Grant Thornton

Financial statements Alpha Hospitals Limited

For the Year Ended 31 March 2008

Company No. 4590303

Officers and professional advisers

Company registration number	4590303
Registered office	1 Lumley Street Mayfair London W1K 6TT
Directors	Mr Bhanu Choudhrie Mr Dhruv Choudhrie Lord Hameed of Hampstead Mrs Patricia Hodgkinson Mr Asoka Karandawala Mr Cherian Thomas
Secretary	JD Secretariat Limited
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors No 1 Whitehall Riverside Whitehall Road Leeds LS1 4BN

Contents

Report of the directors

The directors present their report and the financial statements of the Group for the year ended 31 March 2008.

Results and dividends

The profit for the year, after taxation, amounted to £988,967. The directors have not recommended a dividend.

Principal activities and business review

Alpha Hospitals Group provides specialist secure psychiatric care for adults and young people. Specialist services include: Forensic Services for Deaf Men and Women, Medium and Low Secure Services for Men and Women and Secure Services for Young People. The Group operates 197 beds in strategic locations across the country. All hospital facilities are Registered as Independent Hospitals and operate within an highly regulated environment. Throughout the year all facilities were inspected by both the Healthcare Commission and Mental Health Act Commission. The directors are very pleased with the results of these inspections.

This year has seen further significant investment in the growth and development of the business. In June 2007 a new 30-bed purpose built low secure facility for female patients was registered and opened for new admissions at Alpha Hospital Sheffield. The Group has now successfully established specialist female services at both the Bury and Sheffield hospital sites, the latter of which, the directors are pleased to report, was recently awarded Preferred Provider status with the East Midlands Commissioners.

The services provided by the additional beds registered in June 2006 and June 2007 have been positively received by the NHS and the directors are pleased to report census growth in the year ended 31 March 2008 of 46%. This growth in patients has driven an increase in turnover for the year of over 50% to £26 million and has also led to an improved operating profit.

In October 2007 the Group was successful in securing planning permission to extend Alpha Hospital Woking. Construction of this new facility is currently underway and it is anticipated that it will be registered by March 2009.

The Group will continue to expand wherever there is market potential. The Group will also continue to drive and create efficiencies in order to further provide effective and affordable services to the NHS.

Principal risks and uncertainties

The management of the business and the nature of the group's strategy are subject to a number of risks.

The directors have set out below the principal risks facing the business.

The directors are of the opinion that a thorough risk management process is adopted which involves the formal review of all the risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

High proportion of fixed overheads and variable revenues

A large proportion of the group's overheads are fixed. There is the risk that any significant changes in revenue may lead to the inability to cover such costs.

Management closely monitor fixed overheads against budget on a monthly basis and cost saving exercises are implemented when there is an anticipated decline in revenues.

Competition

The market in which the group operates is highly competitive. As a result there is constant downward pressure on margins and the additional risk of being unable to meet customers expectations. Policies of constant price monitoring and ongoing market research are in place to mitigate such risks.

Regulatory Environment

We operate in an highly regulated environment and requirements are increasing year on year to meet minimum standards. Changes in regulation could impact investment requirements in the physical environment in which we operate and the policy and procedure we use to govern our day to day operations.

We mitigate this risk by investing in state of the art facilities that are built to meet and exceed minimum standards at the point of registration. We also have a dedicated management programme that reviews and updates all policy and procedure on a regular basis.

Financial risk management objectives and policies

The Group uses various financial instruments that include loans, cash and working capital items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's new build hospital development programme and day-to-day operations.

The Group's policy is to finance its new build development programme through an appropriate mix of long-term debt and equity finance. Day-to-day operations are financed through a combination of cash resources and working capital.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below. In order to manage the Group's exposure to those risks, in particular the Group's exposure to interest rate risk the Group enters into derivative transactions including, but not limited to, variable to fixed rate interest rate swaps. All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Liquidity risk

The Group manages financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest surplus cash safely and profitably. The maturity of borrowings is set out in note 14 to the financial statements.

Credit risk
In order to manage credit risk, the Directors set working capital targets including debtor days. Outstanding balances are reviewed by the credit controller on a regular basis, in conjunction with debt ageing, and the Group operates a robust collection procedure.

The directors and their interests

The directors who served the company during the year were as follows:

Mr Bhanu Choudhrie
Mr Dhruv Choudhrie
Lord Hameed of Hampstead
Mrs Patricia Hodgkinson
Mr Asoka Karandawala
Mr Cherian Thomas

During the financial year, qualifying third party indemnity provision for the benefit of all of the directors was in force.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom 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 the Group and of the profit or loss of the Group for that year. In preparing these 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;
- ensure that UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the Group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the Group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Auditor

Grant Thornton UK LLP offer themselves for reappointment in accordance with the Companies Act 2006.

ON BEHALF OF THE BOARD

P Hodgkinson
Director
1 December 2008

Grant Thornton

Report of the independent auditor to the members of Alpha Hospitals Limited

We have audited the Group and parent company financial statements ("the financial statements") of Alpha Hospitals Limited for the year ended 31 March 2008 on pages 13 to 28. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 10 to 12.

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 directors and auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and company's circumstances, consistently applied and adequately disclosed.

Report of the independent auditor to the members of Alpha Hospitals Limited (continued)

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 31 March 2008 and of the Group's 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 Report of the Directors is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

LEEDS
1 December 2008

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

The financial statements have been prepared under the historic cost convention, modified to include the revaluation of certain fixed assets and in accordance with applicable accounting standards.

The accounting policies remain unchanged from the previous year, except for the revaluation of freehold and leasehold property, fixtures and fittings, plant and machinery and freehold improvements.

Basis of consolidation

The Group financial statements consolidate those of the company and of its subsidiary undertakings (see note 11) drawn up to 31 March 2008. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting.

Related parties transactions

The company is a wholly owned subsidiary of Alpha Group Holdings Limited, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the group.

Turnover

Turnover is the revenue arising from the sales of services. It is stated at the fair value of the consideration receivable, net of value added tax, rebates and discounts.

Revenue from services provided by the company is recognised when the company has performed its obligations and in exchange obtained the right to consideration.

Goodwill

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and amortised on a straight line basis over its estimated useful economic life of 20 years.

Fixed assets

Tangible fixed assets are stated at cost or valuation.

A policy of revaluation of freehold and leasehold property, fixtures and fittings, plant and machinery and freehold improvements has been adopted during the year in order for the financial statements to reflect the market value of properties, fittings, plant and machinery and freehold improvements held which is significantly above the cost of these assets. The effect of adopting a policy of revaluation has been to increase the value of group tangible fixed assets by £50,234,188 and company tangible fixed assets by £12,692,814.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold property	-	2% straight line basis
Leasehold property	-	straight line over the term of the lease (up to 50 years)
Plant & machinery	-	25-33% straight line basis
Fixtures & fittings	-	25-33% straight line basis
Freehold improvements	-	33% straight line basis

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Assets under the course of construction are not depreciated until they are utilised by the group.

Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Profit and loss account

	Note	2008 £	2007 £
Group turnover	1	25,971,856	17,218,052
Cost of sales		15,902,989	11,208,962
Gross profit		10,068,867	6,009,090
Other operating charges	2	6,930,919	5,800,470
Operating profit	3	3,137,948	208,620
Interest payable and similar charges	6	1,779,981	1,683,519
Profit/(loss) on ordinary activities before taxation		1,357,967	(1,474,899)
Tax on profit/(loss) on ordinary activities	7	369,000	-
Profit/(loss) for the financial year	8	988,967	(1,474,899)

All of the activities of the group are classed as continuing.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

Group balance sheet

	Note	2008 £	2007 £
Fixed assets			
Intangible assets	9	**9,756,712**	10,348,028
Tangible assets	10	**89,171,406**	36,354,995
		98,928,118	46,703,023
Current assets			
Debtors	12	**1,574,872**	3,084,478
Cash at bank		**1,764,289**	1,237,507
		3,339,161	4,321,985
Creditors: amounts falling due within one year	13	**5,896,588**	4,914,617
Net current liabilities		**(2,557,427)**	(592,632)
Total assets less current liabilities		**96,370,691**	46,110,391
Creditors: amounts falling due after more than one year	14	**29,590,557**	30,922,412
		66,780,134	15,187,979
Provisions for liabilities			
Deferred taxation	16	**369,000**	–
		66,411,134	15,187,979
Capital and reserves			
Called-up equity share capital	20	**4,738,618**	4,738,618
Share premium account	21	**13,775,502**	13,775,502
Revaluation reserve	21	**50,234,188**	–
Profit and loss account	21	**(2,337,174)**	(3,326,141)
Shareholders' funds	22	**66,411,134**	15,187,979

These financial statements were approved by the directors and authorised for issue on 1 December 2008, and are signed on their behalf by:

Bhanu Choudhrie

Mr Bhanu Choudhrie
Director

Balance sheet

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	10	**23,971,406**	9,921,358
Investments	11	**12,899,082**	12,899,082
		36,870,488	22,820,440
Current assets			
Debtors	12	**26,831,730**	26,832,132
Cash at bank		**217,869**	873,996
		27,049,599	27,706,128
Creditors: amounts falling due within one year	13	**4,544,944**	2,730,695
Net current assets		**22,504,655**	24,975,433
Total assets less current liabilities		**59,375,143**	47,795,873
Creditors: amounts falling due after more than one year	14	**29,471,982**	30,887,274
		29,903,161	16,908,599
Capital and reserves			
Called-up equity share capital	20	**4,738,618**	4,738,618
Share premium account	21	**13,775,502**	13,775,502
Revaluation reserve	21	**12,692,814**	–
Profit and loss account	21	**(1,303,773)**	(1,605,521)
Shareholders' funds		**29,903,161**	16,908,599

These financial statements were approved by the directors and authorised for issue on 1 December 2008, and are signed on their behalf by:

Bhanu Choudhrie

Mr Bhanu Choudhrie
Director

Group cash flow statement

	Note	2008 £	2007 £
Net cash inflow from operating activities	23	5,273,143	1,529,728
Returns on investments and servicing of finance	23	(1,779,981)	(1,683,930)
Capital expenditure and financial investment	23	(3,226,678)	(6,702,830)
Cash inflow/(outflow) before financing		20,034	(6,857,032)
Financing	23	(241,350)	6,944,179
Increase in cash	23	25,134	87,147

Other primary statements

Statement of total recognised gains and losses

	2008 £	2007 £
Profit/(Loss) for the financial year attributable to the shareholders of the parent company	1,357,967	(1,049,868)
Unrealised profit on revaluation of certain fixed assets	50,234,188	–
Total gains and losses recognised for the year	51,592,155	(1,049,868)

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the group. An analysis of turnover is given below:

	2008	2007
	£	£
United Kingdom	25,971,856	17,218,052

2 Other operating charges

	2008	2007
	£	£
Administrative expenses	6,930,919	5,800,470

3 Operating profit

Operating profit is stated after charging:

	2008	2007
	£	£
Amortisation	591,316	591,316
Depreciation of owned fixed assets	741,758	702,690
Depreciation of assets held under finance leases and hire purchase agreements	149,147	69,972
Operating lease costs:		
Other	43,445	42,770

	2008	2007
	£	£
Auditor's remuneration - audit of the financial statements	16,200	14,500

Auditor's remuneration - other fees:

- Statutory audit of subsidiary company's financial statements	13,400	13,000
- Taxation services	6,000	8,750
	19,500	21,750

4 Particulars of employees

The average number of staff employed by the Group during the financial year amounted to:

	2008 No	2007 No
Nursing staff	328	275
Administrative staff	135	108
	463	383

The aggregate payroll costs of the above were:

	2008 £	2007 £
Wages and salaries	13,429,015	9,933,222
Social security costs	1,149,038	887,830
Other pension costs	139,144	126,880
	14,717,197	10,947,932

5 Directors

Remuneration in respect of directors was as follows:

	2008 £	2007 £
Emoluments receivable	201,293	155,351
Value of company pension contributions to money purchase schemes	22,986	22,498
	224,279	177,849

Emoluments of highest paid director:

	2008 £	2007 £
Total emoluments (excluding pension contributions)	201,293	155,351
Value of company pension contributions to money purchase schemes	22,986	22,498
	224,279	177,849

The number of directors who accrued benefits under company pension schemes was as follows:

	2008 No	2007 No
Money purchase schemes	1	1

6 Interest payable and similar charges

	2008 £	2007 £
Interest payable on bank borrowing	1,756,069	1,666,308
Finance charges payable under finance leases and hire purchase agreements	23,912	17,211
	1,779,981	1,683,519

7 Taxation on ordinary activities

Analysis of charge in the year

	2008 £	2007 £
Deferred tax:		
Origination and reversal of timing differences	369,000	-

The company has tax losses arising in the United Kingdom of approximately £942,797 (2007: £2,918,533) available to relieve profits of the same trade. The deferred tax asset of £282,000 (2007: £875,560) arising has not been recognised due to the uncertainty over the timing of the utilisation of these losses.

Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2007 - 30%).

	2008 £	2007 £
Profit/(loss) on ordinary activities before taxation	1,357,967	(1,474,899)
Profit on ordinary activities by rate of tax	407,387	(442,470)
Expenses not deductible for tax purposes	384,261	329,942
Capital allowances for period in excess of depreciation	(314,322)	(26,823)
Unrelieved tax losses	-	133,986
Other timing difference	(700)	5,365
Trading losses utilised	(476,626)	-
Total current tax	-	-

8 Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £301,748 (2007: loss of £156,026).

9 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 April 2007 and 31 March 2008	11,826,318
Amortisation	
At 1 April 2007	1,478,290
Charge for the year	591,316
At 31 March 2008	2,069,606
Net book value	
At 31 March 2008	**9,756,712**
At 31 March 2007	10,348,028

The goodwill relates to the acquisition of Alpha Hospitals (NW) Limited in a previous year.

10 Tangible fixed assets

Group	Freehold & leasehold property £	Fixtures & fittings £	Motor vehicles £	Freehold improvements £	Assets under construction £	Total £
Cost or valuation						
At 1 Apr 2007	33,652,476	882,036	30,400	75,000	3,428,648	38,068,560
Additions	1,486,612	488,676	-	66,595	1,431,245	3,473,128
Revaluation	47,660,118	-	-	-	-	47,660,118
Transfers	3,342,937	45,550	-	-	(3,388,487)	-
At 31 Mar 2008	86,142,143	1,416,262	30,400	141,595	1,471,406	89,201,806
Depreciation						
At 1 Apr 2007	1,139,975	555,104	24,736	(6,250)	-	1,713,565
Charge for the year	599,694	243,209	5,664	42,338	-	890,905
Revaluation adjustment	(1,739,669)	(798,313)	-	(36,088)	-	(2,574,070)
At 31 Mar 2008	-	-	30,400	-	-	30,400
Net book value						
At 31 Mar 2008	**86,142,143**	**1,416,262**	-	**141,595**	**1,471,406**	**89,171,406**
At 31 Mar 2007	32,512,501	326,932	5,664	81,250	3,428,648	36,354,995

10 Tangible fixed assets (continued)

Included within the net book value of £89,171,406 is £317,906 (2007 - £171,440) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £88,152 (2007 - £69,972).

Company	Freehold property £	Fixtures & fittings £	Freehold improvements £	Assets under construction £	Total £
Cost or valuation					
At 1 April 2007	10,134,401	345,601	75,000	85,711	10,640,713
Additions	-	65,431	66,595	1,431,245	1,563,271
Revaluation	11,767,422	-	-	-	11,767,422
Transfers	-	45,550	-	(45,550)	-
At 31 March 2008	21,901,823	456,582	141,595	1,471,406	23,971,406
Depreciation					
At 1 April 2007	430,190	295,415	(6,250)	-	719,355
Charge for the year	130,187	33,512	42,338	-	206,037
Revaluation adjustment	(560,377)	(328,927)	(36,088)	-	(925,392)
At 31 March 2008	-	-	-	-	-
Net book value					
At 31 March 2008	**21,901,823**	**456,582**	**141,595**	**1,471,406**	**23,971,406**
At 31 March 2007	9,704,211	50,186	81,250	85,711	9,921,358

Included within the net book value of £23,971,406 is £85,041 (2007 - £87,692) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £2,651 (2007 - £36,918).

The freehold and leasehold property, fixtures and fittings, plant and machinery and freehold improvements were revalued on 26 March 2008 at open market value by Christie & Co Surveyors. This revaluation has had no effect on the depreciation charge in the period.

If land and buildings, fixtures and fittings, plant and machinery and freehold improvements had not been revalued, they would have been included on the historical cost basis at the following amounts:

	Group £	Company £
Cost	**38,482,024**	33,652,475
Accumulated depreciation	**(1,739,669)**	(560,377)
Net book value at 31 March 2008	**36,742,355**	33,092,098
Net book value at 31 March 2007	**32,512,500**	9,704,210

11 Investments

Company	Group companies £
Cost and net book value	
At 1 April 2007 and 31 March 2008	12,899,082

The investments in subsidiary undertakings represent the following companies:

	Percentage of issued ordinary shares	Activity
Alpha Hospitals (NW) Limited	100%	Mental healthcare
Safe Spaces Limited*	100%	Dormant

* Owned via shareholding in Alpha Hospitals (NW) Limited.

The above undertaking has been consolidated in the Group financial statements.

12 Debtors

	The Group		The company	
	2008 £	2007 £	2008 £	2007 £
Trade debtors	1,395,112	2,914,683	649,607	1,153,380
Amounts owed by group undertakings	-	-	26,154,339	25,665,476
Other debtors	179,760	169,795	27,784	13,276
	1,574,872	3,084,478	26,831,730	26,832,132

13 Creditors: amounts falling due within one year

	The Group		The company	
	2008 £	2007 £	2008 £	2007 £
Bank loans and overdrafts	2,307,625	1,307,992	2,310,964	1,307,992
Trade creditors	587,554	470,414	186,178	117,169
Amounts owed to group undertakings	1,561,812	802,032	1,561,812	802,032
Amounts due under finance leases and hire purchase agreements	143,146	63,956	25,977	23,684
Other creditors	473,842	319,944	175,686	96,987
Accruals and deferred income	822,609	1,950,279	284,327	382,831
	5,896,588	4,914,617	4,544,944	2,730,695

Bank loans and overdrafts are secured on the assets of the company.

14 Creditors: amounts falling due after more than one year

	The Group		The company	
	2008	2007	2008	2007
	£	£	£	£
Bank loans and overdrafts	20,649,196	22,114,009	20,649,196	22,114,009
Amounts owed to group undertakings	8,818,700	8,736,299	8,818,700	8,736,299
Amounts due under finance leases and hire purchase agreements	122,661	72,104	4,086	36,966
	29,590,557	30,922,412	29,471,982	30,887,274

Bank loans and overdrafts are secured on the assets of the company.

The bank loan is secured by a fixed and floating charge over the assets of the group. The bank loan is also secured by the director, Mrs P Hodgkinson's, Standard Life Assurance policy in the sum of £300,000.

Interest is charged using a formula of LIBOR plus a margin of 1.25% to 2.25% (dependent upon debt to EBITDA performance ratios).

15 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

	The Group		The company	
	2008	2007	2008	2007
	£	£	£	£
Amounts payable within 1 year	143,146	63,956	25,977	23,684
Amounts payable between 1 and 2 years	75,430	35,138	-	-
Amounts payable between 3 and 5 years	47,231	36,966	4,086	36,966
	265,807	136,060	30,063	60,650

16 Deferred taxation

The movement in the deferred taxation provision during the year was:

	The Group		The company	
	2008	2007	2008	2007
	£	£	£	£
Provision for year	369,000	-	-	-
Provision carried forward	369,000	-	-	-

The Group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Group	2008		2007	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	369,000	-	-	-

17 Derivatives

The fair value of derivatives held by the company at 31 March 2007, not recognised in the financial statements is set out below:

	2008	2007
	£	£
Interest rate swaps	(46,813)	209,097

18 Commitments under operating leases

At 31 March 2008 the group had annual commitments under non-cancellable operating leases as set out below.

The Group and Company	Land and buildings	
	2008	2007
	£	£
Operating leases which expire:		
After more than 5 years	41,203	-

19 Related party transactions

In the directors' opinion, the company's ultimate parent undertaking and controlling party is C&C Alpha Group Limited, a company incorporated in the United Kingdom.

The largest group of undertakings for which group accounts have been drawn up is that headed by C&C Alpha Group Limited. Copies of the group accounts can be obtained at 1 Lumley Street, Mayfair, London, W1K 6TT.

The company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related Party Disclosures", as it is a 100% owned subsidiary and has not disclosed transactions with group undertakings.

During the year the company made payments under operating leases of £3,434 to C&C Alpha Group Limited. All operating lease commitments, as disclosed in note 18, relate to commitments under the same operating lease.

20 Share capital

Authorised share capital:

	2008	2007
	£	£
10,000,000 Ordinary shares of £1 each	10,000,000	10,000,000

Allotted, called up and fully paid:

	2008		2007	
	No	£	No	£
Ordinary shares of £1 each	4,738,618	4,738,618	4,738,618	4,738,618

21 Reserves

Group	Share premium account £	Revaluation reserve £	Profit and loss account £
At 1 April 2007	13,775,502	-	(3,326,141)
Profit for the year	-	-	988,967
Other gains and losses			
- Revaluation of fixed assets	-	50,234,188	-
At 31 March 2008	13,775,502	50,234,188	(2,337,174)

Company	Share premium account £	Revaluation reserve £	Profit and loss account £
At 1 April 2007	13,775,502	-	(1,605,521)
Profit for the year	-	-	301,748
Other gains and losses			
- Revaluation of fixed assets	-	12,692,814	-
At 31 March 2008	13,775,502	12,692,814	(1,303,773)

22 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Profit/(loss) for the financial year	988,967	(1,474,899)
Other net recognised gains and losses	50,234,188	-
Net addition/(reduction) to shareholders' funds	51,223,155	(1,474,899)
Opening shareholders' funds	15,187,979	16,662,878
Closing shareholders' funds	66,411,134	15,187,979

23 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2008 £	2007 £
Operating profit	3,137,948	208,620
Amortisation	591,316	591,316
Depreciation	890,905	772,662
Loss on disposal fixed assets	-	3,563
Decrease/(increase) in debtors	1,581,893	(640,802)
(Decrease)/increase in creditors	(928,919)	594,369
Net cash inflow from operating activities	5,273,143	1,529,728

Returns on investments and servicing of finance

	2008 £	2007 £
Interest paid	**(1,756,069)**	(1,666,719)
Interest element of finance leases and hire purchase	**(23,912)**	(17,211)
Net cash outflow from returns on investments and servicing of finance	**(1,779,981)**	(1,683,930)

Capital expenditure

	2008 £	2007 £
Payments to acquire tangible fixed assets	**(3,226,678)**	(6,702,830)

Financing

	2008 £	2007 £
Repayment of bank loans	**(966,828)**	2,546,562
Receipts from group undertakings	**842,181**	4,420,854
Capital element of finance leases and hire purchase	**(116,703)**	(23,237)
Net cash inflow from financing	**(241,350)**	6,944,179

Reconciliation of net cash flow to movement in net debt

	2008 £	2007 £
Increase in cash in the period	**25,134**	87,147
Net cash outflow from bank loans	**966,828**	(2,546,562)
Net cash (inflow) from group undertakings	**(842,181)**	(4,420,854)
Cash outflow in respect of finance leases and hire purchase	**(129,747)**	23,237
Non-cash movement in respect of finance leases and hire purchase	**246,450**	-
Change in net debt	**266,484**	(6,857,032)
Net debt at 1 April 2007	**(31,256,822)**	(24,399,790)
Net debt at 31 March 2008	**(30,990,338)**	(31,256,822)

Analysis of changes in net debt

	At 1 Apr 2007 £	Cash flows £	Non cash movement	At 31 Mar 2008 £
Net cash:				
Cash in hand and at bank	1,237,507	526,782	-	1,764,289
Overdrafts	-	(501,648)	-	(501,648)
	1,237,507	25,134	-	1,262,641
Debt:				
Debt due within 1 year	(1,307,992)	(1,457,734)	-	(2,765,726)
Debt due after 1 year	(31,050,277)	1,582,381	-	(29,467,896)
Finance leases and hire purchase agreements	(136,060)	(129,747)	246,450	(19,357)
	(32,494,329)	(5,100)	246,450	(32,252,979)
Net debt	(31,256,822)	20,034	246,450	(30,990,338)

24 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £4,234,518 (2007 - £1,403,402).

This amount relates to construction work at Alpha Hospitals Woking.