

**CHEADLE ROYAL HEALTHCARE
LIMITED**

Report and Financial Statements

30 June 2003

**Deloitte & Touche LLP
Aberdeen**



REPORT AND FINANCIAL STATEMENTS 2003

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REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P F Batchelor
D G Chappell (Chairman)
S F Hemsley
R Russell
J P Ward
J Shaw

SECRETARY

J Shaw

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 LLP
Aberdeen

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2003.

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 £5,077,541 (2002: £3,385,953). Dividends of £7,200,000 have been paid in the year (2002: £nil). The retained loss for the year of £3,283,344 (2002: profit of £2,342,536) 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. The directors had no beneficial interests in the shares of the company at the start or at the end of the year. P F Batchelor, S F Hemsley and J P Ward are directors of the immediate parent company, Affinity Healthcare Limited. R Russell and D G Chapell are also directors of the ultimate parent company, Healthcare Scotland Limited. Their interests in the share capital of these companies are disclosed in their respective financial statements.

R Morris resigned as a director and company secretary on 11 July 2003. J Shaw was appointed as a director and company secretary on 1 October 2003

EMPLOYEE INVOLVEMENT

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

EMPLOYMENT OF DISABLED PERSONS

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

AUDITORS

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to reappoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors
and signed by order of the board:

Secretary

Date:



17 December 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CHEADLE ROYAL HEALTHCARE LIMITED**

We have audited the financial statements of Cheadle Royal Healthcare Limited for the year ended 30 June 2003 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors' are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit 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 as at 30 June 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte and Touche LLP

Chartered Accountants and Registered Auditors

Aberdeen

Date: 18 December 2003

PROFIT AND LOSS ACCOUNT
Year ended 30 June 2003

	Note	2003 £	2002 £
TURNOVER: continuing operations	2	13,177,908	12,344,236
Cost of sales		(7,242,071)	(6,181,197)
Gross profit		5,935,837	6,163,039
Administrative expenses		(2,223,372)	(2,694,812)
Exceptional item – refunded surplus on pension scheme		1,517,360	-
OPERATING PROFIT: continuing operations		5,229,825	3,468,227
Interest receivable and similar income		18,855	8,350
Interest payable and similar charges	4	(171,139)	(90,624)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	5,077,541	3,385,953
Tax on profit on ordinary activities	6	(1,160,885)	(1,043,417)
PROFIT FOR THE FINANCIAL YEAR		3,916,656	2,342,536
Dividends payable	7	(7,200,000)	-
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	19	<u>(3,283,344)</u>	<u>2,342,536</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 June 2003

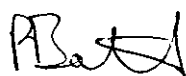
	2003 £	2002 £
(Loss)/Profit for the financial year	3,283,344	2,342,536
Unrealised surplus on revaluation of fixed assets	(1,112,310)	8,444,391
Total recognised gains and losses relating to the year	<u>2,171,034</u>	<u>10,786,927</u>

BALANCE SHEET
At 30 June 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	8	21,000,000	21,600,000
Investments	9	2	2
		<u>21,000,002</u>	<u>21,600,002</u>
CURRENT ASSETS			
Stocks	10	46,672	29,788
Debtors	11	5,693,685	5,383,962
Cash at bank and in hand		53,287	1,019,874
		<u>5,793,644</u>	<u>6,433,624</u>
CREDITORS: amounts falling due within one year	12	<u>(5,878,759)</u>	<u>(3,512,096)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(85,115)</u>	<u>2,921,528</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		20,914,887	24,521,530
CREDITORS: amounts falling due after more than one year	14	(2,008,025)	(1,302,716)
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(133,352)</u>	<u>(49,650)</u>
TOTAL NET ASSETS		<u>18,773,510</u>	<u>23,169,164</u>
CAPITAL AND RESERVES			
Called up share capital	18	97	97
Revaluation reserve	19	17,168,488	18,280,798
Capital redemption reserve	19	907,203	907,203
Share premium	19	212,800	212,800
Profit and loss account	19	484,922	3,768,266
SHAREHOLDERS' FUNDS	17	<u>18,773,510</u>	<u>23,169,164</u>

These financial statements were approved by the board of directors on: 17 December 2003

Signed on behalf of the board of directors



Director

NOTES TO THE ACCOUNTS
Year ended 30 June 2003**1. ACCOUNTING POLICIES****Accounting convention**

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

Group Accounts

Under the provision of section 228 of the Companies Act 1985 and in accordance with paragraphs 21b and 21c of Financial Reporting Standard 2 the company is exempt from preparing consolidated accounts by virtue of the fact that the company is a subsidiary of another company which prepares group accounts. The financial statements therefore present information about the company as an individual undertaking and not as a group.

Cash flow statement

The company has taken advantage of exemptions within FRS1 and has not prepared a cash flow statement on the grounds that the company is a wholly owned subsidiary of a parent undertaking which produces consolidated financial statements including a consolidated cash flow statement dealing with the cash flows of the group.

Tangible fixed assets

No depreciation is provided on freehold buildings because any charge would be immaterial based on the estimated useful lives of these assets. An annual professional valuation of these assets is carried out at the end of the year. This treatment is contrary to the Companies Act 1985 but the directors believe it is necessary to give a true and fair view. On other assets, depreciation is provided on cost in equal annual instalments over the estimated useful economic lives of the assets. The rates of depreciation are as follows:

Fixtures, fittings and motor vehicles - 7 years

Investments

Investments are shown at the lower of cost or estimated market value.

Stocks

Stocks are stated at cost, which comprises materials only.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

The company operates both defined benefit and defined contribution schemes. The expected costs of providing pensions and other post retirement benefits, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the schemes operated within the group in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

NOTES TO THE ACCOUNTS
Year ended 30 June 2003

2. TURNOVER

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

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003 £	2002 £
Directors' remuneration		
Directors' emoluments	-	85,890
	No	No
Number of directors who are members of a defined benefit scheme	-	1

There were no contributions to this scheme during the year as there is a contributions holiday.

R Russell and D Chappell are directors of the ultimate holding company, Healthcare Scotland Limited, and are also directors of Healthcare England Limited, Affinity Healthcare 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, between their services as directors of the above companies.

	2003 £	2002 £
Employee costs during the year:		
Wages and salaries	5,887,361	5,122,199
Social security costs	491,355	394,924
Other pension costs	102,170	57,676
	6,480,886	5,574,799
	No	No
Average number of persons employed:		
Administrative	50	54
Professional	242	251
Technical and support	40	32
	332	337

4. INTEREST PAYABLE AND SIMILAR CHARGES

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003 £	2002 £
Profit on ordinary activities before taxation is after charging:		
Depreciation		
Owned assets	371,262	301,059
Operating leases - other	3,738	6,010
Auditors' remuneration - audit fees	6,762	5,500
- non audit fees	17,681	6,000

NOTES TO THE ACCOUNTS
Year ended 30 June 2003

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £	2002 £
Current taxation		
UK corporation tax at 30% (2002: 30%)	161,071	482,237
Adjustments in respect of prior periods	(42,187)	(19,434)
	<u>118,884</u>	<u>462,803</u>
Group relief	932,385	584,440
Group relief adjustment in respect of prior years	25,914	32,563
	<u>1,077,183</u>	<u>1,079,806</u>
Deferred taxation		
Origination and reversal of timing differences	10,212	(41,020)
Adjustments in respect of prior periods	73,490	4,631
	<u>1,160,885</u>	<u>1,043,417</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax of 30%. The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation:

Profit on ordinary activities before tax	5,077,541	3,385,954
Tax on profit on ordinary activities at standard rate	1,523,262	1,015,786
Factors affecting charge for the year:		
Capital allowances for period in excess of depreciation	(29,261)	41,020
Expenses not deductible for tax purposes	50,805	9,871
Short term timing differences	3,858	-
Refunded surplus on pension scheme	(455,208)	-
Prior period adjustments	(16,273)	13,129
	<u>1,077,183</u>	<u>1,079,806</u>

7. DIVIDENDS

	2003 £	2002 £
Equity Shares:		
Ordinary shares – final proposed - £74,227 per ordinary share (2002: £nil per ordinary share))	<u>7,200,000</u>	<u>-</u>

NOTES TO THE ACCOUNTS
Year ended 30 June 2003

8. TANGIBLE FIXED ASSETS

	Freehold Operational Entity £	Fixtures & Fittings and Motor Vehicles £	Total £
Cost or valuation			
At 1 July 2002	19,955,017	2,490,808	22,445,825
Additions	653,834	229,738	883,572
Adjustment arising on revaluation	(1,112,310)	-	(1,112,310)
At 30 June 2003	19,496,541	2,720,546	22,217,087
Accumulated Depreciation			
At 1 July 2002	3,131	842,694	845,825
Charge for the year	-	371,262	371,262
At 30 June 2003	3,131	1,213,956	1,217,087
Net book value			
At 30 June 2003	19,493,410	1,506,590	21,000,000
At 30 June 2002	19,951,886	1,648,114	21,600,000

Comparable amounts determined according to the historical cost convention:

	Freehold Operational Entity £	Fixtures & Fittings and Motor Vehicles £	Total £
Cost	2,328,053	2,720,546	5,048,599
Accumulated depreciation	3,131	1,213,956	1,217,087
Net book value			
At 30 June 2003	2,324,922	1,506,590	3,831,512
At 30 June 2002	1,682,121	1,648,114	3,330,245

No depreciation is provided on freehold land and buildings as the charge is not material based on the estimated useful lives of the assets.

Cheadle Royal Hospital was revalued having regard to trading potential as an operational entity inclusive of heritable property, all plant, machinery, fittings and equipment and business goodwill as at 30 June 2003 by Weatherall, Green and Smith, Chartered Surveyors. The residual book value of goodwill has consequently been reclassified within the valuation of the operational entity in accordance with Financial Reporting Standard 15.

NOTES TO THE ACCOUNTS
Year ended 30 June 2003

9. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary under- Taking £
Cost and net book value At 1 July 2002 and 30 June 2003	2

Subsidiary undertaking	Activity	Shares Owned	%
Cheadle Royal Hospital Limited. Incorporated in Great Britain.	Dormant	Ordinary	100

10. STOCKS

	2003 £	2002 £
Consumables	46,672	29,788

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Trade debtors	1,486,090	1,617,273
Corporation tax recoverable	33,763	60,915
Prepayments and accrued income	39,291	13,873
Due from parent	-	1,608,441
Due from fellow subsidiary	4,047,145	2,043,672
Other debtors	87,396	39,788
	<u>5,693,685</u>	<u>5,383,962</u>

NOTES TO THE ACCOUNTS
Year ended 30 June 2003

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Bank loans (note 15)	855,945	644,643
Trade creditors	428,681	417,365
Other creditors including taxation and social security (note 13)	210,818	139,648
Corporation tax	-	282,237
Group relief payable	2,112,712	1,154,412
Amounts due to parent	2,041,904	634,155
Accruals and deferred income	228,699	239,636
	<u>5,878,759</u>	<u>3,512,096</u>

13. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2003 £	2002 £
This heading includes:		
Taxation and social security	<u>210,818</u>	<u>139,648</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £	2002 £
Bank loans (note 15)	<u>2,008,025</u>	<u>1,302,716</u>

NOTES TO THE ACCOUNTS
Year ended 30 June 2003**15. BORROWINGS**

	2003 £	2002 £
Bank loans	2,863,970	1,947,359
Due within one year	855,945	644,643
Due after more than one year	2,008,025	1,302,716
	<u>2,863,970</u>	<u>1,947,359</u>
Analysis of repayments:		
Within one year	855,945	644,643
Between one and two years	794,278	568,916
Between two and five years	1,213,747	733,800
Over five years	-	-
	<u>2,863,970</u>	<u>1,947,359</u>

The bank loans are secured by a fixed charge over the assets of the company. All loans bear interest at either 1.25% or 1.75% above the banks base rate and are repayable to HSBC plc. The repayment terms of the loans are not uniform. They are repayable over the next 12 to 55 months.

The company is part of an arrangement with the group's bankers whereby cross-guarantees have been provided to group companies to enable balances in credit to be offset against overdrawn balances. The company's contingent liability at 30 June 2003 under this arrangement amounted to £2,823,958 (2002: £3,849,944).

NOTES TO THE ACCOUNTS
Year ended 30 June 2003

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Tax £
At 1 July 2002	49,650
Charge for the year	83,702
At 30 June 2003	<u>133,352</u>

Provision for deferred taxation consists of the following amounts:

	2003 £	2002 £
Capital allowances in excess of depreciation	128,193	29,263
Other timing differences	5,159	20,387
	<u>133,352</u>	<u>49,650</u>

Deferred tax has not been provided on revaluations of fixed assets. This tax will only become payable if the assets are sold and rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £5,162,404 (2002: £5,480,926).

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year	3,916,656	2,342,536
Dividends	(7,200,000)	-
Adjustment arising upon revaluation	(1,112,310)	8,444,391
Net (decrease)/increase to shareholders' funds	(4,395,654)	10,786,927
Opening shareholders' funds	23,169,164	12,382,237
Closing shareholders' funds	<u>18,773,510</u>	<u>23,169,164</u>

NOTES TO THE ACCOUNTS
Year ended 30 June 2003

18. CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised		
100 ordinary shares of £1 each	100	100
Called up, allotted and fully paid		
97 ordinary shares of £1 each	97	97

19. RESERVES

	Revaluation reserve £	Capital redemption reserve £	Share premium account £	Profit and Loss Account £
At 1 July 2002	18,280,798	907,203	212,800	3,768,266
Adjustment arising upon revaluation in year	(1,112,310)	-	-	-
Retained loss for the year	-	-	-	(3,283,344)
At 30 June 2003	17,168,488	907,203	212,800	484,922

NOTES TO THE ACCOUNTS
Year ended 30 June 2003

20. PENSION SCHEMES

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 £102,170 (2002: £57,676). There were no outstanding contributions payable to or receivable from the fund at either the current or previous year end.

Defined Benefit Scheme

The company operates the Cheadle Royal Hospital Pension Fund, a funded defined benefit pension scheme. There is no provision for pension costs (2002: £nil) in the profit and loss account or balance sheet as at 30 June 2003 due to the existence of a contributions holiday since the last formal valuation report.

The company currently accounts for pensions under SSAP 24 *Accounting for Pension Costs*. Under the transitional arrangements for FRS 17 *Retirement Benefits*, the company is required to provide additional disclosures relation to its pension scheme. These are provided on the attached schedule.

SSAP 24

A valuation was carried out by a qualified independent actuary at 31 March 2001 using the aggregate method. Following the valuation it was agreed that the employer would continue its contribution holiday.

The assumptions which have the most significant effect on the results of the valuation are set out below:

Investment returns	4.5% p.a.
Increase in:	
Salaries	4.4% p.a.
Present and future pensions	1.95%p.a.

The total market value of Cheadle Royal Hospital Pension Fund's assets at the last valuation date, together with the funding level as a percentage of accrued benefits after allowing for future increases in earnings, was £30.2m (122%).

The funding level allows for changes to the Fund which were implemented at 1 November 2002. These changes were:

- All benefits for all members were increased by 10%. The increase for members who were pensioners at 1 November was back dated to 1 September 2001.
- A refund of surplus paid to the employer of £2,411,900, amount received net of tax was £1,517,360.
- A three year contribution holiday for members starting with effect from 1 November 2002.

FRS 17

The figures below have been based on the most recent revaluation of the Cheadle Royal Hospital Pension Fund as at 31 March 2001, the most recent year-end of the scheme, updated to 30 June 2003 by an independent qualified actuary. The assets in the scheme and the expected rate of return were:

Asset	Long term rate of Return expected at		30 June 2003	Value at 30 June 2002
	30 June 2003	30 June 2002		
Equities	N/a	n/a	Nil	Nil
Bonds	4.5%	4.9%	£29.7m	£28.1m
Other	4.5%	4.9%	Nil	£2.4m

NOTES TO THE ACCOUNTS
Year ended 30 June 2003

20. PENSION SCHEMES (continued)

The liabilities of the scheme at 30 June 2003 were calculated on the following bases as required under FRS 17:

Assumptions	30 June 2003	30 June 2002
Discount rate	5.0%	5.9%
Rate of increase in salaries	4.6%	4.6%
Rate of increase in pensions in payment	2.6%	2.6%
Inflation assumption	2.6%	2.6%

The balance sheet position for the Company's schemes as calculated under FRS 17 at 30 June 2003 was as follows:

	30 June 2003 £	30 June 2002 £
Fair value of assets	29.7m	30.5m
Present value of scheme liabilities	(23.2m)	(18.0m)
Surplus in the scheme	6.5m	12.5m
Unrecognised surplus in the scheme	(4.2m)	(8.8m)
Related deferred tax liability	2.3m (0.7m)	3.7m (1.1m)
Net pension asset	1.6m	2.6m

Full implementation of FRS17 would increase net assets by £2.3m (2002: £2.6m).

Amount that would be charged to profit and loss account:

	2003 £	2002 £
Expected return on pension scheme assets	1.0m	1.3m
Interest on pension liabilities	(0.8m)	(1.2m)
Other finance income	2.4m	-
Net return	2.6m	0.1m
Current service cost	(0.2m)	(0.1m)
Net pension cost	2.4m	-

The Scheme has been closed to new entrants since 1994. As a result, the service cost is expected to rise.

NOTES TO THE ACCOUNTS
Year ended 30 June 2003

20. PENSION SCHEMES (continued)

Amount that would be recognised in the statement of total recognised gains and losses:

	2003 £	2002 £
Actual return less expected return on pension scheme assets	1.6m	0.5m
Experience gains on liabilities	(0.3m)	2.9m
Changes in assumptions	(2.9m)	(1.0m)
	(1.6m)	2.4m
Adjustment due to surplus cap	0.2m	(3.8m)
Net loss recognised	(1.4m)	(1.4m)

Movements in pension scheme surpluses during the year:

	2003 £	2002 £
Surplus in scheme at beginning of year	3.7m	5.1m
Movement in year:	(0.2m)	
Current scheme costs		(0.1m)
Contributions	(2.4m)	-
Net return on assets	2.6m	0.1m
Actuarial loss	(1.4m)	(1.4m)
Surplus in scheme at end of year	2.3m	3.7m

History of experience gains and losses:

	2003 £	2002 £
Difference between expected and actual return of scheme assets:	1.6m	0.5m
Percentage of scheme assets	6%	1.6%
Experience gains and losses on scheme liabilities:	(0.3m)	2.9m
Percentage of scheme liabilities	(1%)	16.1%
Total amount recognised in statement of total recognised gains and losses	(1.4m)	(1.4m)
Percentage of scheme liabilities	(6%)	7.7%

NOTES TO THE ACCOUNTS
Year ended 30 June 2003**21. OPERATING LEASE COMMITMENTS**

At 30 June 2003 the company was committed to making the following payments during the next year in respect of operating leases:

	Other 2003 £	Other 2002 £
Leases which expire:		
Within two to five years	6,010	12,019

22. CAPITAL COMMITMENTS

	2003 £	2002 £
Contracted for but not provided	-	242,278

23. ULTIMATE PARENT COMPANY

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

The immediate parent company is Affinity Healthcare Limited. Copies of its financial statements may be obtained from Affinity Healthcare Limited, 100 Wilmslow Road, Heald Green, Cheadle.

The company has taken advantage of paragraph 3 (c) of FRS8 (Related Party Disclosures) which allows exemption from disclosure of related party transactions with group companies.