

Company Registration No. 3488706

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
AND SUBSIDIARY

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 30 September 2002



A08
COMPANIES HOUSE

#AAU5TJ51#

0258
11/03/03

**CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2002**

The directors present their annual report together with the consolidated financial statements and auditors' report, for the year ended 30 September 2002.

Principal Activities and Business Review

The company is an investment holding company whose sole business is the holding of an investment in its wholly owned subsidiary Consort Healthcare (Durham) Limited (Consort Durham).

On 31 March 1998 Consort Durham entered into a 30 year Private Finance Initiative (PFI) concession contract with the North Durham Acute Hospitals NHS Trust ("the Trust") to design, build, finance and operate a new District General Hospital at Dryburn in Durham.

On the 3rd April 2001, Consort Durham handed over the hospital to the Trust and commenced the provision of all non-clinical services for which it has been receiving income from the Trust. The hospital has been fully operational from the scheduled contract date in July 2001.

Results and dividends

The audited financial statements for the year ended 30 September 2002 are set out on pages 5 to 15. The group profit for the year after tax was £2,338,000 (2001: £2,117,000).

The directors do not recommend a dividend in respect of the year ended 30 September 2002 (2001: £nil) and it is proposed that the retained profits be added to reserves.

Directors

The following persons were directors of the company throughout the year, except where noted:

J.M.Thornton	
A.L.P.Rabin	(resigned 5 August 2002)
I.K.Rylatt	(appointed 5 August 2002)
K.J.Maddick	
M.Archbold	

No director had any interest in the issued share capital or material interest in any contract of the company or of the company's subsidiary undertaking.

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
DIRECTORS' REPORT (CONTINUED)

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 judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Auditors

Arthur Andersen resigned as the company's auditor with effect from 31 July 2002 and the directors used their statutory powers to appoint Deloitte & Touche to fill the vacancy in the office of auditor.

Deloitte & Touche have expressed their willingness to continue in office as auditors and are deemed to be reappointed in accordance with Section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members on 23 March 2000.

By Order of the Board,



M. Archbold
Director

27 February 2003

Broadwalk House,
5 Appold Street,
London, EC2A 2HA

INDEPENDENT AUDITORS' REPORT

To the Members of Consort Healthcare (Durham) Holdings Limited

We have audited the financial statements of Consort Healthcare (Durham) Holdings Limited for the year ended 30 September 2002 which comprise the profit and loss account, the balance sheets, the cash flow statement and the related notes numbered 1 to 25. 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 to you 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 and other members of the group is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it or material inconsistencies with the financial statements.

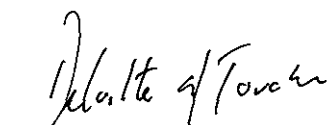
Basis of opinion

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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 affairs of the company and of the group at 30 September 2002 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors

London

27 February 2003

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2002

		2002	2001
	Notes	£'000	£'000
Turnover	2	6,674	5,409
Cost of sales		(5,639)	(4,011)
Gross profit		<u>1,035</u>	<u>1,398</u>
Net operating expenses		<u>-</u>	<u>-</u>
Operating profit before interest		1,035	1,398
Net interest receivable	3	2,636	2,054
Profit on ordinary activities before taxation	4	<u>3,671</u>	<u>3,452</u>
Tax on profit on ordinary activities	5	(1,333)	(1,335)
Profit on ordinary activities after taxation and for the financial period		<u>2,338</u>	<u>2,117</u>

There were no recognised gains or losses for either year other than those stated in the profit and loss account, consequently no statement of total recognised gains or losses is presented.

All activities are from continuing operations in the United Kingdom.

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
BALANCE SHEETS
AT 30 SEPTEMBER 2002

	Notes	Group		Company	
		2002	2001	2002	2001
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	8	-	-	13,474	12,632
Tangible assets	9	27	23	-	-
		<u>27</u>	<u>23</u>	<u>13,474</u>	<u>12,632</u>
Current assets					
Long term construction work in progress	10	-	-	-	-
Debtors - due within one year	11	2,984	591	3,110	-
Cash at bank and in hand		6,716	863	1	1
		<u>9,700</u>	<u>1,454</u>	<u>3,111</u>	<u>1</u>
Debtors - financial asset due after more than one year	12	91,815	91,915	-	-
Debtors - due after more than one year	13	-	-	-	2,406
		<u>91,815</u>	<u>91,915</u>	<u>-</u>	<u>2,406</u>
Creditors: amounts falling due within one year	14	(9,674)	(6,555)	(3,110)	-
Net current assets		<u>91,841</u>	<u>86,814</u>	<u>1</u>	<u>2,407</u>
Total assets less current liabilities		<u>91,868</u>	<u>86,837</u>	<u>13,475</u>	<u>15,039</u>
Creditors: amounts falling due after more than one year					
Borrowings	15	(82,516)	(81,156)	(11,548)	(13,112)
Other		-	-	-	-
		<u>(82,516)</u>	<u>(81,156)</u>	<u>(11,548)</u>	<u>(13,112)</u>
Provisions for liabilities and charges	16	(2,760)	(1,427)	(1)	(1)
Net assets		<u>6,592</u>	<u>4,254</u>	<u>1,926</u>	<u>1,926</u>
Capital and reserves					
Called-up share capital	17	192	192	192	192
Share premium account	18	1,728	1,728	1,728	1,728
Profit and loss account	18	4,672	2,334	6	6
Equity shareholders' funds	19	<u>6,592</u>	<u>4,254</u>	<u>1,926</u>	<u>1,926</u>

These financial statements were approved by the Board of Directors on 27 February 2003 and signed on its behalf by :-

M. Archbold
Director

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2002

	Notes	2002 £'000	2001 £'000
Net cash outflow from operating activities	20	(1,617)	(10,875)
Returns on investment and servicing of finance			
Interest received		233	38
Finance income on financial asset		8,978	3,931
Interest and fees paid		<u>(6,504)</u>	<u>(5,073)</u>
		2,707	(1,104)
Capital expenditure			
Purchase of tangible fixed assets		(16)	(7)
Receipts from sale of tangible fixed assets		<u>4</u>	<u>-</u>
		(12)	(7)
Cash inflow/(outflow) before use of liquid resources and financing		<u>1,078</u>	<u>(11,986)</u>
Financing			
Increase in unsecured subordinated loan stock		843	1,413
Increase in secured senior loans		3,932	9,350
Decrease in construction retention		<u>-</u>	<u>(70)</u>
		4,775	10,693
Increase/(decrease) in cash in the year		<u>5,853</u>	<u>(1,293)</u>

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2002

1 Accounting policies

A summary of the principal accounting policies of the company, all of which have been applied consistently throughout the year and the preceding year, is set out below:

a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. They include the results of the activities described in the directors' report, all of which are continuing.

b) Basis of consolidation

The group financial statements include the financial statements of the company and of its subsidiary undertaking.

c) Investments

Investment in the subsidiary undertaking is stated at cost. The carrying value of this investment is reviewed annually by the directors to determine whether there has been any impairment to its value.

d) Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced for services provided in the year.

The Group has adopted the provisions of FRS 5. The income streams from the Trust contain separable elements for property and the provision of services. It has been determined that the balance of risks and rewards derived from the underlying asset is not borne by the Group and as such the asset created under the contract has been accounted for as a financial asset.

Revenues received from the customer are apportioned between capital repayments and operating revenue. The "finance income" element of the capital repayment is shown within interest receivable.

e) Financial asset

The financial asset is a debt due in respect of the fair value of the property. The financial asset is reduced as payments are received and financial income on the financial asset is recognised using a property specific interest rate. The residual income, being the cash received less the imputed finance income and capital repayments, is recorded within operating income.

f) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. 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.

g) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Cost represents original purchase cost. Depreciation is provided at rates calculated to write off the cost less any residual value of these assets on a straight line basis over their estimated useful lives as follows:

IT equipment	3 years
Furniture	10 years
Vehicles	5 years

h) Finance costs

Finance costs in relation to bank loans are recognised at a constant rate in accordance with the carrying value of these loans.

i) Bank loans

Bank loans are initially stated at the amount of the net proceeds after deduction of arrangement fees. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in that period.

j) Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to interest rate movements. For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2002 (CONTINUED)

2 Turnover

Turnover by origin and destination:

	Group	
	2002	2001
	£'000	£'000
United Kingdom	6,674	5,409

3 Net interest receivable

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Interest receivable	1,702	1,380	1,468	1,379
Finance income on financial asset	9,608	4,911	-	-
Less: Interest payable	(8,674)	(4,237)	(1,468)	(1,379)
	2,636	2,054	-	-

The company receives interest on its bank balances and accrues interest receivable on secured subordinated loan stock in its subsidiary and interest payable on unsecured subordinated loan stock issued to its shareholders. During the period of construction of the Dryburn hospital, net interest payable and other financing costs incurred by the company's subsidiary were included within long term construction work in progress. On completion of construction the long term construction work in progress was transferred to a financial asset. Since construction was completed net interest and other financing costs have been taken to the profit and loss account.

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Net interest payable and other financing costs incurred during the year included within long term work in progress during construction	-	3,625	-	-

4 Profit on ordinary activities before tax

During the period of construction of the new hospital, the following costs incurred by the group were included within long term construction work in progress. On completion of construction the long term construction work in progress was transferred to a financial asset. Future costs will be charged against operating profit.

	Group	
	2002	2001
	£'000	£'000
Profit on ordinary activities before tax is stated after charging:		
Auditors remuneration for audit services	13	12
Depreciation of tangible fixed assets owned by the group	8	14

The audit fees were borne by the subsidiary undertaking. Amounts payable to Deloitte & Touche by the company and its UK subsidiary undertaking in respect of non-audit services were nil (2001: £nil).

The directors received no salary, fees or other benefits for the performance of their duties (2001: £nil). The group and company has no employees. All costs of the directors and other staff are borne by the shareholders, who second their employees to the company's subsidiary.

5 Tax on profit on ordinary activities

The tax charge is based on the profit for the year at a taxation rate of 30%. There is no current year tax charge (2001: £nil) as trading losses in Consort Healthcare (Durham) Limited are surrendered. The group has significant tax losses carried forward and therefore does not anticipate making tax payments in the near future.

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Deferred taxation - origination and reversal of timing differences (see note 16b)	1,333	1,335	-	-

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2002 (CONTINUED)

5 Tax on profit on ordinary activities continued

The differences between the total current tax and the amount calculated by applying the standard

	2002	2001
	£'000	£'000
Profit on ordinary activities before taxation	3,671	3,452
Tax on profit on ordinary activities at	1,101	1,035
Effects of:		
Expenses not deductible for tax purposes	232	300
Capital allowances in excess of depreciation	(3,260)	(2,495)
Unutilised tax losses	1,927	1,160
Current tax charge	<u>-</u>	<u>-</u>

6 Dividends

No dividends are paid or payable (2001: £ nil).

7 Profit for the financial period transferred to reserves

The profit for the financial period dealt with in the financial statements of the parent company, Consort Healthcare (Durham) Holdings Limited, was £91 (2001: £141). As permitted by section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

8 Fixed asset investments

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Shares in subsidiary undertaking	-	-	1,920	1,920
Secured subordinated loan stock in subsidiary undertaking	-	-	11,548	10,706
Unsecured loan to subsidiary undertaking	-	-	6	6
	<u>-</u>	<u>-</u>	<u>13,474</u>	<u>12,632</u>

Principal subsidiary undertakings

The parent company has investments in the following subsidiary undertaking.

Name:	Consort Healthcare (Durham) Limited
Activity:	Concession company
Country of incorporation:	England
Shareholding:	100%

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2002 (CONTINUED)

9 Tangible Fixed Assets

	Group	
	Equipment	Total
	£'000	£'000
<u>Cost</u>		
At 30 September 2001	60	60
Additions	16	16
Disposals	(18)	(18)
At 30 September 2002	<u>58</u>	<u>58</u>
<u>Depreciation</u>		
At 30 September 2001	37	37
Charge for the year	8	8
Disposals	(14)	(14)
At 30 September 2002	<u>31</u>	<u>31</u>
<u>Net book value</u>		
At 30 September 2001	23	23
At 30 September 2002	<u>27</u>	<u>27</u>

10 Long term construction work in progress

	Group	
	2002	2001
	£'000	£'000
At beginning of year	-	75,226
Added within the year:		
Interest payable and other financing costs	-	3,625
Construction and related costs	-	11,016
Transferred to net investment in financial asset	-	(89,867)
	-	<u>(75,226)</u>
At end of year	-	-

11 Debtors - due within one year

	Group	
	2002	2001
	£'000	£'000
Trade debtors	2,894	300
Finance debtors	89	-
Prepayments	1	100
Accrued income	-	191
	<u>2,984</u>	<u>591</u>

12 Analysis of net investment in the financial asset

	Group	
	2002	2001
	£'000	£'000
At beginning of year	91,915	-
Added within the year:		
Transferred from long term construction work in progress	-	89,867
Construction and related costs, less contributions	(1,606)	-
Notional interest on financial asset	9,608	4,911
Income recognised in operating profit	876	1,067
Cash received	(8,978)	(3,931)
	<u>(100)</u>	<u>2,048</u>
At end of year	<u>91,815</u>	<u>91,915</u>

Included in the financial asset is an amount of £91,815,000 due after more than one year (2001: £91,915,000).

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2002 (CONTINUED)

13 Debtors - due after one year

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Accrued interest on secured subordinated loan stock in	-	-	-	2,406
	-	-	-	2,406

14 Creditors: amounts falling due within one year

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Borrowings	4,831	626	3,110	-
Construction creditor	25	1,215	-	-
Financing creditor	4	35	-	-
Trade creditors	745	760	-	-
VAT creditor	516	411	-	-
Deferred income	3,202	3,128	-	-
Other accruals	351	380	-	-
	9,674	6,555	3,110	-

15 Borrowings: amounts falling due after more than one year

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Secured senior loans - principal	73,509	69,577	-	-
Borrowings falling due within one year	(1,721)	(626)	-	-
Less: arrangement fee	(820)	(907)	-	-
Secured senior loans	70,968	68,044	-	-
Unsecured subordinated loan stock	11,548	10,705	11,548	10,705
Accrued interest on unsecured subordinated loan stock	-	2,407	-	2,407
	82,516	81,156	11,548	13,112

The secured senior loan represents amounts borrowed by the company's subsidiary under a facility agreement with a consortium of banks. The bank loan bears interest at a margin over LIBOR and is repayable in instalments between 2002 and 2018. The loan is secured by fixed and floating charges over the undertaking, property, assets and rights of the company's subsidiary, and has certain covenants attached.

In order to hedge against interest rate variations on its senior loan, the company's subsidiary has entered into an interest rate swap agreement with a bank whereby at intervals of six months sums are exchanged reflecting the difference between floating and fixed interest rates, calculated on a predetermined notional principal amount.

The unsecured subordinated loan stock is issued by the company to its shareholders in proportion to their equity holding. The loan stock bears interest at a margin over LIBOR and is repayable in instalments between 2004 and 2028.

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Borrowings are repayable in the following periods:				
In less than one year	4,831	626	3,110	-
Between one and two years	2,377	4,627	85	2,406
Between two and five years	9,470	7,501	324	268
After five years	71,489	69,935	11,139	10,438
	88,167	82,689	14,658	13,112
Less: arrangement fees	(820)	(907)	-	-
	87,347	81,782	14,658	13,112

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2002 (CONTINUED)

16 Provisions for liabilities and charges

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Deferred taxation	2,760	1,427	1	1
	2,760	1,427	1	1
a) Deferred taxation provided				
Short term timing differences	9,279	7,946	1	1
Unrelieved trading losses	(6,519)	(6,519)	-	-
	2,760	1,427	1	1
b) Movement during the year				
	Group		Company	
	£'000		£'000	
At 30 September 2001	1,427		1	
Provided during the year	1,333		-	
At 30 September 2002	2,760		1	

17 Share Capital

	2002	2001
	£'000	£'000
<i>Authorised, issued and fully paid share capital</i>		
960,000 Class 'A' Ordinary Shares of 10p each	96	96
960,000 Class 'B' Ordinary Shares of 10p each	96	96
	192	192

The shareholders' percentage holdings in the company at 30 September 2002 are as follows:

Balfour Beatty plc	[A] Ordinary Shares 100%
Royal Bank Project Investments Limited	[B] Ordinary Shares 100%

The different classes of equity rank 'pari passu' in respect of voting, dividends and other rights.

18 Reserves

	Group	Company
	£'000	£'000
<u>Share premium account</u>		
At 30 September 2001	1,728	1,728
At 30 September 2002	1,728	1,728
<u>Profit and loss account</u>		
At 30 September 2001	2,334	6
Retained profit for the year	2,338	-
At 30 September 2002	4,672	6

19 Reconciliation of movements in group shareholders' funds

	Group	
	2002	2001
	£'000	£'000
Opening shareholders' funds	4,254	2,138
Retained profit for the year	2,338	2,116
Closing shareholders' funds	6,592	4,254

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2002 (CONTINUED)

20 Reconciliation of operating profit to net cash outflow from operating activities

	Group	
	2002	2001
	£'000	£'000
Operating profit	1,035	1,398
Depreciation	8	14
(Increase) / decrease in debtors	(2,304)	301
Construction costs in respect of financial asset	1,606	(11,016)
Income recognised in operating profit in respect of financial asset	(876)	(1,067)
Decrease in creditors	(1,086)	(505)
Net cash outflow from operating activities	(1,617)	(10,876)

21 Analysis and reconciliation of net debt

	Group		
		30 September	
	1 October 2001	Cash flow	2002
	£'000	£'000	£'000
Cash at bank and in hand	863	5,853	6,716
Debt due after one year	(80,282)	(4,775)	(85,057)
Debt due within one year	(626)	(4,205)	(4,831)
Net debt	(80,045)	(3,127)	(83,172)

21 Analysis and reconciliation of net debt continued

	2002	2001
	£'000	£'000
Increase/(decrease) in cash in the year	5,853	(1,293)
Cash inflow from increase in debt	(8,980)	(11,389)
Movement in net debt in the year	(3,127)	(12,682)
Net debt brought forward	(80,045)	(67,363)
Net debt at 30 September	(83,172)	(80,045)

22 Contingencies

The company, in support of bank loan agreements made by its subsidiary, Consort Healthcare (Durham) Limited, has committed to maintain a minimum level of investment in its subsidiary, equating to 17/83 of the bank loans to the subsidiary. That investment is made by way of share capital and subordinated loan stock. The maximum level of this commitment is £18,305,542.

23 Capital commitments

	Group	
	2002	2001
	£'000	£'000
Contracted but not provided for	-	790

24 Controlling Parties

The company's controlling parties are Balfour Beatty plc and The Royal Bank of Scotland plc in equal shares.

25 Related party transactions

During the year, the company issued subordinated loan stock, divided between Balfour Beatty plc and Royal Bank Project Investments Ltd in the ratio 50:50, of £842,677 (2001: £1,414,124).

The Royal Bank of Scotland is a 25% member of, and Technical Bank on behalf of, the consortium providing the senior loan facility to the company's subsidiary. During the year, the relevant share of the senior loan drawn down was £1,900,000 (2001: £2,337,500); the relevant share of the senior loan repayment was £916,904 (2001: nil); the relevant share of the loan interest payable was £1,056,583 (2001: £1,172,243); the relevant share of commitment fees for the loan facility was £9,356 (2001: £19,149); and the Technical Bank fee was £18,866 (2001: £24,816).

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2002 (CONTINUED)

25 Related party transactions continued

The Royal Bank of Scotland provides banking facilities to the group. During the year, the group received interest on its account balances of £233,985 (2001 : £37,997).

During the year, the value of work certified as complete under a contract between the company's subsidiary and subsidiaries of Balfour Beatty plc for the construction of the new Dryburn Hospital, and other costs incurred by a subsidiary of Balfour Beatty plc on behalf of the company's subsidiary, was £958,678 (2001 : £10,011,931).

During the year, amounts payable by the company's subsidiary to a subsidiary of Balfour Beatty plc for provision of estates and hotel services at the new Dryburn Hospital totalled £6,466,029 (2001 : £685,877).

During the year, surplus land at the new Dryburn Hospital site was sold to the shareholders for £3,000,000 (2001 : none).

Staff are seconded to the company from subsidiaries of Balfour Beatty plc. Amounts payable for their services and associated costs during the period totalled £614,399 (2001 : £963,228).

Fees payable by the company's subsidiary to subsidiaries of Royal Bank of Scotland and Balfour Beatty plc for the services of the directors of group companies during the period totalled £21,560 (2001 : £21,183).

Staff and related costs are occasionally incurred by the company's subsidiary on behalf of subsidiaries and other associates of Balfour Beatty plc, and are recharged to them at cost. Amounts rechargeable (refundable) during the period totalled £68,926 (2001 : £(6,509)).