Aspen Healthcare Limited

Directors' report and financial statements

Registered number 2140182

31 December 2008

Directors' report and financial statements

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Principal activities

Aspen Healthcare Limited is engaged in the provision of private acute healthcare services.

Results and dividends

The audited financial statements for the year ended 31 December 2008 are set out on pages 7 to 24. The profit after tax for the year was £7,336,000 *(2007: £6,473,000).*

No dividends were paid during the year (*2007: £27,808,000*).

Development

Growth in revenue has been achieved through expansion of services at each of the facilities. Volumes have increased due to the full recognition of all facilities by the major insurers and an increase in NHS work. The ongoing investments in facilities will continue to benefit future years as they reach maturity and the cost base is absorbed. The company invested £6,352,000 on the refurbishment/enhancement of existing facilities, medical equipment and the acquisition of an adjacent site to one of its facilities. Future developments at the existing facilities are in the planning stages and are anticipated to be revenue generating in 2011.

Future outlook

Continued investment in services and facilities in 2009 will lead to significant increases in revenue and profit in future years. All facilities continue to look forward to identifying niches in the local markets and where developments are required these will be fully supported by the company.

The private healthcare market continues to look at costs and pressures from all payors will be brought on the healthcare providers to control costs. There are a number of cost pressures facing the company and Aspen Healthcare Limited is committed to continually manage their cost base and will seek to control costs wherever possible.

Principal risks and uncertainties

As the facilities within the company continue to develop they may become increasingly subject to risks such as;

- Identifying, attracting, retaining and working successfully with consultants.
- A prolonged economic downturn which could adversely affect the ability or willingness of employers and individuals to purchase private medical insurance or self pay for procedures.
- Ability to recruit and retain suitably qualified staff.
- Improvements to the NHS provision that could reduce the waiting times and therefore demands for private healthcare.
- Pressure from private medical insurers to reduce costs as the cost of premiums becomes prohibitive and the demand for private medical insurance reduces.
- Increased medico legal claims due to the current environment.

These risks are constantly monitored by management and where necessary appropriate action is taken to address the risks.

Directors' report *(continued)*

Key performance indicators

The company monitors performance in a number of ways and below is a summary of what are considered to be key:

	2008	2007	Analysis
Revenue (£'000)	58,503	52,270	A 12% increase in revenue driven by full recognition of all facilities by the major insurers and increase in NHS work.
Operating profit (£'000)	11,177	9,595	A 16% increase in profit in line with revenue and improvement in margin due to improved cost control.
Patient days	15,064	13,683	Increase due to insurer recognition however offset by continued movement of treatment to daycase and outpatient areas.
Daycases	12,974	10,995	Significant increase across all facilities due to insurer recognition, NHS work and movement from overnight stay.

Directors and their interests

The directors who served during the year were as follows:

Donald Steen
Mark Kopser
Dr Harry McNeilly
Patricia McCann
Desmond Shiels
David Lewsey (appointed 28 April 2008)

The directors who held office at 31 December 2008 have no beneficial interests in the shares of the company. Dr Harry McNeilly holds options in that company, details of which are as follows:

	Options unexercised at beginning of year	Options granted during year	Date Granted	Exercise Price	Options exercised during year	Options expired during year	Options unexercised at end of year	Expiry date
Dr Harry McNeilly	12,658	-	-	£1.58	-	-	12,658	15th May 2011

The interests of the other directors in the shares of Global Healthcare Partners Limited have been disclosed in the financial statements of that company.

Policy and practice on payment of creditors

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment, and to abide by them.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Directors' report *(continued)*

Employee consultation

The company places considerable value on the involvement of its employees and operates a practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

Desmond Shiels
Director

Centurion House
3rd Floor
37 Jewry Street
London EC3N 2ER

13 July 2009

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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 UK Accounting Standards. (United Kingdom Generally Accepted Accounting Practice)

The financial statements are required by law to 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 judgments and 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; 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Aspen Healthcare Limited

We have audited the financial statements of Aspen Healthcare Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, Statement of Recognised Gains and Losses, the Balance Sheet and the related notes. 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 auditor's 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 the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 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 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.

Independent auditors' report to the members of Aspen Healthcare Limited
(continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 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.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB

13 July 2009

Profit and loss account

for the year ended 31 December 2008

	Note	2008 £000	2007 £000
Turnover	2	**58,503**	52,270
Operating expenses		**(47,326)**	(42,675)
Operating profit		**11,177**	9,595
Interest receivable and similar income		**20**	37
Interest payable and similar charges	5	**(836)**	(571)
Profit on ordinary activities before taxation	6	**10,361**	9,061
Tax on profit on ordinary activities	7	**(3,025)**	(2,588)
Profit for the year	16	**7,336**	6,473

All turnover arose from continuing operations in both years.

Statement of Total Recognised Gains and Losses

for the year ended 31 December 2008

	Note	2008 £000	2007 £000
Profit for the financial year	16	**7,336**	6,473
Net income recognised directly in equity			
Actuarial (loss)/gain recognised in the defined benefit pension scheme	19	**(795)**	160
Movement in deferred tax asset/(liability) on pension deficit		**198**	(48)
Total recognised gains and losses for the year		**6,739**	6,585

Balance sheet
at 31 December 2008

	Note	2008 £000	2007 £000
Fixed assets			
Tangible assets	*8*	**50,003**	45,978
		50,003	45,978
Current assets			
Stock	*10*	**1,341**	1,114
Debtors	*11*	**32,781**	25,472
Cash at bank and in hand		**994**	916
		35,116	27,502
Creditors: amounts falling due within one year	*12*	**(38,787)**	(35,818)
Net current liabilities		**(3,671)**	(8,316)
Total assets less current liabilities		**46,332**	37,662
Creditors: amounts falling due after more than one year	*13*	**(11,447)**	(10,000)
Provisions for liabilities and charges	*14*	**(1,094)**	(1,060)
Net assets excluding pension liabilities		**33,791**	26,602
Defined Benefit pension scheme liabilities	*19*	**(1,320)**	(870)
Net Assets		**32,471**	25,732
Capital and reserves			
Called-up share capital	*15*	**2,091**	2,091
Share premium account	*16*	**3,724**	3,724
Capital reserve	*16*	**149**	149
Profit and loss account	*16*	**26,507**	19,768
Shareholders' funds	*16*	**32,471**	25,732

The financial statements were approved by the board of directors on 13 July 2009 and were signed on its behalf by:

Desmond Shiels

Desmond Shiels
Director

Notes
(forming part of the financial statements)

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are set out below.

Consolidated financial statements are not prepared by virtue of S228 of the Companies Act 1985 since the company is a wholly owned subsidiary undertaking of Global Healthcare Partners Limited, incorporated in England and Wales, which itself publishes consolidated financial statements, including the results of the company, which are available to the public.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

The financial statements have been prepared on the going concern basis, notwithstanding the company's net liabilities, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital, in part, on funds provided to it by Global Healthcare Partners Limited, the company's immediate parent undertaking. Global Healthcare Partners Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate

Share Based Payments

The ultimate parent company share option programme allows employees to acquire shares of the ultimate parent company. The fair value of the options granted after 7 November 2002 is recognised as an employee expense with a corresponding increase in equity, in the form of parent company capital contribution. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Pensions costs and other post-retirement benefits

The liability in respect of the defined benefit scheme is the present value of the defined benefit obligations at the balance sheet date less the fair value of the scheme assets. The Company has applied the requirements of FRS 17 recognising the current service cost and interest on scheme liabilities in the profit and loss account and actuarial gains and losses in reserves. In accordance with FRS 17, the Company has recognised the pension liability in full as at 1 January 2004.

Under FRS 17 the accounting for defined contribution schemes is the same as under SSAP 24. Therefore, the costs of contributions made to the scheme in respect of the accounting period are recognised within the operating profit in the profit and loss account. Differences between total contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Notes *(continued)*

1 Accounting policies *(continued)*

Cash flow statement

Under the provisions of Financial Reporting Standard 1 (Revised), the company is exempt from reporting a cash flow statement since a parent company, United Surgical Partners International Inc, publishes consolidated financial statements which include a consolidated cash flow statement dealing with the cash flows of the company.

Related party transactions

Under the provisions of Financial Reporting Standard 8, the company is exempt from disclosing related party transactions with other group companies as more than 90% of the voting rights are controlled within the group and a parent company, Global Healthcare Partners Limited, publishes consolidated financial statements that are publicly available.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land and assets in the course of construction, at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	50 years	Fixtures and fittings	4-10 years
Short leasehold properties	over the life of the lease	Plant and equipment	5-10 years

Residual value is calculated on prices prevailing at the date of acquisition.

Leases

Rentals due under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Stocks

Stocks of drugs and medical consumables are stated at the lower of cost and net realisable value.

Taxation

Corporation tax payable is provided on taxable profits at the current rate. The company does not provide for corporation tax where group relief is available. Payments or receipts in respect of group relief are included in the tax charge in the profit and loss account.

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date, except that:

i deferred tax is not recognised on the revaluation of land and buildings unless there is a binding agreement to sell the revalued property and it is probable that any taxable gain arising on the sale will not be rolled over into the purchase of another asset;

ii deferred tax assets are recognised only to the extent that they are considered recoverable.

Notes *(continued)*

2 Turnover

Turnover represents the invoiced value of medical and ancillary services rendered to patients, exclusive of VAT and net of trade discounts, and includes an appropriate proportion of invoices for services rendered in more than one accounting period. Turnover all arises in the United Kingdom and from one business segment.

3 Staff numbers and costs

	2008 £000	2007 £000
Staff costs, including directors' remuneration, were as follows:		
Wages and salaries	**16,011**	14,486
Share-based payments	**-**	(113)
Social security costs	**1,542**	1,387
Other pension costs	**747**	652
	18,300	16,412

The average weekly number of persons employed during the year was 629 *(2007: 571)*. All staff were employed in the provision of health services.

4 Directors' remuneration

Directors' remuneration paid in respect of directors of the company during the year was as follows:

	2008 £000	2007 £000
Emoluments	**429**	396
Company contributions to Money Purchase Pension Scheme	**45**	43

The above amounts include £245,000 (2007: £170,000) in emoluments paid to the highest paid director and £25,500 (2007: £22,000) of company contributions paid into a money purchase pension scheme.

The number of directors who were members of the group's pension schemes was as follows:

	2008 No.	2007 No.
Money Purchase Scheme	**3**	3

The remuneration of Donald Steen and Mark Kopser was met by other group companies.

Notes *(continued)*

5 Interest payable and similar charges

	2008 £000	2007 £000
Bank loans and overdrafts	**825**	589
Net Interest on pension scheme under FRS 17		
Expected return on defined benefit scheme assets	**(401)**	(382)
Interest on defined benefit scheme liabilities	**412**	364
	836	571

6 Profit on ordinary activities before taxation

	2008 £000	2007 £000
This is stated after charging:		
Depreciation and amounts written off tangible fixed assets		
Owned	**2,326**	2,076
Operating lease rentals		
- plant and machinery	**2,813**	2,162
- land and buildings	**48**	39

Audit fees borne by a parent company were as follows:

	2008 £000	2007 £000
Fees for the audit of the Company	**5**	5

Fees for the audit of the Company represent the amount receivable by the Company's auditors. The amount is not borne by the company but by the ultimate parent undertaking.

Notes *(continued)*

7 Taxation on profit on ordinary activities

	2008	2007
	£000	£000
The taxation charge for the year comprises:		
Current tax:		
UK corporation tax on profits of the year	**2,991**	2,554
Deferred tax (see note 14)		
Origination and reversal of timing differences	**34**	34
	3,025	2,588

The current tax assessed for the year is lower than the standard rate of corporation tax in the UK -28.5% (2007-30%) The differences are explained below:

	2008	2007
	£000	£000
Profit on ordinary activities before taxation	**10,361**	9,061
Profit on ordinary activities multiplied by standard rate of UK corporation tax (28.5% 2007: 30%)	**2,953**	2,718
Expenses not deductible for tax purposes	**57**	48
Depreciation for the year greater/less than capital allowances	**203**	95
Group relief received from other group undertakings for which no payment has been made	**(222)**	(221)
Share-based payments	**-**	(34)
Current tax charge for the year	**2,991**	2,554

The announcement of a change in tax rate from 30% to 28%, effective from 6 April 2008, will impact the deferred tax balances set out in these accounts. This change is reflected in the deferred taxation calculation.

Notes *(continued)*

8 Tangible fixed assets

	Land and Buildings	Equipment furniture and fittings	Total
	£000	£000	£000
Cost			
At 31 December 2007	48,164	16,784	64,948
Additions	4,313	2,039	6,352
At 31 December 2008	52,477	18,823	71,300
Depreciation			
At 31 December 2007	7,253	11,717	18,970
Charge for the year	835	1,492	2,327
At 31 December 2008	8,088	13,209	21,297
Net book value			
At 31 December 2008	**44,389**	**5,014**	**50,003**
At 31 December 2007	40,911	5,067	45,978

Included within land and buildings is freehold land, amounting to £13,100,000 *(2007: £9,200,000)*, which has not been depreciated.

Notes *(continued)*

9 Investments

Subsidiary undertakings

	2008 £000
Cost	
At 31 December 2008 and 31 December 2007	**4,978**
Amounts written off	
At 31 December 2008 and 31 December 2007	**(4,978)**
Net book value	
At 31 December 2008 and 31 December 2007	**-**

The company has investments in the following subsidiary undertakings:

	Country of registration	Principal activity	Class of shares Held	Percentage of shares held
Aspen Leasing Limited	England	Purchase and leasing of medical equipment	£1 ordinary	100%
Parkside Hospital Limited	England	Dormant	£100 ordinary	100%
Holly House Hospital Limited	England	Dormant	£1 ordinary	100%
Hillside Holdings Limited	England	Dormant	£1 ordinary	100%
Hillside Hospital Limited[1]	England	Dormant	£1 ordinary	100%

[1] Shares held by Hillside Holdings Limited

10 Stock

	2008 £000	2007 £000
Drugs	**649**	529
Medical consumables	**692**	585
	1,341	1,114

There is no material difference between the balance sheet value of stock and its replacement cost.

In addition to the above stock, consignment stock of £364,000 was held at 31 December 2008 *(2007: £272,000)*.

Notes *(continued)*

11 Debtors: amounts falling due within one year

	2008	2007
	£000	£000
Trade debtors	**7,041**	4,903
Amounts due from intermediate parent undertaking	**25,072**	19,746
Other debtors	**343**	349
Prepayments and accrued income	**325**	474
	32,781	25,472

12 Creditors: amounts falling due within one year

	2008	2007
	£000	£000
Amounts due to group undertakings	**30,119**	28,759
Trade creditors	**4,582**	3,735
Corporation tax	**1,514**	1,454
Other taxation and social security costs	**455**	398
Other creditors	**170**	87
Accruals	**1,631**	1,385
Bank loans	**316**	-
	38,787	35,818

13 Creditors: amounts falling due after one year

	2008	2007
	£000	£000
Bank loans	**11,447**	10,000

The maturity profile of the borrowings excluding overdrafts at 31 December 2008 was as follows:

	Bank loans
	£000
Between two and five years	**11,131**
Between one and two years	**316**
Due after more than one year	**11,447**
Due within one year	**316**

The bank loan is repayable in full on the Final Repayment Date being on 6 April 2013. Interest was charged at a margin of 1.5% over LIBOR .

On 12 April 2008 the Company borrowed an additional £2,000,000 with a final repayment date of 12 February 2013, with interest to be charged at a margin of 1.5% over LIBOR .

Notes *(continued)*

14 Provisions for liabilities and charges

Deferred taxation – accelerated capital allowances	**2008 £000**	2007 £000
At beginning of year	**1,060**	**1,026**
Debit to profit and loss account	**34**	**34**
At end of year	**1,094**	**1,060**

Deferred taxation of £174,000 *(2007: £174,000)* has not been provided on freehold properties as the directors currently have no intention of disposing of these properties in the foreseeable future.

In addition a deferred liability of £514,000 *(2007: £373,000)* is offset directly against the pension deficit (note 19)

15 Called up share capital

	2008 £000	2007 £000
Authorised		
2,100,000 ordinary shares of £1 each	**2,100**	2,100
Allotted, called up and fully paid		
2,090,925 ordinary shares of £1 each	**2,091**	2,091

16 Reconciliation of shareholders funds and movements on reserves

	Share capital £'000	**Share premium account £000**	**Capital reserve £000**	**Profit and loss account £000**	**Total £000**
Opening shareholder funds as previously stated	2,091	3,724	149	19,768	25,732
Retained profit for the year after FRS 20 Share Based payment	-	-	-	7,336	7,336
FRS 17 actuarial loss net of related current and deferred tax	-	-	-	(597)	(597)
At 31 December 2008	**2,091**	**3,724**	**149**	**26,507**	**32,471**

Of the above reserves, only the profit and loss account is regarded as distributable.

Notes *(continued)*

17 Contingent liabilities

At 31 December 2008, the company has guaranteed certain borrowings of a parent company, Global Healthcare Partners Limited, amounting to £28,866,000 *(2007: £31,821,000)* and has charged by way of a legal mortgage and fixed and floating charges all of its assets and undertakings as security.

18 Guarantees and other financial commitments

Capital commitments

At 31 December the capital commitments of the company were:

	2008	2007
	£000	£000
Amounts contracted but not provided for	**100**	300

Lease commitments

At 31 December the company had the following annual commitments under non-cancellable operating leases:

	2008		2007	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Operating leases which expire:				
Within one year	**7**	**-**	-	2
Within two to five years	**157**	**113**	39	-
	164	**113**	39	2

Notes *(continued)*

19 Pension scheme

The group operates a defined benefit/contribution scheme and a separate defined contribution pension scheme. The defined benefit scheme has been closed to new entrants since 1 January 1999. With effect from 1 January 2000 the company introduced a separate defined contribution scheme; new employees to service are eligible to join this scheme. As a result of the closure of the scheme, under the projected unit method the current service cost will increase as the members of the scheme approach retirement. The defined benefit scheme ceased future accruals effective 31 March 2004, when a defined contribution section was introduced for existing members. The defined benefit scheme was set up under trust, and the assets of this scheme are held separately from those of the group in an independently administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the group. The contributions to the scheme are determined in accordance with the advice of an independent qualified actuary on the basis of triennial valuations.

The most recent full actuarial valuation of the defined benefit scheme was conducted as at 1 January 2005. The actuarial method used to calculate the pension cost was the attained age funding method. The most significant assumptions for their effect on the pension costs are those relating to the rate of return on the investments of the Scheme and the rate of increase in salaries and pensions. The investment returns used were 6.4% p.a. in deferment and 4.9% p.a. for pensions in payment, the rate of increase in accrued pensions was 2.6% p.a., and the rate of increase in pensions in payment was 3.0% p.a.

The market value of the defined benefit assets as at 31 December 2008 was £4,698,000 representing 72% of the liabilities for scheme benefits accrued to 31 March 2004 projected to members' normal retirement age.

As at 31 December 2008, the Company pays contributions to the defined benefit section of the scheme of £156,000 a year plus death in service premiums and Scheme expenses. Contributions to the defined contribution section were in addition.

The defined benefit pension (excluding the defined contribution section charge) scheme charge for the year was £239,000 *(2007: £180,000)*. The separate defined contribution scheme charge (to all schemes) for the year was £508,000 *(2007: £402,000)*.

The actuarial assessment is based on the full actuarial valuation at 1 January 2005 and updated to 31 December 2008. As the scheme is closed to new entrants and future accruals, there is no current service cost except ongoing expenses. The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions.

	At 31 December	
	2008	2007
	%pa	%pa
Inflation	**2.5**	3.3
Increases to deferred accrued pensions	**2.5**	3.3
Rate of discount	**6.3**	5.7
Increase to pensions in payment where index linked	**2.5**	3.0
Revaluation rate for deferred pensioners	**2.5**	3.3

Notes *(continued)*

19 Pension scheme *(continued)*

The assets in the scheme and the expected rate of return were:

	At 31 December 2008 Long term rate of return expected %pa	At 31 December 2008 £000	At 31 December 2007 Long term rate of return expected %pa	At 31 December 2007 £000
Equities	**8.5%**	**3,810**	7.0%	5,163
Bonds	**4.3%**	**362**	5.0%	483
Cash	**2.5%**	**526**	5.0%	335
Total	**7.5%**	**4,698**	6.7%	5,981

	At 31 December 2008 £000	2007 £000
Total market value of assets	**4,698**	5,981
Present value of scheme liabilities	**(6,532)**	(7,224)
Deficit in the scheme	**(1,834)**	(1,243)
Related deferred tax asset	**514**	373
Net pension liability	**(1,320)**	(870)

Notes *(continued)*

19 Pension scheme *(continued)*

Analysis of the amount charged to operating profit:

	2008 £000	2007 £000
Current service cost	**24**	24
Total operating charge	**24**	24

Analysis of the amount credited to other finance income/(costs):

	2008 £000	2007 £000
Expected return on pension scheme assets	**401**	382
Interest on pension scheme liabilities	**(412)**	(364)
Total other finance costs	**(11)**	18

Analysis of amount recognised in statement of total recognised gains and losses ("STRGL"):

	2008 £000	2007 £000
Actual return less expected return on pension scheme assets	**(1,684)**	(112)
Experience gains and losses arising on the scheme liabilities	**(378)**	2
Changes in assumptions underlying the present value of the scheme liabilities	**1,267**	270
Actuarial loss recognised in STRGL	**(795)**	160

Movement in deficit during the year:

	2008 £000	2007 £000
Deficit in scheme at beginning of the year	**(1,243)**	**(1,577)**
Movement in year:		
Current service cost	**(24)**	**(24)**
Employer Contributions	**239**	**180**
Other finance (costs)/income	**(11)**	**18**
Actuarial (loss)/ gain	**(795)**	**160**
Deficit in scheme at end of the year	**(1,834)**	**(1,243)**

Notes *(continued)*

19 Pension scheme *(continued)*

History of experience gains and losses

	Year ended 31 December			
	2008	**2007**	**2006**	**2005**
Difference between the expected and actual return on scheme assets				
Amount £000	**(1,684)**	**(112)**	**377**	410
Percentage of scheme assets	**(36%)**	**(2%)**	**7%**	8%
Experience gains and losses on scheme liabilities				
Amount £000	**(378)**	**2**	**(170)**	(284)
Percentage of the present value of the scheme liabilities	**(6%)**	**-**	**(2%)**	(4%)
Total amount recognised in the statement of total recognised gains and losses				
Amount £000	**(795)**	**160**	**(443)**	(83)
Percentage of the present value of scheme liabilities	**(17%)**	**2%**	**(6%)**	(1%)

Notes *(continued)*

20 Share-based payments

Employees of the company participate in the following plans operated by the ultimate parent company:

2001 Equity-Based Compensation Plan

Awards are granted pursuant to the 2001 Equity-Based Compensation Plan, which was adopted by the ultimate parent company's Board of Directors on 13 February 2001. That Board of Directors or a designated committee has the sole authority to determine which individuals receive grants, the type of grant to be received, the vesting period and all other option terms.

The number and weighted average exercise price of share options are as follows:

Share option plan:

	2008 Number of options	**2008 Weighted average exercise price (p)**	2007 Number of options	2007 Weighted average exercise price (p)
Outstanding at the beginning of the period	**31,500**	**16**	**41,124**	**770**
Granted during the period	-	-	**31,500**	**16**
Exercised during the period	-	-	**(41,124)**	**770**
Outstanding at the end of the period	**31,500**	**16**	**31,500**	**16**
Exercisable at the end of the period	-		-	

No share options were granted to employees during the year and none were exercised during the year. (The weighted average exercise price of share options exercised during 2007 was *£7.54*).

The options outstanding at the year end have an exercise price in the range of 16p and a weighted average contractual life of 8.3 years (*2007: 9.3 years*).

Notes *(continued)*

20 Share-based payments (continued)

Restricted Share Units:

The share awards vest based on a combination of service and company performance. The fair value of the awards are measured based on the market value of the stock on the date of grant.

	2008 Number of shares units	**2008 Weighted average exercise price (p)**	2007 Number of shares units	2007 Weighted average exercise price (p)
Outstanding at the beginning of the period	-	-	27,978	1924
Granted during the period	-		-	-
Converted/vested during the period	-	-	(27,978)	1551
Outstanding at the end of the period	-	-	-	-

There were no restricted share units outstanding at year end.

Compensation expense

	2008 £000	2007 £000
Restricted share units	-	(113)

21 Ultimate parent undertaking

The company is a subsidiary undertaking of Aspen Healthcare Holdings Limited, incorporated in England and Wales.

The largest group in which the results of the company are consolidated is that headed by United Surgical Partners International, Inc., incorporated in the United States of America. The smallest group in which they are consolidated is that headed by Global Healthcare Partners Limited, incorporated in England and Wales. The consolidated financial statements of these groups are available to the public and may be obtained from 15305 Dallas Parkway, Suite 1600 – LB28, Addison County, Texas, 75001, USA and Centurion House (3rd Floor), 37 Jewry Street, London, EC3N 2ER, Great Britain, respectively.