activities	Class and percentage of share held
<i>Subsidiary undertakings</i>		
Affinity Hospitals Limited *	Intermediate holding company	100% ordinary
Cheadle Royal Healthcare Limited	Private healthcare services	100% ordinary
Middleton St George Healthcare Limited	Private healthcare services	100% ordinary
Cheadle Royal Hospital Limited	Non-trading	100% ordinary
Cheadle Royal Residential Services Limited	Non-trading	100% ordinary

* interests held directly by the company.

All subsidiary undertakings are registered in England and Wales.

The directors consider that the carrying value of the investments is supported by their underlying net assets.

6 Debtors

	18 March 2010 £000	30 June 2009 £000
<i>Amounts falling due within one year</i>		
Group relief receivable	1,017	885
<i>Amounts falling due after more than one year</i>		
Amounts owed by group undertakings	1,544	1,544
	<u>2,561</u>	<u>2,429</u>

7 Creditors: amounts falling due after more than one year

	18 March 2010 £000	30 June 2009 £000
Amounts owed to group undertakings	10,671	10,671

Notes to the financial statements (continued)

8 Called up share capital

	18 March 2010 £000	30 June 2009 £000
<i>Allotted, called up and fully paid</i>		
350,123 ordinary shares of £1 each	350	350

9 Reserves

	Share premium account £000	Profit and loss account £000
At 1 July 2009	46	3,533
Profit for the period	-	132
At 18 March 2010	46	3,665

10 Reconciliation of movements in shareholders' funds

	Period from 1 July 2009 to 18 March 2010 £000	Year ended 30 June 2009 £000
Profit for the financial period	132	185
Net addition to shareholder's funds	132	185
Opening shareholder's funds	3,929	3,744
Closing shareholder's funds	4,061	3,929

11 Ultimate parent company

The company's immediate parent company is Affinity Hospitals Holding Limited, a company incorporated in Scotland. Prior to 18 March 2010, the directors consider Affinity Healthcare Holdings Limited, a company incorporated in England and Wales, to be the company's ultimate parent company.

On 18 March 2010, Affinity Healthcare Holdings Limited was acquired by Priory New Investments 3 Limited, a subsidiary of Priory Investments Holdings Limited. As a result of the transaction, the company's ultimate parent company from 18 March 2010 onwards is Priory Investments Holdings Limited (incorporated in the Cayman Islands). A copy of the consolidated financial statements can be obtained from the Company Secretary at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP. The directors consider that there is no ultimate controlling party of Priory Investments Holdings Limited.