

**CHEADLE ROYAL HEALTHCARE
LIMITED**

Report and Financial Statements

30 June 2000

**Deloitte & Touche
Chartered Accountants
2 Queens Terrace
Aberdeen
AB10 0LX**



REPORT AND FINANCIAL STATEMENTS 2000

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REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P F Batchelor
E D Burling
D Chappell (Chairman)
S F Hemsley
S P McKeown
R Russell
J P Ward

SECRETARY

P F Batchelor

REGISTERED OFFICE

100 Wilmslow Road
Cheadle
Cheshire

SOLICITORS

Hammond Suddards
Trinity Court
16 John Dalton Street
Manchester

BANKERS

HSBC
5 Great Underbank
Stockport
Cheshire

AUDITORS

Deloitte & Touche
Chartered Accountants
2 Queens Terrace
Aberdeen

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2000.

ACTIVITIES

Cheadle Royal Healthcare Limited is engaged in the provision of private healthcare.

RESULTS, DIVIDENDS AND TRANSFER TO RESERVES

The company made a profit before taxation of £1,172,860 (1999: £1,317,756). The retained profit after tax and dividends of £725,497 (1999: £629,160) has been transferred to reserves.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company has traded successfully during the year and the directors are optimistic about the long term prospects for continued growth.

DIRECTORS

The present membership of the Board is set out on page 1. Their beneficial interests in the shares of the company were as follows:

| | Ordinary Shares of £1 each | | Cumulative Preference Shares of £1 each | |
|---------------|-------------------------------|--------------|--|--------------|
| | 30 June 2000 | 30 June 1999 | 30 June 2000 | 30 June 1999 |
| P F Batchelor | 8 | 8 | - | - |
| E D Burling | 5 | 8 | - | - |
| D G Chappell | - | - | - | - |
| S F Hemsley | 8 | 8 | - | - |
| S P McKeown | 8 | 8 | - | - |
| R Russell | - | - | - | - |
| J P Ward | 8 | 8 | - | - |

D G Chappell and R Russell are directors of the ultimate parent company, Healthcare Scotland Limited. Their interests in the share capital of that company are disclosed in its financial statements.

EMPLOYEE INVOLVEMENT

The group provides information to employees covering various aspects of the group's current and future activities along with certain financial information.

EMPLOYMENT OF DISABLED PERSONS

It is group policy to give full consideration to suitable applications for employment from disabled persons. Opportunities also exist for employees of the group who become disabled to continue in their employment or to be trained for other positions in the group.

DIRECTORS' REPORT

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 11 January 2004
and signed on behalf of the Board


Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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.

AUDITORS' REPORT TO THE MEMBERS OF

CHEADLE ROYAL HEALTHCARE LIMITED

We have audited the financial statements on pages 6 to 18 which have been prepared under the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

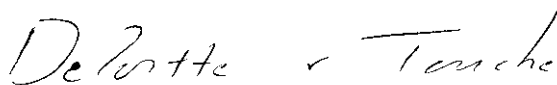
Basis of opinion

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.

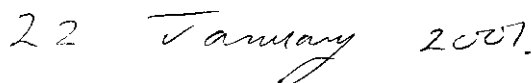
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 at 30 June 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors



PROFIT AND LOSS ACCOUNT
Year ended 30 June 2000

| | Note | 2000 £ | 1999 £ |
|--|------|-------------|-------------|
| TURNOVER: continuing operations | 2 | 8,564,955 | 7,129,328 |
| Cost of sales | | (5,078,424) | (4,048,916) |
| Gross profit | | 3,486,531 | 3,080,412 |
| Administrative expenses | | (2,270,695) | (1,739,739) |
| OPERATING PROFIT: continuing operations | | 1,215,836 | 1,340,673 |
| Interest receivable and similar income | | 27,530 | 32,434 |
| Interest payable and similar charges | 4 | (70,506) | (55,351) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 5 | 1,172,860 | 1,317,756 |
| Tax on profit on ordinary activities | 6 | (395,150) | (398,884) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 777,710 | 918,872 |
| Dividends payable (including non-equity) | 7 | (52,213) | (289,712) |
| PROFIT TRANSFERRED TO RESERVES | 20 | 725,497 | 629,160 |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 June 2000

| | 2000 £ | 1999 £ |
|---|-----------|-----------|
| Profit for financial year | 777,710 | 918,872 |
| Unrealised surplus on revaluation of property | 871,515 | 3,134,369 |
| Total recognised gains and losses relating to the year | 1,649,225 | 4,053,241 |

BALANCE SHEET
As at 30 June 2000

| | Note | 2000 £ | 1999 £ |
|--|------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Intangible assets | 8 | 11,752 | 12,461 |
| Tangible assets | 9 | 6,900,000 | 5,750,000 |
| Investments | 10 | 3 | 2 |
| | | <u>6,911,755</u> | <u>5,762,463</u> |
| CURRENT ASSETS | | | |
| Stocks | 11 | 9,072 | 17,722 |
| Debtors | 12 | 985,404 | 673,813 |
| Cash at bank and in hand | | 228,622 | 405,970 |
| | | <u>1,223,098</u> | <u>1,097,505</u> |
| CREDITORS: amounts falling due within one year | 13 | <u>(1,290,294)</u> | <u>(1,533,416)</u> |
| NET CURRENT LIABILITIES | | <u>(67,196)</u> | <u>(435,911)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>6,844,559</u> | <u>5,326,552</u> |
| CREDITORS: amounts falling due after more than one year | 16 | (795,013) | (676,895) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 17 | <u>(79,648)</u> | <u>(57,771)</u> |
| TOTAL NET ASSETS | | <u>5,969,898</u> | <u>4,591,886</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 19 | 685,898 | 685,901 |
| Profit and loss account | 20 | 843,914 | 337,417 |
| Share premium | 20 | 212,800 | 212,800 |
| Capital redemption reserve | 20 | 221,402 | 221,399 |
| Revaluation reserve | 20 | 4,005,884 | 3,134,369 |
| SHAREHOLDERS' FUNDS | | <u>5,969,898</u> | <u>4,591,886</u> |
| Amounts attributable to equity shareholders | | 1,065,416 | 558,916 |
| Amounts attributable to non-equity shareholders | | <u>4,904,482</u> | <u>4,032,970</u> |

These financial statements were approved by the Board of Directors on 11/8/2000.

Signed on behalf of the Board of Directors

Director



CASH FLOW STATEMENT
Year ended 30 June 2000

| | Note | 2000 £ | 1999 £ |
|--|------|------------------|------------------|
| Net cash inflow from operating activities | 1 | <u>863,330</u> | <u>1,537,657</u> |
| Returns on investments and servicing of finance | | | |
| Interest received | | 27,530 | 32,434 |
| Interest paid | | (70,506) | (55,351) |
| Preference dividends paid | | <u>(26,249)</u> | <u>(94,205)</u> |
| Net cash outflow from returns on investments and servicing of finance | | <u>(69,225)</u> | <u>(117,122)</u> |
| Taxation | | <u>(451,589)</u> | <u>(36,772)</u> |
| Capital expenditure | | | |
| Purchase of tangible fixed assets | | <u>(470,846)</u> | <u>(619,251)</u> |
| Net cash outflow from capital expenditure | | <u>(470,846)</u> | <u>(619,251)</u> |
| Equity dividends paid | | | |
| Ordinary dividends | | <u>-</u> | <u>(225,000)</u> |
| Net cash (outflow)/inflow before financing | | <u>(128,330)</u> | <u>539,512</u> |
| Financing | | | |
| Repurchase of ordinary shares | | (219,000) | - |
| Redemption of shares | | - | (273,333) |
| New borrowings | | 270,000 | 230,000 |
| Repayment of capital element of loans | | <u>(100,018)</u> | <u>(89,281)</u> |
| Net cash outflow from financing | | <u>(49,018)</u> | <u>(132,614)</u> |
| Net cash (decrease)/increase | | <u>(177,348)</u> | <u>406,898</u> |
| Reconciliation of net cash flow to movement in net debt | | | |
| (Decrease)/increase in cash in the period | | (177,348) | 406,898 |
| Capital element of loan repayments | | 100,018 | 89,281 |
| New borrowings | | <u>(270,000)</u> | <u>(230,000)</u> |
| | | (347,330) | 266,179 |
| Net debt at 1 July 1999 | | <u>(481,749)</u> | <u>(747,928)</u> |
| Net debt at 30 June 2000 | | <u>(829,079)</u> | <u>(481,749)</u> |

NOTES TO THE CASH FLOW STATEMENT

Year ended 30 June 2000

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2000 £ | 1999 £ |
|--|----------------|------------------|
| Operating profit | 1,215,836 | 1,340,673 |
| Depreciation charges | 192,361 | 68,250 |
| Amortisation of goodwill | 709 | 709 |
| Decrease/(increase) in stocks | 8,650 | (7,106) |
| Increase in debtors | (311,591) | (159,428) |
| (Decrease)/increase in creditors | (242,635) | 344,559 |
| Decrease in provisions | - | (50,000) |
| Net cash inflow from operating activities | <u>863,330</u> | <u>1,537,657</u> |

2. ANALYSIS OF CHANGES IN NET DEBT

| | At 1 July 1999 £ | Cashflow £ | At 30 June 2000 £ |
|--------------------------|---------------------------|------------------|----------------------------|
| Cash at bank and in hand | 405,970 | (177,348) | 228,622 |
| Bank loans | (887,719) | (169,982) | (1,057,701) |
| | <u>(481,749)</u> | <u>(347,330)</u> | <u>(829,079)</u> |

NOTES TO THE ACCOUNTS**Year ended 30 June 2000****1. ACCOUNTING POLICIES**

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

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold properties.

Goodwill

Goodwill arising on acquisition of trade and assets is amortised over 20 years, being the estimated useful economic life of that asset.

Group accounts

The company is exempt from preparing group accounts as the results of the company and its subsidiaries are included in the accounts of the ultimate parent company, Healthcare Scotland Limited.

Tangible fixed assets

Depreciation is not provided on freehold property. Property is revalued on an annual basis and any resulting adjustment is accounted for in the year in which the change occurs.

On other assets it is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Fixtures, fittings and motor vehicles - over 7 years

Stocks

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

Deferred taxation

Deferred taxation is provided at the anticipated tax rate on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Pension costs

The company operates both defined benefit and defined contribution schemes. Pension costs charged to the profit and loss account represent amounts payable by the company to the defined contribution schemes

2. TURNOVER

Turnover and profit on ordinary activities before taxation are attributable to one activity, the provision of healthcare services. Turnover is all derived from work performed in the United Kingdom.

NOTES TO THE ACCOUNTS

Year ended 30 June 2000

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | 2000 £ | 1999 £ |
|---|----------------|----------------|
| Directors' emoluments | 413,851 | 403,813 |
| Directors' pension contributions | 13,966 | 13,878 |
| | <u>427,817</u> | <u>417,691</u> |
| | No | No |
| Number of directors who are members of a defined benefit scheme | <u>1</u> | <u>1</u> |
| Number of directors for whom contributions are made into a private pension scheme | <u>3</u> | <u>3</u> |
| | £ | £ |
| Highest paid director | | |
| Remuneration | 132,813 | 82,847 |
| Pension contributions | <u>-</u> | <u>7,615</u> |

R Russell and D Chappell are directors of the ultimate holding company, Healthcare Scotland Limited, and are also directors of Healthcare Scotland Management Limited, Albyn Hospital Limited, Fernbrae Hospital Limited and UK Private Healthcare Limited. R Russell is also a director of Cheadle Royal Hospital Limited. It is not practical to allocate their total remuneration for the year, which was received from Healthcare Scotland Management Limited, between their services as directors of Healthcare Scotland Management Limited and of its subsidiaries.

| | £ | £ |
|-------------------------------------|------------------|------------------|
| Employee costs during the period: | | |
| Wages and salaries | 3,497,580 | 3,189,972 |
| Social security costs | 248,399 | 256,505 |
| Other pension costs | 39,684 | 33,212 |
| | <u>3,785,663</u> | <u>3,479,689</u> |
| | No | No |
| Average number of persons employed: | | |
| Administrative | 39 | 17 |
| Professional | 197 | 176 |
| Technical and support | 47 | 28 |
| | <u>283</u> | <u>221</u> |

NOTES TO THE ACCOUNTS

Year ended 30 June 2000

4. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2000 | 1999 |
|------------|---------------|---------------|
| | £ | £ |
| Bank loans | 70,506 | 55,351 |
| | <u>70,506</u> | <u>55,351</u> |

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 2000 | 1999 |
|--|----------------|---------------|
| | £ | £ |
| Profit on ordinary activities before taxation is after charging: | | |
| Depreciation | | |
| Owned assets | 192,361 | 68,250 |
| Auditors' remuneration | 5,000 | 3,700 |
| Goodwill amortisation | 709 | 709 |
| | <u>198,070</u> | <u>72,659</u> |

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2000 | 1999 |
|---|----------------|----------------|
| | £ | £ |
| UK corporation tax at 30.75% (1999: 31%) based on profit for the year | 375,971 | 384,573 |
| Prior year adjustment | (2,698) | - |
| Deferred taxation | | |
| Current year | 21,877 | 14,311 |
| | <u>395,150</u> | <u>398,884</u> |

7. DIVIDENDS

| | 2000 | 1999 |
|--|---------------|----------------|
| | £ | £ |
| Equity shares: | | |
| Ordinary dividends paid | - | 225,000 |
| Non Equity Shares: | | |
| Cumulative redeemable preference dividend paid | 52,213 | 64,712 |
| | <u>52,213</u> | <u>289,712</u> |

NOTES TO THE ACCOUNTS

Year ended 30 June 2000

8. INTANGIBLE FIXED ASSETS

| | Goodwill £ |
|---------------------------------|---------------|
| Cost | |
| At 1 July 1999 and 30 June 2000 | 14,174 |
| Accumulated depreciation | |
| At 1 July 1999 | 1,713 |
| Charge for the year | 709 |
| At 30 June 2000 | 2,422 |
| Net book value | |
| At 30 June 2000 | 11,752 |
| At 1 July 1999 | 12,461 |

9. TANGIBLE FIXED ASSETS

| | Land and buildings £ | Fixtures and fittings £ | Motor Vehicles £ | Total £ |
|---------------------------------|----------------------------|-------------------------------|------------------------|------------|
| Cost or valuation | | | | |
| At 1 July 1999 | 4,794,414 | 1,076,570 | 10,090 | 5,881,074 |
| Additions | - | 470,846 | - | 470,846 |
| Revaluation | 871,515 | - | - | 871,515 |
| At 30 June 2000 | 5,665,929 | 1,547,416 | 10,090 | 7,223,435 |
| Accumulated Depreciation | | | | |
| At 1 July 1999 | - | 129,852 | 1,222 | 131,074 |
| Charge for the year | - | 190,918 | 1,443 | 192,361 |
| At 30 June 2000 | - | 320,770 | 2,665 | 323,435 |
| Net book value | | | | |
| At 30 June 2000 | 5,665,929 | 1,226,646 | 7,425 | 6,900,000 |
| At 30 June 1999 | 4,794,414 | 946,718 | 8,868 | 5,750,000 |

FRS 15 *Tangible Fixed Assets* has been implemented and it has been decided that all freehold land and buildings will now be held at a valuation. The freehold property trading as Cheadle Royal Hospital was valued on 30 June 2000 in the sum of £6,900,000 of which £1,234,071 can be attributed to fixtures and fittings and motor vehicles. The net book value of freehold land and buildings determined according to the historical cost convention is £1,660,045.

NOTES TO THE ACCOUNTS
Year ended 30 June 2000

10. INVESTMENTS HELD AS FIXED ASSETS

| | | | | Shares in subsidiary under-takings £ |
|--------------------------------|-----------------|---|--------------|---|
| Cost and net book value | | | | |
| At 1 July 1999 | | | | 2 |
| Addition | | | | 1 |
| | | | | <hr/> |
| At 30 June 2000 | | | | 3 |
| | | | | <hr/> |
| Subsidiary undertaking | Investment £ | Country of incorporation and registration | Activity | Proportion of ordinary shares held |
| Cheadle Royal Hospital Limited | 2 | England | Dormant | 100% |
| Trees Park Healthcare Limited | 1 | England | Nursing home | 100% |
| | <hr/> | | | |
| | 3 | | | |
| | <hr/> | | | |

The company acquired a 100% shareholding in Trees Park Healthcare Limited during the year.

11. STOCKS

| | 2000 £ | 1999 £ |
|-------------------------------|-----------|-----------|
| Raw materials and consumables | 9,072 | 17,722 |
| | <hr/> | <hr/> |

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2000 £ | 1999 £ |
|----------------------------------|-----------|-----------|
| Trade debtors | 866,878 | 586,567 |
| Prepayments and accrued income | 55,643 | 72,142 |
| Amounts due from group companies | 35,106 | - |
| Other debtors | 27,777 | 15,104 |
| | <hr/> | <hr/> |
| | 985,404 | 673,813 |
| | <hr/> | <hr/> |

NOTES TO THE ACCOUNTS

Year ended 30 June 2000

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2000 £ | 1999 £ |
|---|------------------|------------------|
| Bank loans (Note 15) | 262,688 | 210,824 |
| Trade creditors | 320,176 | 310,845 |
| Other creditors including taxation and social security (Note 14) | 167,221 | 105,236 |
| Corporation tax | 278,044 | 357,673 |
| Accruals and deferred income | 148,909 | 462,859 |
| Dividends payable | 113,256 | 85,979 |
| | <u>1,290,294</u> | <u>1,533,416</u> |

14. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

| | 2000 £ | 1999 £ |
|------------------------------|----------------|----------------|
| This heading includes: | | |
| Taxation and social security | <u>115,895</u> | <u>103,210</u> |

15. BORROWINGS

| | 2000 £ | 1999 £ |
|------------------------------|------------------|----------------|
| Bank loans | <u>1,057,701</u> | <u>887,719</u> |
| | <u>1,057,701</u> | <u>887,719</u> |
| Due within one year | 262,688 | 210,824 |
| Due after more than one year | <u>795,013</u> | <u>676,895</u> |
| | <u>1,057,701</u> | <u>887,719</u> |
| Analysis of repayments: | | |
| Within one year | 262,688 | 210,824 |
| Between one and two years | 212,688 | 240,824 |
| Between two and five years | 471,064 | 267,471 |
| Over five years | <u>111,261</u> | <u>168,600</u> |
| | <u>1,057,701</u> | <u>887,719</u> |

The bank loans are secured by a bond and floating charge over the assets of the company. The term loans bear interest at 1-1.5% above the bank's base rate.

The loans are all repayable to HSBC plc. Loan 1 is repayable in 82 monthly instalments of £5,057. Loan 2 is repayable in 11 quarterly instalments of £13,000. Loan 3 is repayable in annual tranches of no less than £100,000.

NOTES TO THE ACCOUNTS

Year ended 30 June 2000

16. CREDITORS FALLING DUE IN MORE THAN ONE YEAR

| | 2000 £ | 1999 £ |
|------------|-----------|-----------|
| Bank loans | 795,013 | 676,895 |

17. PROVISIONS FOR LIABILITIES AND CHARGES

| | Deferred Tax £ |
|---|----------------------|
| At 1 July 1999 | 57,771 |
| Profit and loss account charge for the year | 21,877 |
| At 30 June 2000 | 79,648 |

The amounts of the deferred taxation liability provided and the total potential liability:

| | 2000 £ | 1999 £ |
|--|-----------|-----------|
| Capital allowances in excess of depreciation | 68,996 | 58,402 |
| Other timing differences | 10,652 | (631) |
| | 79,648 | 57,771 |

Capital gains tax would arise in the event of the disposal of the company's land and buildings at the revalued amount in circumstances in which rollover relief was unavailable. As the likelihood of this is remote, the amount of such tax has not been quantified.

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2000 £ | 1999 £ |
|-------------------------------------|-----------|-----------|
| Profit for the financial year | 777,710 | 918,872 |
| Dividends | (52,213) | (289,712) |
| Repurchase of ordinary shares | (219,000) | - |
| Redemption of shares | - | (273,333) |
| Other recognised gains for the year | 871,515 | 3,134,369 |
| Net addition to shareholders' funds | 1,378,012 | 3,490,196 |
| Opening shareholders' funds | 4,591,886 | 1,101,690 |
| Closing shareholders' funds | 5,969,898 | 4,591,886 |

NOTES TO THE ACCOUNTS
Year ended 30 June 2000

19. CALLED UP SHARE CAPITAL

| | 2000 £ | 1999 £ |
|---|----------------|----------------|
| Authorised | | |
| 60 "A" ordinary shares of £1 each | 60 | 60 |
| 40 "B" ordinary shares of £1 each | 40 | 40 |
| 1,120,000 Cumulative redeemable preference shares of £0.81 each | 907,200 | 907,200 |
| | <u>907,300</u> | <u>907,300</u> |
| Called up, allotted and fully paid | | |
| 60 "A" ordinary shares of £1 each | 60 | 60 |
| 37 "B" ordinary shares of £1 each | 37 | 40 |
| 846,667 Cumulative redeemable preference shares of £0.81 each | 685,801 | 685,801 |
| | <u>685,898</u> | <u>685,901</u> |

During the year the company repurchased 3 'B' ordinary shares of £1 each for the sum of £219,000.

"A" and "B" Preference Shares

Holders of "A" and "B" ordinary shares rank pari passu in respect of distributions of profit.

Cumulative Redeemable Preference Shares

The Cumulative Redeemable Preference Shares of £0.81 each entitle the holder to receive a cumulative preference dividend at the rate of 6.15% per annum on the subscription price accruing from 1 July 1998 and payable half yearly on 30 June and 31 December in each year. In addition the Cumulative Redeemable Preference Shares entitle the holder to a special preference dividend of 7.466% per annum on the subscription price per preference share (£1.00) accruing from the date of subscription to 1 July 1998 and payable on 30 June 2000. The Cumulative Redeemable Preference Shares of £0.81 are redeemable at £1 per share in three further tranches. (The remaining tranches are redeemable as follows: £273,333 on 31 December 2001, £273,334 on 31 December 2002 and £300,000 on 30 June 2004)

Non equity shareholders' funds excludes dividends proposed and provided in liabilities.

Voting Rights

The "A" Ordinary Shares entitle the holders to one vote per share. The "B" Ordinary Shares entitle the holders to one vote per share on limited matters such as termination of the holder's directorship or employment with the company or amendment to the rights of the holder of such shares. The Cumulative Redeemable Preference Shares carry no voting rights.

Winding Up

On winding up, the assets of the company shall be applied firstly to the Cumulative Redeemable Preference Shareholders. The balance of the assets shall be distributed amongst the holders of the "A" and "B" Ordinary Shares (pari passu).

NOTES TO THE ACCOUNTS

Year ended 30 June 2000

20. RESERVES

| | Revaluation reserve £ | Capital redemption reserve £ | Share premium account £ | Profit and Loss Account £ |
|-------------------------------|-----------------------------|---------------------------------------|----------------------------------|------------------------------------|
| At 1 July 1999 | 3,134,369 | 221,399 | 212,800 | 337,417 |
| Revaluation | 871,515 | - | - | - |
| Retained profit for the year | - | - | - | 725,497 |
| Repurchase of ordinary shares | - | 3 | - | (219,000) |
| At 30 June 2000 | <u>4,005,884</u> | <u>221,402</u> | <u>212,800</u> | <u>843,914</u> |

21. PENSION SCHEMES

Defined Benefit Scheme

The company operates a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the company in a trustee administered fund. The scheme is closed to new members.

At the date of the latest actuarial valuation, 31 March 1998, the market value of the assets of the scheme was £27,439,000. The actuarial value of the assets was sufficient to cover 154% of the value of benefits which had accrued to members, after allowing for future increases in earnings and pensions.

The scheme's independent actuary had assessed the excess of the amount funded over the accumulated pension cost using the aggregate method. Taking into account the actuary's advice and assessment of the excess, the company did not make any contributions during the period.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments, the rate of equity dividend growth, and the rates of increase of salaries and pensions. It was assumed (a) the return on investments would exceed the annual increase in earnings by 4.7% (b) a rate of future pension increase of 2.7% per annum and (c) a rate of equity dividend growth of 5.9% per annum.

Defined Contribution Schemes

The assets of these schemes are held separately from those of the company in independently administered funds. The pension costs charged to the profit and loss account in the period in respect of private pension schemes amounted to £53,650 (1999: £33,212).

22. RELATED PARTY TRANSACTIONS

During the year the company recharged costs of £35,106 to Trees Park Healthcare Limited, which had been incurred on their behalf.

23. ULTIMATE PARENT COMPANY

The ultimate parent company is Healthcare Scotland Limited. Copies of the financial statements of the ultimate parent company may be obtained from Healthcare Scotland Limited, 35 Albert Street, Aberdeen, AB25 1XU.