

Company Registration No. 3488706

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2009

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CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2009

The directors present their annual report together with the consolidated financial statements and auditors' report, for the year ended 31 March 2009.

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"). Consort Healthcare (Durham) Limited and Consort Healthcare (Durham) Holdings Limited together form "the group".

On 31 March 1998 Consort Durham entered into a 30-year Private Finance Initiative (PFI) concession contract with the County Durham and Darlington NHS Foundation Trust ("the Trust"), to design, build, finance and operate the non-clinical aspects of the new University Hospital of North Durham.

On 3 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.

Following the commencement of full service at the hospital in 2001, the group has been able to generate sufficient cash to meet its liabilities as they fall due. Substantial senior and subordinated debt was raised during the construction period of the PFI contract.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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.

| | Year ended 31 March 2009 | Year ended 31 March 2008 |
|-----------------------|--------------------------------|--------------------------------|
| | £'000 | £'000 |
| Profit after taxation | 2,821 | 4,066 |
| Net assets | 24,474 | 22,831 |

Results and dividends

The audited financial statements for the period ended 31 March 2009 are set out on pages 6 to 17. The group profit for the year after tax was £2,821,000 (2008: £4,066,000).

The directors approved payment of a dividend in respect of the year ended 31 March 2009 of £1,178,000 (2008: £459,000) and it is proposed that the retained profits be added to reserves.

Payment of creditors

The company's policy is to pay suppliers 30 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 (2008: nil).

Political and charitable contributions

The company has not made any political or charitable contribution during the year (2008: £nil).

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

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.

Interest rate risk

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 to give an effective fixed interest rate payable on the bank debt.

Credit risk

Any credit and cash flow risks to the group arise from its client, the Trust. The credit and cash flow risks are not considered significant as the client is a quasi-governmental organisation.

Liquidity risk

The group's 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 group's 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, the 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 Trust including discussions on performance, project progress, future plans and customer requirements.

Directors

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

| | |
|--------------|---|
| G.Carvalho | (appointed 19 March 2009) |
| J.Cavill | (appointed 17 September 2009) |
| P.J.Hall | (resigned 28 April 2008) |
| M.G.D.Holden | |
| K.J.Maddick | (resigned 28 April 2008) |
| M.J. Ryan | (appointed 28 April 2008) |
| A.C Ritchie | (appointed 28 April 2008; resigned 17 September 2009) |
| C.L.Spencer | (resigned 3 June 2009) |

Company secretary and registered office

The company secretary is Mrs J Sanders. The registered office is Broadwalk House, 5 Appold Street, London, EC2A 2HA.

Bankers

The company's banker is Royal Bank of Scotland plc, 135 Bishopsgate London EC2M 3UR.

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

Auditors

The company's auditor is Deloitte LLP, 2 New Street Square, London EC4A 3BZ.

Statement of 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the result of the Company for that period. In preparing these 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 UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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 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 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 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

19 November 2009

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

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED**

We have audited the group and parent company financial statements (the "financial statements") of Consort Healthcare (Durham) Holdings Limited for the year ended 31 March 2009 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 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 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 Directors' Report 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 Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, 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 Directors' Report is consistent with the financial statements.



**Deloitte LLP
Chartered Accountants and Registered Auditors**

London, United Kingdom
19 November 2009

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2009

| | | Year ended 31 March 2009 | Year ended 31 March 2008 |
|---|--------------|---|---|
| | Notes | £'000 | £'000 |
| Turnover | 1, 2 | 10,828 | 9,761 |
| Cost of sales | | (9,026) | (7,954) |
| Gross profit | | <u>1,802</u> | <u>1,807</u> |
| Net operating expenses | | <u>(849)</u> | <u>(911)</u> |
| Operating profit | | 953 | 896 |
| Net interest receivable | 3 | 4,088 | 4,630 |
| Profit on ordinary activities before taxation | 4 | <u>5,041</u> | <u>5,526</u> |
| Tax on profit on ordinary activities | 5 | (2,220) | (1,460) |
| Profit on ordinary activities after taxation | | <u>2,821</u> | <u>4,066</u> |
| Dividends | 6 | (1,178) | (459) |
| Retained profit | 17, 18 | <u>1,643</u> | <u>3,607</u> |

The accompanying notes form an integral part of these financial statements.

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 2009

| | Notes | Group | | Company | |
|--|-------|-----------------|----------|-----------------|----------|
| | | 2009 | 2008 | 2009 | 2008 |
| | | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Investments | 8 | - | - | 12,681 | 12,852 |
| Tangible assets | 9 | 13 | 9 | - | - |
| | | 13 | 9 | 12,681 | 12,852 |
| Current assets | | | | | |
| Work in progress | 10 | 136 | 175 | - | - |
| Debtors - due within one year | 11 | 6,118 | 6,474 | 164 | 178 |
| Debtors - financial asset due within one year | | 882 | - | - | - |
| Cash at bank and in hand | | 7,724 | 5,988 | 8 | 8 |
| | | 14,860 | 12,637 | 172 | 186 |
| Debtors - financial asset due after more than one year | 12 | 96,267 | 98,980 | - | - |
| | | 96,267 | 98,980 | - | - |
| Creditors: amounts falling due within one year | 13 | (11,355) | (11,195) | (164) | (178) |
| Net current assets | | 99,772 | 100,422 | 8 | 8 |
| Total assets less current liabilities | | 99,785 | 100,431 | 12,689 | 12,860 |
| Creditors: amounts falling due after more than one year | | | | | |
| Borrowings | 14 | (59,951) | (64,459) | (10,756) | (10,926) |
| Provisions for liabilities | 15 | (15,360) | (13,141) | (1) | (2) |
| Net assets | | 24,474 | 22,831 | 1,932 | 1,932 |
| Capital and reserves | | | | | |
| Called-up share capital | 16 | 192 | 192 | 192 | 192 |
| Share premium account | 17 | 1,728 | 1,728 | 1,728 | 1,728 |
| Profit and loss account | 17 | 22,554 | 20,911 | 12 | 12 |
| Shareholders' funds | 18 | 24,474 | 22,831 | 1,932 | 1,932 |

These financial statements were approved by the Board of Directors on 19 November 2009 and signed on its behalf by :



M.G.D. Holden
Director
Company Registration No. 3488706

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009

| | | Year ended 31 March 2009 £'000 | Year ended 31 March 2008 £'000 |
|---|--------------|---|---|
| | Notes | | |
| Net cash inflow /(outflow) from operating activities | 19 | 531 | (5,955) |
| Returns on investment and servicing of finance | | | |
| Interest received | | 485 | 553 |
| Finance income received on financial asset | 12 | 10,971 | 10,433 |
| Interest and fees paid | | (5,350) | (5,777) |
| | | 6,106 | 5,209 |
| Tax received / (paid) | | 505 | (147) |
| Capital expenditure | | | |
| Purchase of tangible fixed assets | | (8) | - |
| | | (8) | - |
| Equity dividends paid | 6 | (1,178) | (459) |
| Cash inflow / (outflow) before financing | | 5,956 | (1,352) |
| Financing | | | |
| Decrease in unsecured subordinated loan stock | | (152) | (128) |
| Decrease in secured senior loans | | (4,068) | (3,386) |
| | | (4,220) | (3,514) |
| Increase / (decrease) in cash in the year | 20 | 1,736 | (4,866) |

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2009

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 law and 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) *Financial asset and revenue recognition*

The Group has adopted the provisions of FRS 5 Application Note F "Private Finance Initiative and Similar Contracts". Under this policy assets constructed are classified as fixed assets or as long-term financial assets depending on the allocation of risks between the company and the public sector authority.

Where the company takes the greater share of risks associated with the asset the asset is capitalised and depreciated over the life of the concession. Revenue is recognised as turnover as it is earned.

Where the public sector authority takes the greater share of the risks associated with the asset the asset is classified as a long-term finance asset. Revenues received from the Trust are apportioned between capital repayments, relating to the provision of the asset and operating revenue. The finance income element of the capital repayment is recognised as interest receivable using a rate of return specific to the asset. The operating revenue relating to the provisions of services is recognised as turnover as it is earned.

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) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively 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

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

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

1 Accounting policies (continued)

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.

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.

i) 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.

j) Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 2 to 4.

The current economic conditions create some general uncertainty. The Directors have reviewed the group's supply chain and do not believe that any specific risk has been identified that would adversely affect the group's ability to meet its obligations.

The Directors have also considered the ability of local government authorities to continue to pay unitary fees due to the group and consider it is not unreasonable to assume that the UK Government will continue to meet its obligations in this respect.

The group's forecasts and projections, taking account of reasonably possible counterparty performance, show the group expects to be able to continue to operate for the full term of the concession.

After making enquiries, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2 Turnover

Turnover by origin and destination:

| | Group | |
|----------------|-------------------|-------------------|
| | Year ended | Year ended |
| | 31 March | 31 March |
| | 2009 | 2008 |
| | £'000 | £'000 |
| United Kingdom | 10,828 | 9,761 |

3 Net interest receivable

| | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Year ended | Year ended | Year ended | Year ended |
| | 31 March | 31 March | 31 March | 31 March |
| | 2009 | 2008 | 2009 | 2008 |
| | £'000 | £'000 | £'000 | £'000 |
| Interest receivable | 485 | 554 | 1,346 | 1,386 |
| Finance income on financial asset (note 12) | 8,676 | 9,921 | - | - |
| Less: Interest payable and similar charges | (5,073) | (5,845) | (1,346) | (1,380) |
| | 4,088 | 4,630 | - | 6 |

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

4 Profit on ordinary activities before tax

| | Group | |
|---|---|---|
| | Year ended 31 March 2009 £'000 | Year ended 31 March 2008 £'000 |
| Profit on ordinary activities before tax is stated after charging: | | |
| Fees payable to company's auditors for the audit of the company's annual accounts | 5 | 5 |
| Fees payable to the company's auditors for other services to the group: | | |
| - The audit of the company's subsidiaries pursuant to legislation | 9 | 10 |
| Total Audit fees | <u>14</u> | <u>15</u> |
| Depreciation of tangible fixed assets owned by the group | 4 | 6 |

The auditors' remuneration for the group was borne by a subsidiary undertaking in both years.

The directors received no salary, fees or other benefits for the performance of their duties (2008: £nil). The group and company had no employees in either period. All costs of the directors 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 group has entered into a RPI swap agreement with a bank whereby at intervals of three months between 2001 and March 2008 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 2008 was £nil (2008: £nil asset). A discounted cash flow was used to determine the fair value.

5 Tax on profit on ordinary activities

The tax charge is based on the profit for the period at a taxation rate of 28% (2008: 30%).

| | Group | | Company | |
|--|---|---|---|---|
| | Year ended 31 March 2009 £'000 | Year ended 31 March 2008 £'000 | Year ended 31 March 2009 £'000 | Year ended 31 March 2008 £'000 |
| Current tax: - UK Corporation tax at 28% (2008: 30%) | - | - | - | - |
| Adjustments in respect of prior periods | - | (514) | - | - |
| | - | (514) | - | - |
| Deferred tax (note 15a) | 2,220 | 1,974 | - | - |
| | <u>2,220</u> | <u>1,460</u> | <u>-</u> | <u>-</u> |

The full amount of deferred taxation has been provided and comprises corporation tax at 28% (2008: 30%).

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

5 Tax on profit on ordinary activities (continued)

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:

| | Group | |
|--|---|---|
| | Year ended 31 March 2009 £'000 | Year ended 31 March 2008 £'000 |
| Profit on ordinary activities before taxation | 5,041 | 5,526 |
| Tax on profit on ordinary activities at 28% (2008: 30%) | 1,411 | 1,658 |
| Effects of: | | |
| Capital allowances in excess of depreciation | (279) | (510) |
| Expenses not all allowable for tax purposes | 4 | 6 |
| Tax losses not utilised | (1,136) | (1,154) |
| Brought forward tax losses utilised | - | (514) |
| Current tax charge | - | (514) |

6 Dividends

The directors approved the payment of a dividend in respect of the period ended 31 March 2009 of £1,178,000 (2008: £459,000) which represents 61.4p per share (2008: 23.9p).

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 £nil (2008: £28). 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 | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| Shares in subsidiary undertaking | - | - | 1,920 | 1,920 |
| Secured subordinated loan stock in subsidiary undertaking | - | - | 10,756 | 10,926 |
| Unsecured loan to subsidiary undertaking | - | - | 5 | 6 |
| | - | - | 12,681 | 12,852 |

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% |

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

9 Tangible fixed assets

| | Group | | Company | |
|-----------------------|-----------|-------|-----------|-------|
| | Equipment | Total | Equipment | Total |
| | £'000 | £'000 | £'000 | £'000 |
| <u>Cost</u> | | | | |
| At 1 April 2008 | 77 | 77 | - | - |
| Additions | 8 | 8 | - | - |
| At 31 March 2009 | 85 | 85 | - | - |
| <u>Depreciation</u> | | | | |
| At 1 April 2008 | 68 | 68 | - | - |
| Charge for the year | 4 | 4 | - | - |
| At 31 March 2009 | 72 | 72 | - | - |
| <u>Net book value</u> | | | | |
| At 31 March 2009 | 13 | 13 | - | - |
| At 31 March 2008 | 9 | 9 | - | - |

10 Work in progress

| | Group | | Company | |
|--------------------------------|-------|-------|---------|-------|
| | 2009 | 2008 | 2009 | 2008 |
| | £'000 | £'000 | £'000 | £'000 |
| Construction and related costs | 136 | 175 | - | - |
| | 136 | 175 | - | - |

11 Debtors - due within one year

| | Group | | Company | |
|---|-------|-------|---------|-------|
| | 2009 | 2008 | 2009 | 2008 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade debtors | 5,851 | 5,900 | - | - |
| Prepayments and accrued income | 267 | 67 | - | - |
| Corporation tax | - | 507 | - | - |
| Accrued interest on secured subordinated loan stock | - | - | - | 32 |
| Secured subordinated loan stock - principal | - | - | 164 | 146 |
| | 6,118 | 6,474 | 164 | 178 |

12 Analysis of net investment in the financial asset

| | Group | | Company | |
|--|----------|----------|---------|-------|
| | 2009 | 2008 | 2009 | 2008 |
| | £'000 | £'000 | £'000 | £'000 |
| At beginning of period | 98,980 | 98,096 | - | - |
| Added within the year: | | | | |
| Life cycle replacement costs | 71 | 115 | - | - |
| Construction costs | 8 | 891 | - | - |
| Finance income on financial asset (note 3) | 8,676 | 9,921 | - | - |
| Income recognised in operating profit | 385 | 390 | - | - |
| Cash received | (10,971) | (10,433) | - | - |
| | (1,831) | 884 | - | - |
| At end of period | 97,149 | 98,980 | - | - |

Included in the financial asset is an amount of £96,267,000 due after more than one year (2008: £98,980,000).

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

13 Creditors: amounts falling due within one year

| | Group | | Company | |
|---|---------------|---------------|----------------|--------------|
| | 2009 | 2008 | 2009 | 2008 |
| | £'000 | £'000 | £'000 | £'000 |
| Secured senior loans (note 14) | 4,406 | 4,069 | - | - |
| Secured subordinated loan stock - principal | 164 | 146 | 164 | 146 |
| Secured subordinated loan stock - interest | - | 32 | - | 32 |
| Financing creditor | 262 | 574 | - | - |
| Trade creditors | 1,069 | 1,058 | - | - |
| Corporation tax payable | - | - | - | - |
| VAT creditor | 607 | 686 | - | - |
| Deferred income | 4,422 | 4,437 | - | - |
| Other accruals | 425 | 193 | - | - |
| | 11,355 | 11,195 | 164 | 178 |

14 Borrowings: amounts falling due after more than one year

| | Group | | Company | |
|-----------------------------------|---------------|---------------|----------------|---------------|
| | 2009 | 2008 | 2009 | 2008 |
| | £'000 | £'000 | £'000 | £'000 |
| Secured senior loans | 49,497 | 53,902 | - | - |
| Less: arrangement fee | (302) | (369) | - | - |
| Secured senior loans | 49,195 | 53,533 | - | - |
| Unsecured subordinated loan stock | 10,756 | 10,926 | 10,756 | 10,926 |
| | 59,951 | 64,459 | 10,756 | 10,926 |

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 2009 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 2009 was a liability of £8,227,000 (2008: £3,614,000). 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 2009 and 2028.

| | Group | | Company | |
|--|---------------|---------------|----------------|---------------|
| | 2009 | 2008 | 2009 | 2008 |
| | £'000 | £'000 | £'000 | £'000 |
| Borrowings are repayable in the following periods: | | | | |
| In less than one year | 4,570 | 4,215 | 164 | 146 |
| Between one and two years | 5,321 | 4,569 | 184 | 164 |
| Between two and five years | 17,584 | 16,957 | 701 | 623 |
| After five years | 37,348 | 43,302 | 9,871 | 10,139 |
| | 64,823 | 69,043 | 10,920 | 11,072 |
| Less: arrangement fees | (302) | (369) | - | - |
| | 64,521 | 68,674 | 10,920 | 11,072 |

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

15 Provisions for liabilities

| | Group | | Company | |
|---|--------|---------|---------|-------|
| | 2009 | 2008 | 2009 | 2008 |
| | £'000 | £'000 | £'000 | £'000 |
| Deferred taxation | 15,360 | 13,141 | 1 | 2 |
| a) Deferred taxation provided | | | | |
| Short term timing differences | 15,746 | 14,664 | 1 | 2 |
| Unrelieved trading losses | (386) | (1,523) | - | - |
| | 15,360 | 13,141 | 1 | 2 |
| b) Movement during the year | | | | |
| | Group | | Company | |
| | £'000 | | £'000 | |
| At 1 April 2008 | 13,141 | | 2 | |
| Current year movement | 1,414 | | (1) | |
| Adjustment in respect of prior periods | 805 | | - | |
| Adjustment due to change in rate of corporation tax | - | | - | |
| At 31 March 2009 | 15,360 | | 1 | |

16 Share capital

| | 2009 | 2008 |
|--|-------|-------|
| | £'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 31 March 2009 were as follows:

| | |
|-----------------------------------|--------------------------|
| Balfour Beatty plc | 'A' ordinary shares 100% |
| Durham Investments Holdco Limited | 'B' ordinary shares 100% |

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

17 Reserves

| | Group | Company |
|--------------------------------|--------|---------|
| | £'000 | £'000 |
| <u>Share premium account</u> | | |
| At 31 March 2008 | 1,728 | 1,728 |
| At 31 March 2009 | 1,728 | 1,728 |
| <u>Profit and loss account</u> | | |
| At 1 April 2008 | 20,911 | 12 |
| Retained profit for the year | 1,643 | - |
| At 31 March 2009 | 22,554 | 12 |

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

18 Reconciliation of movements in group shareholders' funds

| | Group | |
|------------------------------|---|---|
| | Year ended 31 March 2009 £'000 | Year ended 31 March 2008 £'000 |
| Opening shareholders' funds | 22,831 | 19,224 |
| Retained profit for the year | 1,643 | 3,607 |
| Closing shareholders' funds | <u>24,474</u> | <u>22,831</u> |

19 Reconciliation of operating profit to net cash inflow / (outflow) from operating activities

| | Group | |
|---|---|---|
| | Year ended 31 March 2009 £'000 | Year ended 31 March 2008 £'000 |
| Operating profit | 953 | 896 |
| Depreciation | 4 | 6 |
| Life cycle replacement costs | (71) | (71) |
| Construction costs | (8) | (891) |
| Income recognised in operating profit in respect of financial asset | (384) | (390) |
| Decrease / (increase) in work in progress | 39 | (57) |
| Increase in debtors | (151) | (5,239) |
| Increase / (decrease) in creditors | 149 | (209) |
| Net cash inflow / (outflow) from operating activities | <u>531</u> | <u>(5,955)</u> |

20 Analysis and reconciliation of net debt

| | Group | | | |
|--------------------------|-----------------------------------|----------------------------|--|------------------------------------|
| | 1 April 2008 £'000 | Cash flow £'000 | Non cash movement £'000 | 31 March 2009 £'000 |
| Cash at bank and in hand | 5,988 | 1,736 | - | 7,724 |
| Debt due after one year | (64,828) | 4,575 | - | (60,253) |
| Debt due within one year | (4,215) | (355) | - | (4,570) |
| Less: arrangement fee | 369 | - | (67) | 302 |
| Net debt | <u>(62,686)</u> | <u>5,956</u> | <u>(67)</u> | <u>(56,797)</u> |

| | Group | |
|---|---|---|
| | Year ended 31 March 2009 £'000 | Year ended 31 March 2008 £'000 |
| (Increase) / decrease in cash in the year | 1,736 | (4,866) |
| Cash outflow from decrease in debt | 4,220 | 3,514 |
| Non cash movement | (67) | (66) |
| Movement in net debt in the year | <u>5,889</u> | <u>(1,418)</u> |
| Net debt at 1 April | <u>(62,686)</u> | <u>(61,268)</u> |
| Net debt at 31 March | <u>(56,797)</u> | <u>(62,686)</u> |

Cash at bank and in hand includes £6,655,000 (2008: £5,409,000) restricted from use in the business, being held in the subsidiary's reserve accounts under the terms of its senior loan facility.

CONSORT HEALTHCARE (DURHAM) HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

21 Controlling parties

On 28 April 2008 Royal Bank Project Investments Limited sold its 50% share of the issued share capital and subordinated loan stock in the company to Durham Investments Holdco Limited. The company's controlling parties are Balfour Beatty plc and Infrastructure Investors LP in equal shares.

22 Related party transactions

During the year the company paid interest on the subordinated loan stock of £689,000 to Balfour Beatty plc (2008: £673,000), £689,000 to Infrastructure Investors LP (2008: nil) and £nil to Royal Bank Project Investments Ltd (2008: £673,000).

The Royal Bank of Scotland is a 9.52% (2008: 9.52%) 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 £387,000 (2008: £322,000); the relevant share of the loan interest payable was £346,000 (2008: £405,000); and the technical and agent bank fees were £43,000 (2008: £41,000).

The Royal Bank of Scotland provides banking facilities to the group. During the year, the group received interest on its account balances of £441,000 (2008: £548,000).

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 £7,627,000 (2008: £6,656,000). Amounts invoiced and unpaid at 31 March 2008 totalled £779,000 (2008: £709,000).

During the year, amounts payable by the company's subsidiaries for construction & associated services to a subsidiary of Balfour Beatty plc for construction services at the hospital totalled £846,000 (2008: £1,404,000). Amounts invoiced and unpaid at 31 March 2008 totalled £1,000 (2008: £nil).

Staff are seconded to the company's subsidiary from subsidiaries of Balfour Beatty plc. Amounts payable to Balfour Beatty group companies for their services and associated costs during the year totalled £622,000 (2008: £638,000). Amounts invoiced and unpaid at 31 March 2008 totalled £54,000 (2008: £65,000).

Fees payable by the company's subsidiary to Infrastructure Investors LP and subsidiaries of Royal Bank of Scotland and Balfour Beatty plc for the services of the directors of group companies during the year totalled £26,000 (2008: £25,000).