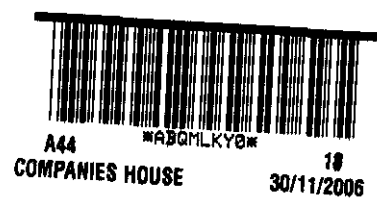


Company Registration No. 3488706

**CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED**

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended 31 March 2006**



**CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2006**

The directors present their annual report together with the consolidated financial statements and auditors' report, for the year ended 31 March 2006.

**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 County Durham & Darlington Acute Hospital NHS Trust ("the Trust"), to design, build, finance and operate the non-clinical aspect of a new district general hospital in Durham.

On the 3rd April 2001, Consort Durham handed over the hospital to the Trust and commenced the provision of the 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.

During the year Consort Durham has also continued the management of the existing car park at the Dryburn site, and has received income from Trust staff and visitors for use of the facility.

The directors do not expect any significant change to the group's activities to occur in the following financial year.

**Results and dividends**

The audited financial statements for the period ended 31 March 2006 are set out on pages 5 to 15. The group profit for the year after tax was £3,552,000 (2005: £3,570,000).

The directors approved payment of a dividend in respect of the year ended 31 March 2006 of £300,000 (2005: £nil) and it is proposed that the retained profits be added to reserves.

**Payment of creditors**

The company's policy is to pay suppliers thirty days from the date of receipt of the supplier's invoice, unless otherwise contractually agreed, and this policy is made known to all suppliers on request. The number of suppliers' days outstanding at the end of the year was nil (2005: nil).

**Principal risks and uncertainties**

The group recognises that effective risk management is fundamental to achieving its business objectives in order to meet its commitments in fulfilling the PFI contract and in delivering a safe and efficient service. Risk management contributes to the success of the business by identifying opportunities and anticipating risks in order to improve business performance and fulfil our contractual obligations.

*Financial Instruments*

The financial risk management objectives of the group are to ensure that financial risks are mitigated by the use of financial instruments where they cannot be addressed by means of contractual provisions. Financial instruments are not used for speculative purposes. Interest swaps are in place between 1998 and 2018 for notional principal amounts equating to 106% of the bank debt that is at a variable rate of interest to give an effective fixed interest rate payable on this debt.

## CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED

### DIRECTORS' REPORT (CONTINUED)

Any credit and cash flow risks to the group arise from its client, County Durham & Darlington Acute Hospitals NHS Trust. The credit and cash flow risks are not considered significant as the client is a quasi governmental organisation.

The Groups' liquidity risk is principally managed through financing the group by means of long term borrowings with an amortising profile that matches the expected availability of funds from the Groups operating activities. In addition the Group maintains reserve bank accounts to provide short term liquidity against future debt service and other expenditure requirements.

#### *Contractual relationships*

The Group operates within a contractual relationship with its primary customer, County Durham & Darlington Acute Hospitals NHS Trust. Failure to perform obligations under this contract could have a direct and detrimental effect on the Group's result and could result in termination of the concession. To manage this risk the Group has regular meetings with the County Durham & Darlington Acute Hospitals NHS Trust including discussions on performance, project progress, future plans and customer requirements carrying out all of the routine and major life cycle maintenance for the life of the concession.

#### **Key performance indicators**

The Group has set specific business objectives, which are monitored using a number of key performance indicators ("KPIs"). The relevant KPIs for this report are detailed below.

	<b>Year ended 31 March 2006 £'000</b>	<b>Year ended 31 March 2005 £'000</b>
Profit after taxation	3,252	3,570
Net assets	17,236	13,984

#### **Directors**

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

M.Archbold	(resigned 27 <sup>th</sup> April 2006)
M.G.D. Holden	(appointed 16th February 2006)
K.J.Maddick	
I.K.Rylatt	(resigned 16th February 2006)
C.L.Spencer	(appointed 27 <sup>th</sup> April 2006)
J.M.Thornton	

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)**

**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 and the group as at the end of the financial year and of the profit or loss of the group 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; and
- 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 which disclose with reasonable accuracy at any time the financial position of the Company & Group 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**

Each of the persons who is a Director at the date of approval of the report confirms that:

- i) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- ii) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors. The company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

By Order of the Board,



M.G.D. Holden  
Director

7 November 2006

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 31 March 2006 which comprise the consolidated profit and loss account, the consolidated and individual company balance sheets, the consolidated cash flow statement and the related notes numbered 1 to 22. 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**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom 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 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 report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also 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 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 audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the individual company's affairs as at 31 March 2006 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 directors' report is consistent with the financial statements.



**Deloitte & Touche LLP**  
**Chartered Accountants and Registered Auditors**

London

7 November 2006

**CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2006**

		<b>Year ended 31 March 2006</b>	<b>Year ended 31 March 2005</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
Turnover	1, 2	<b>9,214</b>	9,134
Cost of sales		<b>(6,615)</b>	(6,603)
Gross profit		<u><b>2,599</b></u>	<u>2,531</u>
Net operating expenses		<u><b>(849)</b></u>	<u>(909)</u>
Operating profit		<b>1,750</b>	1,622
Net interest receivable	3	<b>4,174</b>	3,622
Profit on ordinary activities before taxation	4	<u><b>5,924</b></u>	<u>5,244</u>
Tax on profit on ordinary activities	5	<b>(2,372)</b>	(1,674)
Profit on ordinary activities after taxation		<u><b>3,552</b></u>	<u>3,570</u>
Dividends	6	<b>(300)</b>	-
Retained profit	17, 18	<u><b>3,252</b></u>	<u>3,570</u>

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

All results are from continuing operations in the United Kingdom.

**CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED**  
**BALANCE SHEETS**  
**AT 31 MARCH 2006**

		<b>Group</b>		<b>Company</b>	
		<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>					
Investments	8	-	-	<b>13,114</b>	13,241
Tangible assets	9	<b>32</b>	23	-	-
		<b>32</b>	23	<b>13,114</b>	13,241
<b>Current assets</b>					
Work in progress	10	<b>126</b>	35	-	-
Debtors - due within one year	11	<b>1,125</b>	5,770	<b>114</b>	823
Cash at bank and in hand		<b>9,610</b>	5,501	<b>2</b>	418
		<b>10,861</b>	11,306	<b>116</b>	1,241
Debtors - financial asset due after more than one year	12	<b>97,268</b>	95,834	-	-
		<b>97,268</b>	95,834	-	-
<b>Creditors:</b> amounts falling due within one year	13	<b>(9,611)</b>	(10,983)	<b>(114)</b>	(1,240)
<b>Net current assets</b>		<b>98,518</b>	96,157	<b>2</b>	1
<b>Total assets less current liabilities</b>		<b>98,550</b>	96,180	<b>13,116</b>	13,242
<b>Creditors:</b> amounts falling due after more than one year					
Borrowings	14	<b>(72,030)</b>	(75,161)	<b>(11,188)</b>	(11,315)
Provisions for liabilities	15	<b>(9,284)</b>	(7,035)	-	(1)
<b>Net assets</b>		<b>17,236</b>	13,984	<b>1,928</b>	1,926
<b>Capital and reserves</b>					
Called-up share capital	16	<b>192</b>	192	<b>192</b>	192
Share premium account	17	<b>1,728</b>	1,728	<b>1,728</b>	1,728
Profit and loss account	17	<b>15,316</b>	12,064	<b>8</b>	6
<b>Equity shareholder's funds</b>	18	<b>17,236</b>	13,984	<b>1,928</b>	1,926

These financial statements were approved by the Board of Directors on 7 November 2006 and signed on its behalf by :-



M.G.D. Holden  
Director

**CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2006**

		<b>Year ended 31 March 2006 £'000</b>	<b>Year ended 31 March 2005 £'000</b>
	<b>Notes</b>		
<b>Net cash inflow/(outflow) from operating activities</b>	19	4,571	(2,280)
<b>Returns on investment and servicing of finance</b>			
Interest received		1,643	330
Finance income received on financial asset	12	9,723	9,482
Interest and fees paid		(8,428)	(7,097)
		<u>2,938</u>	<u>2,715</u>
<b>Tax paid</b>		(108)	(131)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		<u>(16)</u>	<u>(8)</u>
		(16)	(8)
<b>Equity dividends paid</b>	6	(300)	-
<b>Cash inflow before financing</b>		<u>7,085</u>	<u>296</u>
<b>Financing</b>			
Decrease in unsecured subordinated loan stock		(247)	-
Decrease in secured senior loans		<u>(2,729)</u>	<u>(2,443)</u>
		(2,976)	(2,443)
<b>Increase/(decrease) in cash in the period</b>	20	<u>4,109</u>	<u>(2,147)</u>



**CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2006**

**1 Accounting policies**

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

*a) Basis of preparation*

The financial statements have been prepared in accordance with applicable United Kingdom 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*

The Group has adopted the provisions of FRS 5 Application Note F "Private Finance Initiative and Similar Contracts". 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 therefore 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.

Income is deferred where payment is received from the Trust in advance of the performance of the related services.

*e) Work in progress*

Unbilled construction work in progress, for variation works chargeable to the Trust, is recorded at the lower of cost and net realisable value.

*f) Financial asset*

The financial asset is a debt due in respect 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.

*g) 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.

*h) 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:

Equipment	3 - 10 years
-----------	--------------

*i) Finance costs*

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

*j) 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.

**CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)**

**1 Accounting policies (continued)**

*k) 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.

**2 Turnover**

Turnover by origin and destination:

	<b>Group</b>	
	<b>Year ended 31 March 2006 £'000</b>	<b>Year ended 31 March 2005 £'000</b>
United Kingdom	<b>9,214</b>	<b>9,134</b>

**3 Net interest receivable**

	<b>Group</b>	
	<b>Year ended 31 March 2006 £'000</b>	<b>Year ended 31 March 2005 £'000</b>
Interest receivable	<b>1,643</b>	<b>1,602</b>
Finance income on financial asset (note 12)	<b>9,992</b>	<b>9,932</b>
Less: Interest payable and similar charges	<b>(7,461)</b>	<b>(7,912)</b>
	<b>4,174</b>	<b>3,622</b>

**4 Profit on ordinary activities before tax**

	<b>Group</b>	
	<b>Year ended 31 March 2006 £'000</b>	<b>Year ended 31 March 2005 £'000</b>
Profit on ordinary activities before tax is stated after charging:		
Auditors remuneration for audit services - group	<b>13</b>	<b>12</b>
Depreciation of tangible fixed assets owned by the group	<b>7</b>	<b>7</b>

The company audit fees were borne by the subsidiary undertaking in both periods. No non-audit fees were paid to the auditors in either period.

The directors received no salary, fees or other benefits for the performance of their duties (2005: £nil). The group and company had no employees in either period. All costs of the directors and other staff in both periods are borne by the shareholders, who second their employees to the company's subsidiary.

In order to hedge against RPI variations the company has entered into a RPI swap agreement with a bank whereby at intervals of three months sums are exchanged reflecting the difference between actual and predetermined RPI rates, calculated on a predetermined notional principal amount. The fair value of the swap as at 31 March 2006 was an asset of £217,000 (2005: £301,000). A discounted cash flow was used to determine the fair value.

**CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)**

**5 Tax on profit on ordinary activities**

The tax charge is based on the profit for the period at a taxation rate of 30%.

	<b>Group</b>		<b>Company</b>	
	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Current tax: - UK Corporation tax at 30%	130	100		
Adjustments in respect of prior years	(9)	-		
Deferred tax (note 15b)	121	100	-	-
	<b>2,250</b>	<b>1,574</b>		
	<b>2,371</b>	<b>1,674</b>	<b>-</b>	<b>-</b>

The full amount of deferred taxation has been provided and comprises corporation tax at 30%.

The differences between the total current tax charge and the amount calculated by applying the standard rate of UK corporation tax of 30% to profit before tax are as follows:

	<b>Group</b>	
	<b>Year ended</b>	<b>Year ended</b>
	<b>31 March</b>	<b>31 March</b>
	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before taxation	5,924	5,244
Tax on profit on ordinary activities at 30% (2005: 30%)	1,777	1,573
Effects of:		
Capital allowances in excess of depreciation	(510)	(679)
Expenses not all allowable for tax purposes	3	3
Tax losses not utilised	(1,139)	-
Brought forward tax losses utilised	(9)	(797)
Current tax charge	<b>122</b>	<b>100</b>

**6 Dividends**

The directors approved the payment of a dividend in respect of the period ended 31 March 2006 of £300,000 (2005: nil) which represents 156.3p per share (2005: nil).

**7 Retained profit**

The profit for the financial period dealt with in the financial statements of the parent company, Consort Healthcare (Durham) Holdings Limited, was £2,000 (2005: £13). 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**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Shares in subsidiary undertaking	-	-	1,920	1,920
Secured subordinated loan stock in subsidiary undertaking	-	-	11,188	11,315
Unsecured loan to subsidiary undertaking	-	-	6	6
	<b>-</b>	<b>-</b>	<b>13,114</b>	<b>13,241</b>

**CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)**

**Fixed asset investments (continued)**

*Principal subsidiary undertakings*

The parent company has wholly owned investments in the following subsidiary undertaking.

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

**9 Tangible fixed assets**

	<b>Group</b>	
	<b>Equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<u>Cost</u>		
At 1 April 2005	71	71
Additions	16	16
At 31 March 2006	<b>87</b>	<b>87</b>
<u>Depreciation</u>		
At 1 April 2005	48	48
Charge for the year	7	7
At 31 March 2006	<b>55</b>	<b>55</b>
<u>Net book value</u>		
At 31 March 2006	<b>32</b>	<b>32</b>
At 31 March 2005	23	23

The company has no tangible fixed assets.

**10 Work in progress**

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Construction and related costs	126	35
	<b>126</b>	<b>35</b>

**11 Debtors - due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	1,083	5,752	-	-
Finance debtors	-	-	114	823
Prepayments	42	18	-	-
	<b>1,125</b>	<b>5,770</b>	<b>114</b>	<b>823</b>

**12 Analysis of net investment in the financial asset**

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<u>At beginning of period</u>	<b>95,834</b>	94,159
Added within the year:		
Life cycle replacement costs	64	131
Notional interest on financial asset (note 3)	9,992	9,932
Income recognised in operating profit	1,101	1,094
Cash received	(9,723)	(9,482)
	<b>1,434</b>	<b>1,675</b>
At end of period	<b>97,268</b>	<b>95,834</b>

Included in the financial asset is an amount of £97,268,000 due after more than one year (2005: £95,834,000).

**CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2006 (CONTINUED)**

**13 Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Secured senior loans (note 14)	<b>3,234</b>	2,879	-	-
Secured subordinated loan stock - principal	<b>114</b>	233	<b>114</b>	233
Secured subordinated loan stock - interest	-	1,007	-	1,007
Financing creditor	<b>538</b>	579	-	-
Trade creditors	<b>830</b>	1,471	-	-
Corporation tax payable	<b>130</b>	117	-	-
VAT creditor	<b>588</b>	611	-	-
Deferred income	<b>3,965</b>	3,854	-	-
Other accruals	<b>212</b>	232	-	-
	<b>9,611</b>	<b>10,983</b>	<b>114</b>	<b>1,240</b>

**14 Borrowings: amounts falling due after more than one year**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Secured senior loans - principal	<b>64,592</b>	67,321	-	-
Borrowings falling due within one year	<b>(3,234)</b>	(2,879)	-	-
Secured senior loans	<b>61,358</b>	64,442	-	-
Less: arrangement fee	<b>(515)</b>	(596)	-	-
Secured senior loans	<b>60,843</b>	63,846	-	-
Unsecured subordinated loan stock	<b>11,187</b>	11,315	<b>11,188</b>	11,315
	<b>72,030</b>	<b>75,161</b>	<b>11,188</b>	<b>11,315</b>

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 2006 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 fair value of the interest rate swap as at 31 March 2006 was a liability of £6,693,000 (2005: £5,406,000). Market value has been used to determine the fair value.

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 2006 and 2028.

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowings are repayable in the following periods:				
In less than one year	<b>3,348</b>	3,112	<b>114</b>	233
Between one and two years	<b>3,517</b>	3,525	<b>129</b>	114
Between two and five years	<b>14,104</b>	12,949	<b>493</b>	439
After five years	<b>54,924</b>	59,283	<b>10,566</b>	10,762
	<b>75,893</b>	78,869	<b>11,302</b>	11,548
Less: arrangement fees	<b>(515)</b>	(596)	-	-
	<b>75,378</b>	<b>78,273</b>	<b>11,302</b>	<b>11,548</b>

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**15 Provisions for liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deferred taxation	<b>9,284</b>	<b>7,035</b>	<b>-</b>	<b>1</b>
a) Deferred taxation provided				
Short term timing differences	<b>15,303</b>	<b>14,192</b>	<b>-</b>	<b>1</b>
Unrelieved trading losses	<b>(6,019)</b>	<b>(7,157)</b>	<b>-</b>	<b>-</b>
	<b>9,284</b>	<b>7,035</b>	<b>-</b>	<b>1</b>
b) Movement during the year				
	<b>Group</b>		<b>Company</b>	
	<b>£'000</b>		<b>£'000</b>	
At 1 April 2005	<b>7,035</b>		<b>1</b>	
Provided during the year	<b>2,249</b>		<b>-</b>	
At 31 March 2006	<b>9,284</b>		<b>1</b>	

The deferred tax liability of £9,284k consists of a revised brought forward deferred tax liability of £7,034k and a current year movement in the provision of £2,250k

**16 Share capital**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<i>Authorised, issued and fully paid share capital</i>		
960,000 Class 'A' ordinary shares of 10p each	<b>96</b>	<b>96</b>
960,000 Class 'B' ordinary shares of 10p each	<b>96</b>	<b>96</b>
	<b>192</b>	<b>192</b>

The shareholders' percentage holdings in the company at 31 March 2006 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.

**17 Reserves**

	<b>Group</b>	<b>Company</b>
	<b>£'000</b>	<b>£'000</b>
<u>Share premium account</u>		
At 31 March 2005	<b>1,728</b>	<b>1,728</b>
At 31 March 2006	<b>1,728</b>	<b>1,728</b>
<u>Profit and loss account</u>		
At 1 April 2005	<b>12,064</b>	<b>6</b>
Retained profit for the year	<b>3,252</b>	<b>2</b>
At 31 March 2006	<b>15,316</b>	<b>8</b>

**18 Reconciliation of movements in group equity shareholders' funds**

	<b>Group</b>	
	<b>Year ended</b>	<b>Year ended</b>
	<b>31 March</b>	<b>31 March</b>
	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Opening equity shareholders' funds	<b>13,984</b>	<b>10,414</b>
Retained profit for the year	<b>3,252</b>	<b>3,570</b>
Closing equity shareholders' funds	<b>17,236</b>	<b>13,984</b>

**CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED**  
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**19 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities**

	<b>Group</b>	
	<b>Year ended 31 March 2006 £'000</b>	<b>Year ended 31 March 2005 £'000</b>
Operating profit	1,750	1,622
Depreciation	7	7
Life cycle replacement costs	(64)	(131)
Income recognised in operating profit in respect of financial asset	(1,101)	(1,094)
Increase in work in progress	(91)	(19)
Decrease / (increase) in debtors	4,645	(3,272)
(Decrease) / increase in creditors	(575)	607
Net cash inflow / (outflow) from operating activities	<u>4,571</u>	<u>(2,280)</u>

**20 Analysis and reconciliation of net debt**

	<b>Group</b>			
	<b>1 April 2005 £'000</b>	<b>Cash flow £'000</b>	<b>Non cash movement £'000</b>	<b>31 March 2006 £'000</b>
Cash at bank and in hand	5,501	4,109	-	9,610
Debt due after one year	(75,757)	3,212	-	(72,545)
Debt due within one year	(3,112)	(236)	-	(3,348)
Less: arrangement fee	596	-	(81)	515
Net debt	<u>(72,772)</u>	<u>7,085</u>	<u>(81)</u>	<u>(65,768)</u>

	<b>Year ended 31 March 2006 £'000</b>	<b>Year ended 31 March 2005 £'000</b>
Increase/(decrease) in cash in the year	4,109	(2,147)
Cash outflow from decrease in debt	2,976	2,353
Non cash movement	(81)	(82)
Movement in net debt in the year	<u>7,004</u>	<u>124</u>
Net debt at 1 April	<u>(72,772)</u>	<u>(72,896)</u>
Net debt at 31 March	<u>(65,768)</u>	<u>(72,772)</u>

Cash at bank and in hand includes £4,722,000 (2005: £4,734,575) restricted from use in the business, being held in the subsidiary's reserve accounts under the terms of its senior loan facility.

**21 Controlling parties**

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

**22 Related party transactions**

During the year the company paid interest on the subordinated loan stock of £930,663 to Balfour Beatty plc (2005: £760,000) and £930,726 to Royal Bank Project Investments Ltd (2005: £1,157,000).

The Royal Bank of Scotland is a 25% member of, and technical and agent 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 repayment was £682,202 (2005: £610,873); the relevant share of the loan interest payable was £956,565 (2005: £1,342,568); the relevant share of commitment fees for the loan facility was £2,500 (2005: £3,353); and the technical and agent bank fees were £39,116 (2005: £35,440).

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**22 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 £370,736 (2005: £329,675).

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 hospital totalled £6,432,935 (2005: £5,190,117). Amounts invoiced and unpaid at 31 March 2006 totalled £685,673 (2005: £561,247).

Staff are seconded to the company's subsidiary from subsidiaries of Balfour Beatty plc. Amounts payable for their services and associated costs during the year totalled £428,765 (2005: £454,146). Amounts invoiced and unpaid at 31 March 2006 totalled £62,018 (2005: £57,771).

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 year totalled £24,323 (2005: £34,650).