

Baglan Moor Healthcare Plc
Annual report and financial statements
for the 15 months ended 31 March 2009

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Baglan Moor Healthcare Plc

Annual report and financial statements for the 15 months ended 31 March 2009

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Baglan Moor Healthcare Plc

Directors and advisors

Directors

DT Hammond
RJ Manley

Secretary

AJ Hazell

. Registered office

11-14 Hanover Place
London WC2E 9JP

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Baglan Moor Healthcare Plc

Directors' report for the 15 months ended 31 March 2009

The directors present their report and the audited financial statements for the 15 month period ended 31 March 2009. The Company has changed its accounting reference date in order to align it with that of its ultimate parent undertaking.

Results, principal activities and review of business

The principal activities of the Company are the design, construction, financing, commissioning and maintenance of a new acute general hospital and the provision of non-clinical services for an overall period of thirty years from 12 May 2000, pursuant to, and in accordance with, the terms of a Concession Agreement with Abertawe Bro Morgannwg University NHS Trust (formerly Bro Morgannwg NHS Trust). This agreement, together with a collateral deed, a construction contract, a facilities management contract and other related contracts were signed on 12 May 2000. On the same date, the Company issued a £65,950,000 3.920% Guaranteed Secured Index-Linked Bond due 2029 to fund the project.

Construction of the hospital was completed on 4 November 2002, with operational activities commencing immediately and the building being fully occupied by the Trust on 30 November 2002. The loss for the period is set out in the profit and loss account on page 7. The directors consider that both the level of business and the period end financial position were satisfactory.

Subsequent to the year end, on 3 April 2009, the original facility management agreement signed by the Company, Caxton Facilities Management Limited (now Kier Facilities Services Ltd, "the FM provider") and Bro Morgannwg NHS Trust (now Abertawe Bro Morgannwg University NHS Trust, "the Trust") was modified to take in house specified soft facilities management services, following a policy decision made by the National Assembly for Wales during 2008. This change in the scope of services to be provided results in no net financial impact to the Company as the unitary payments made by the Trust to the Company and the FM payments the Company makes to the FM provider are both reduced by the same amount.

Dividends

No dividend was paid during the period (year ended 31 December 2007: £nil).

Principal risks and uncertainties

The Company has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customers, funders and sub-contractors as determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the Company could be exposed to subcontractor failure to perform their obligations. The financial risks and the measures taken to mitigate them are as detailed in the following section.

Baglan Moor Healthcare Plc

Directors' report for the 15 months ended 31 March 2009 (continued)

Financial risk management

The Company's principal financial instruments comprise short term cash and deposits, finance debtor, listed index-linked Bonds and subordinated loan notes. The main purpose of these financial instruments is to fund the design, construction, commissioning and maintenance of the acute general hospital and the provision of non-clinical services for an overall period of thirty years from 12 May 2000. The terms of the financial instruments also ensure that the profile of the debt service costs is tailored to match expected revenues arising from the agreement between the Company and Abertawe Bro Morgannwg University NHS Trust. The Company does not undertake financial instrument transactions which are speculative or unrelated to the trading activities. The directors have policies for managing each of these risks and they are summarised below:

Cash flow interest rate risk

All debt attracts interest at a fixed interest rate. Details of these can be found in notes 10 and 11 on pages 17 and 18.

Inflation risk

The funding to the Company was agreed as part of the overall PFI contracts with lenders, clients and shareholders. The Company's bonds are RPI linked as set out in the notes to the financial statements. The Company's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation over its life.

Liquidity risk

The Company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

Credit risk

The Company receives the bulk of its revenue from Bro Morgannwg NHS Trust and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

Key performance indicators ('KPIs')

The Company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the performance or position of the business.

Directors

The directors of the Company during the year, and up to the date of signing the financial statements, are set out below:

DT Hammond (appointed 2 January 2008)

IR Gethin (resigned 2 January 2008)

RJ Manley

WR Doughty (resigned 2 January 2008)

B Semple (resigned 26 August 2009)

Baglan Moor Healthcare Plc

Directors' report for the 15 months ended 31 March 2009 (continued)

Statement of directors' responsibilities in respect of the Annual Report and the Financial Statements

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 profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, so far as the directors are aware, there is no relevant audit information of which PricewaterhouseCoopers LLP ('PwC') are unaware, and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that PwC are aware of that information.

Auditors

The auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors, have signified their willingness to continue in office.

By order of the board



RUSSELL MANLEY

27 OCTOBER 2009

Baglan Moor Healthcare Plc

Independent auditors' report to the members of Baglan Moor Healthcare Plc

We have audited the financial statements of Baglan Moor Healthcare Plc for the 15 months ended 31 March 2009 which comprise the profit and loss account, the balance sheet, the statement of cash flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the director and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with the 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 annual report and the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report and the directors and advisors page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 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.

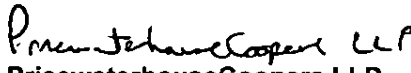
Baglan Moor Healthcare Plc

Independent auditors' report to the members of Baglan Moor Healthcare Plc (continued)

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 Company's affairs as at 31 March 2009 and of its loss and cash flows for the 15 months period 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.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

Date: 29 October 2009

Baglan Moor Healthcare Plc

Profit and loss account for the 15 months ended 31 March 2009

	Note	15 months ended 31 March 2009 £'000	Year ended 31 December 2007 (restated) £'000
Turnover	1	8,788	6,490
Cost of sales		(8,099)	(5,330)
Gross profit		689	1,160
Administrative expenses		(653)	(545)
Operating profit	2	36	615
Interest receivable and similar income	3	7,690	6,236
Interest payable and similar charges	4	(9,230)	(7,241)
Loss on ordinary activities before taxation		(1,504)	(390)
Tax on loss on ordinary activities	5	334	107
Loss for the period/year	14	(1,170)	(283)

The Company has been engaged solely in continuing activities in a single class of business within the United Kingdom.

There are no material differences between the loss for the period/year as shown in the profit and loss account above and its historical cost equivalent.

The Company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

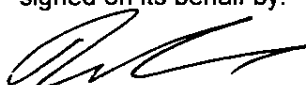
The movements on reserves are shown in note 14 to the financial statements.

Baglan Moor Healthcare Plc

Balance sheet as at 31 March 2009

	Note	31 March 2009 £'000	31 December 2007 £'000
Current assets			
Debtors: amounts falling due within one year	6	1,922	2,057
Debtors: amounts falling due after more than one year	7	69,090	69,746
Cash at bank and in hand	8	8,712	6,209
		79,724	78,012
Creditors: amounts falling due within one year	9	(6,035)	(4,384)
Net current assets		73,689	73,628
Creditors: amounts falling due after more than one year	10	(74,012)	(72,447)
Provision for liabilities and charges	12	(371)	(705)
Net (liabilities)/assets		(694)	476
Capital and reserves			
Called up share capital	13	50	50
Profit and loss account	14	(744)	426
Total shareholder's (deficit)/ funds	14	(694)	476

The financial statements on pages 7 to 23 were approved by the board on 27 October 2009 and signed on its behalf by:



Director

RUSSELL MANLEY

Baglan Moor Healthcare Plc

Statement of cash flows for the 15 months ended 31 March 2009

	Note	15 months ended 31 March 2009 £'000	Year ended 31 December 2007 £'000
Net cash inflow from operating activities	15 (a)	1,316	1,783
Returns on investments and servicing of finance			
Interest paid		(4,108)	(4,090)
Interest received		7,690	6,236
Net cash inflow from returns on investments and service of financing		3,582	2,145
Net cash inflow before financing		4,898	3,927
Financing			
Repayment of loans		(2,395)	(2,236)
Net cash outflow from financing activities		(2,395)	(2,236)
Increase in cash during the year	15 (b)	2,503	1,691

Baglan Moor Healthcare Plc

Notes to the financial statements for the 15 months ended 31 March 2009

1 Principal accounting policies

A summary of the Company's principal accounting policies, which have been consistently applied is set out below:

Basis of preparation of accounts

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting and financial reporting standards in the United Kingdom.

Going concern

The directors have reviewed the Company's projected profits and cashflows by reference to a financial model covering accounting periods up to September 2029. Having examined the current status of the Company's principal contracts and likely developments in the foreseeable future, the directors consider that the Company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

Change in presentation

The directors have changed the presentation of the profit and loss account in the period. Certain costs of sales have been reclassified to administrative expenses both in the current period and prior year profit and loss account as the directors consider this presentation more appropriate. The impact of the reclassification is a reduction of cost of sales of £653,000 (2007: £545,000), and an increase in administrative expenses of £653,000 (2007: £545,000). There is, accordingly, no net change in the result for the period/year. The directors are satisfied that the revised presentation is more appropriate for the Company.

Turnover

Turnover represents the value of work done and services rendered, excluding sales related taxes. All turnovers originate in the United Kingdom and there is just one class of business which is the design, construction, financing, commissioning and maintenance of a new acute general hospital and the provision of non-clinical services.

The Company recognises income when it has fully fulfilled its contractual obligations. In accordance with Financial Reporting Standard 5 – Application Note G, the Company includes sales and purchase transactions relating to variations under the original contract where the benefits and risks are retained by the Company, within the financial statements as turnover and cost of sales.

Transactions to which the Company does not have access to all the significant benefits and risks are excluded from the financial statements.

Major maintenance replacement

Where appropriate income is deferred to future periods based on a forecast of the future major maintenance expenditure. The turnover and costs of sales are recorded, in the profit and loss account, in the period in which the costs of major maintenance replacement are incurred. During the year the directors have reconsidered the estimation basis on which income has been deferred to cover future maintenance expenditure, which has resulted in a decrease in turnover, in the current period, by £1,062,000. There is no impact on the prior year results.

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Notes to the financial statements for the 15 months ended 31 March 2009 (continued)

1 Principal accounting policies (continued)

Finance debtor and interest receivable

In accordance with FRS 5 – Application Note F, the costs incurred in constructing the assets have been treated as a finance debtor. This treatment arose from applying the guidance within the Application Note which indicated that the project's principal agreements transfer substantially all the risks and rewards relating to the property to the customer.

- The finance debtor represents the costs arising on the construction of the assets including initial tender costs. During asset construction, finance debtor interest income is recognised on an accruals basis and is capitalised within the finance debtor receivable. Once the project reached its operational phase and was accepted by the customer a constant proportion of the planned net revenue arising from the project was allocated to remunerate the finance debtor. Imputed interest receivable is allocated to the finance debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term the finance debtor is expected to be fully repaid.

Debt issue costs

Debt issue costs directly incurred have been offset against the related debt and will be charged to the profit and loss account at an effective interest rate method on the carrying value of the debt.

Deferred taxation

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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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

Financial assets

The Company classifies its financial assets in accordance with Financial Reporting Standard 26, "Financial Instruments: Measurement". Management has determined the classification of its financial assets as being loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value and then subsequently stated at amortised cost, using the effective interest method. They are included in debtors due within one year and debtors due after more than one year with reference to their maturity at the balance sheet. At each balance sheet date, management consider whether there is any objective evidence that its financial assets are impaired. If any impairment is identified, the amount of the loss will be recognised in the profit and loss account.

Baglan Moor Healthcare Plc

Notes to the financial statements for the 15 months ended 31 March 2009 (continued)

1 Principal accounting policies (continued)

Borrowings

Fixed rate borrowings are initially stated at the amount of the consideration received net of transaction costs incurred. Subsequently, the fixed loan amounts are held at amortised cost, using the effective interest method. The index linked bonds are revalued biannually in line with RPI changes, and the resulting charge or credit made to the profit and loss account.

Discounts, premia and related costs of debt issue are charged to the profit and loss account over the life of the instrument to which they relate. Borrowings are classified as other financial liabilities.

Cash and bank deposits

Bank deposits relate to short term deposits held for not more than three months in reserve accounts made with the Company's bankers.

Capital management

The capital structure of the Company consists of borrowings and equity attributable to members of the Company, comprising issued share capital and retained earnings. The Board's policy when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, debt holders and to sustain the future development of the business. The Company may issue new shares or raise medium/long term third party debt. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

2 Operating profit

The Company had no employees, other than the directors, during the period (year ended 31 December 2007: none). The remuneration of the directors is paid by the controlling parties. The controlling parties have recharged £139,000 (year ended 31 December 2007: £110,000) to the Company in respect of their services to the Company.

The audit fee in respect of the Company was £20,800 for the period (year ended 31 December 2007: £20,000). Fees payable to the auditors for non-audit services were £nil (year ended 31 December 2007: £nil).

3 Interest receivable and similar income

	15 months ended 31 March 2009	Year ended 31 December 2007
	£'000	£'000
Imputed interest on finance debtor	7,361	5,956
Interest receivable on bank deposits	329	280
	7,690	6,236

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Notes to the financial statements for the 15 months ended 31 March 2009 (continued)

4 Interest payable and similar charges

	15 months ended 31 March 2009	Year ended 31 December 2007
	£'000	£'000
Interest payable on bonds	7,234	5,634
Interest payable on subordinated loan notes	1,739	1,392
Amortisation of debt issue costs	257	215
	9,230	7,241

5 Tax on loss on ordinary activities

(a) Analysis of tax credit for the period/year

	15 months ended 31 March 2009	Year ended 31 December 2007
	£'000	£'000
Current tax: (note 5(b))	-	-
Deferred tax:		
Origination and reversal of timing differences	(334)	(57)
- Change in corporation tax rate	-	(50)
Tax credit on loss on ordinary activities	(334)	(107)

Baglan Moor Healthcare Plc

Notes to the financial statements for the 15 months ended 31 March 2009 (continued)

5 Tax on loss on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed for the year is higher (2007: higher) than the standard rate of corporation tax in the UK of 28% (2007: 30%). The differences are explained below:

	15 months ended 31 March 2009	Year ended 31 December 2007
	£'000	£'000
Loss on ordinary activities before taxation	(1,504)	(390)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2007: 30%)	(421)	(117)
Effects of:		
Finance debtor amortisation	(89)	(77)
Unutilised tax losses	510	194
Current tax charge for the period (note 5(a))	-	-

(c) Factors that may affect future tax charges

The current tax charge will continue to be affected by timing differences in respect of the project asset, although these timing differences will have an opposite impact on the deferred tax charge so there should be no overall impact on the tax charge.

6 Debtors: amounts falling due within one year

	31 March 2009	31 December 2007
	£'000	£'000
Trade debtors	153	148
Finance debtor	622	724
Prepayments and accrued income	1,147	1,185
	1,922	2,057

The Company bears all credit risk on its trade and finance debtors. No trade debtors (2007: £nil) were impaired in the period or were past their due date at period end. There has been no impairment in the finance debtor in the period. The Company does not hold any collateral as security.

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Notes to the financial statements for the 15 months ended 31 March 2009 (continued)

7 Debtors: amounts falling due after more than one year

	31 March 2009	31 December 2007
	£'000	£'000
Finance debtor	69,090	69,746

8 Cash

	31 March 2009	31 December 2007
	£'000	£'000
Cash at bank	86	246
Short term deposits	8,626	5,963
	8,712	6,209

Short term cash deposits are floating rate financial assets of £8,626,000 (2007: £5,963,000) on money market deposit at various short term maturity dates.

9 Creditors: amounts falling due within one year

	31 March 2009	31 December 2007
	£'000	£'000
Secured 3.92% Index Linked Bonds 2029	2,317	2,189
Trade creditors	147	660
Other creditors	262	318
Accruals and deferred income	3,309	1,217
	6,035	4,384

Baglan Moor Healthcare Plc

Notes to the financial statements for the 15 months ended 31 March 2009 (continued)

10 Creditors: amounts falling due after more than one year

(a) Total

	31 March 2009	31 December 2007
	£'000	£'000
Debt (as analysed below)	74,012	72,447

(b) Debt

	31 March 2009	31 December 2007
	£'000	£'000
Secured 3.92% Index Linked Bonds 2029	67,068	65,758
Subordinated loan notes	9,598	9,598
	76,666	75,356
Less: unamortised issue costs	(2,654)	(2,909)
	74,012	72,447

(c) Maturity of financial liabilities

	31 March 2009	31 December 2007
	£'000	£'000
Less than one year	2,522	2,395
Between one and two years	2,610	2,549
Between two and five years	8,674	8,467
In more than five years	65,381	64,340
	79,187	77,751
Less: debt falling due within one year	(2,317)	(2,189)
Less: unamortised issue costs	(2,858)	(3,115)
	74,012	72,447

Baglan Moor Healthcare Plc

Notes to the financial statements for the 15 months ended 31 March 2009 (continued)

10 Creditors: amounts falling due after more than one year (continued)

The subordinated loan notes are unsecured, attract a fixed interest rate of 14.5% and are repayable in full in 2029. The subordinated loan notes are held by Baglan Moor (Holdings) Limited, the Company's holding company.

The carrying value of the bond includes indexation to date. At 31 March 2009, 65 percent (31 December 2007: 69 percent) of these bonds were due for repayment in more than 5 years. The secured index-linked bonds were created on 9 May 2000 and £65,950,000 was issued on 12 May 2000 at 99.684% of their nominal value. The bonds bear interest at 3.92% per annum payable in six monthly intervals which, together with their principal repayment, is subject to indexation in accordance with the Bond Trust Deed. The bonds are repayable in instalments which commenced in April 2004 and end in April 2029. The bonds are listed on the London Stock Exchange.

The bonds are secured by first fixed and floating charges over all of the Company's and its holding Company's respective assets. The Company has no exposure to interest rate changes as all borrowings have fixed interest rates. Further descriptions of the bonds are given in note 11 below.

The maturity of the gross contractual liabilities, including finance costs, due as at year end, is as follows:

	31 March 2009	31 December 2007
	£'000	£'000
Less than one year	5,842	3,110
Between one and two years	3,233	4,766
Between two and five years	10,615	10,107
In more than five years	96,070	99,494
	115,760	117,477

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Notes to the financial statements for the 15 months ended 31 March 2009 (continued)

11 Financial instruments

An explanation of the Company's objectives, policies and strategies for the role of financial instruments in creating and changing the risks of the Company in its activities can be found on page 2.

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Company at 31 March 2009 was as follows:

	Interest rate profile	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Amount £'000
Secured 3.92% Index-Linked Bonds 2029	Fixed subject to indexation	3.92%*	25	69,589
Subordinated loan notes	Fixed	14.5%	14	9,598
At 31 March 2009				79,187

The interest rate profile of the financial liabilities of the Company at 31 December 2007 was as follows:

Secured 3.92% Index-Linked Bonds 2029	Fixed subject to indexation	3.92%*	25	68,153
Subordinated loan notes	Fixed	14.5%	14	9,598
At 31 December 2007				77,751

* Interest rate of 3.92% is fixed but is subject to bi-annual indexation increase calculated from an agreed formula based on the Retail Price Index.

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Notes to the financial statements for the 15 months ended 31 March 2009 (continued)

11 Financial instruments (continued)

Fair value of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of all the Company's financial assets and financial liabilities (all of which are held in sterling) as at 31 March 2009 (31 December 2007):

	Book value	Fair value	Book value	Fair value
	31 March 2009	31 March 2009	31 December 2007	31 December 2007
	£000	£000	£000	£000
Finance debtor	69,712	69,712	70,470	70,470
Secured 3.92% Index-Linked Bonds 2029	(69,589)	(59,811)	(68,153)	(78,198)
Subordinated loan notes	(9,598)	(9,598)	(9,598)	(9,598)
Cash and short term deposits	8,712	8,712	6,209	6,209

The fair value of the finance debtor is based on cash flows discounted using rates of 8.73%% (2007: 8.73 %) which represent the imputed interest rates applied to the finance debtor. Book value is deemed to equate to fair value for trade debtors, prepayments and accrued income, trade and other creditors.

Market values have been used to determine the fair value of the index linked bond. Credit margins on long term bonds (both guaranteed and secured notes) vary in accordance with market demand and other factors. The fair value of the guaranteed secured bonds has been determined by reference to prices available from the market on which the instruments involved are traded. The fair values of all other items have been calculated by discounting the expected future cash flows at prevailing interest rates.

The subordinated loan stock has been valued at par. The directors consider that the fair value of the subordinated loan stock is equivalent to its market value considering the nature of the debt. As at 31 March 2009, the Company has £nil (31 December 2007: £nil) of uncommitted facilities.

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Notes to the financial statements for the 15 months ended 31 March 2009 (continued)

12 Provision for liabilities and charges

	31 March 2009	31 December 2007
	£'000	£'000
Deferred taxation	371	705
The movements in deferred taxation during the year and previous year are as follows:		
- At beginning of the period/year	705	812
Credit to the profit and loss account (note 5 (a))	(334)	(107)
At end of period/year	371	705
The deferred tax liability consists of:		
Accelerated capital allowances	3,638	3,699
Other timing differences	2,734	2,496
Tax losses recognised	(6,001)	(5,490)
	371	705

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Notes to the financial statements for the 15 months ended 31 March 2009 (continued)

13 Called up share capital

	31 March 2009	31 December 2007
	£	£
Authorised, Allotted and fully paid		
50,000 Ordinary shares of £1 each (2007: 50,000)	50,000	50,000

14 Reconciliation of movement in total shareholder's (deficit)/funds and on reserves

	Share capital	Profit and loss account	Total share- holder's funds/ (deficit)
	£'000	£'000	£'000
At 1 January 2008	50	426	476
Loss for the period	-	(1,170)	(1,170)
At 31 March 2009	50	(744)	(694)

15 Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	15 months ended 31 March 2009	Year ended 31 December 2007
	£'000	£'000
Operating profit	36	615
Decrease in debtors	791	633
Increase in creditors	489	535
Net cash inflow from operating activities	1,316	1,783

Baglan Moor Healthcare Plc

Notes to the financial statements for the 15 months ended 31 March 2009 (continued)

15 Notes to the statement of cash flows (continued)

(b) Analysis of changes in net debt

	At 1 January 2008	Cash Flow	Other non-cash changes	At 31 March 2009
	£'000	£'000	£'000	£'000
Cash at bank	6,209	2,503	-	8,712
Loans due within one year	(2,189)	2,395	(2,523)	(2,317)
Loans due after one year	(72,447)	-	(1,565)	(74,012)
Total	(68,427)	4,898	(4,088)	(67,617)

Other non-cash changes comprise indexation of bonds £3,831,000 and amortisation of loan issue cost of £257,000.

(c) Reconciliation of net cash flow to movement in net debt

	15 months ended 31 March 2009	Year ended 31 December 2007
	£'000	£'000
Increase in cash during year	2,503	1,691
Cash outflow from movement in loans	2,395	2,236
Other non-cash movements	(4,088)	(3,150)
Movement in net debt	810	777
Opening net debt	(68,427)	(69,204)
Closing net debt	(67,617)	(68,427)

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Notes to the financial statements for the 15 months ended 31 March 2009 (continued)

16 Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Baglan Moor Healthcare Holdings Ltd which is registered in England and Wales.

The ultimate parent undertaking and ultimate controlling party at the period end was Semperian PPP Investment Partners Limited Partnership (formerly Trillium PPP Investment Partners Limited Partnership), acting through its general partner Semperian PPP Investment Partners GP Limited (formerly Trillium PPP Investment Partners GP Limited), a Company incorporated in England and Wales.

The smallest group to consolidate these financial statements is Semperian PPP Investment Partners Limited (formerly Trillium PPP Investment Partners Limited). The largest group to consolidate these financial statements is Semperian PPP Investment Partners Limited Partnership acting through its general partner Semperian PPP Investment Partners GP Limited.

Consolidated financial statements for Semperian PPP Investment Partners Limited and Semperian PPP Investment Partners Limited Partnership, acting through its general partner Semperian PPP Investment Partners GP Limited, can be obtained from the Company Secretary at 140 London Wall, London, EC2Y 5DN.

17 Related party transactions

As a wholly owned subsidiary of Semperian PPP Investment Partners Limited Partnership, the Company has taken advantage of the exemption under FRS 8-"Related Party Transactions" of the requirement to disclose transactions between it and other fellow group companies.

18 Events after the balance sheet date

On 3 April 2009, the original facility management agreement signed by the Company, Caxton Facilities Management Limited (now Kier Facilities Services Ltd, "the FM provider") and Bro Morgannwg NHS Trust (now Abertawe Bro Morgannwg University NHS Trust, "the Trust") was modified to take in house specified soft facilities management services, following a policy decision made by the National Assembly for Wales in the year. This change in the scope of services provided results in no net financial impact to the Company as the unitary payments made by the Trust to the Company and the FM payments the Company makes to the FM provider are both reduced by the same amount.