

**The Coventry and Rugby Hospital Company
(Holdings) Limited**

Directors' Report and Financial Statements

For the year ended 31 December 2009

Registered number 04129835



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Company information

Directors

G Birley-Smith
I Hudson
J Wrinn
M Gagnon

Secretary

M Brooks

Registered office

3 White Oak Square
London Road
Swanley
Kent
BR8 7AG

Auditors

KPMG Audit Plc
Arlington Business Park
Theale
Reading
RG7 4SD

Registered Number
04129835

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

Principal Activities

The Company is an investment holding company whose sole business is the holding of investments in its wholly owned subsidiaries, The Coventry and Rugby Hospital Company Nominee Limited and The Coventry and Rugby Hospital Company Plc

Principal activities and business review

The principal activity of the Group is the finance, design and construction and partial operation of the new Coventry and Rugby University Hospital under the Government's Private Finance Initiative

Business review

In December 2002 The Coventry and Rugby Hospital Company PLC entered into a contract with the University Hospitals Coventry and Warwickshire NHS Trust (UHCW) and the Coventry Primary Care Trust (now the Coventry and Warwickshire Partnership Trust) (CWPT) (together The Trusts) for the financing, design and construction and the provision of certain services in connection with the redevelopment of the hospital, mental health and a clinical sciences facility at the current hospital site in Walsgrave and the provision of certain services to the Hospital of St Cross. The facilities were completed in stages, with the final clinical facilities being completed and handed over to the UHCW in 2006. The Group now provides the full facilities management services required throughout the hospitals.

Key performance indicators (KPI's)

1 Performance deductions under the service contracts

Financial penalties are levied by The Trust in the event of performance standards not being achieved or parts of the hospital becoming unavailable for their anticipated use in accordance with the detailed criteria set out in the Project Documents. Where appropriate deductions are passed on to the service provider but the quantum is an indication of the Group's performance. For the year ended 31 December 2009 £13,734 deductions had been levied against the Group (2008 £5,815). The Group's performance against this measure was considered to be satisfactory.

2 Financial performance

The Group has modelled the anticipated financial outcome of the project across the term of the agreement up to the end of the concession in 2046. The Group monitors actual financial performance against this anticipated performance. As at 31 December 2009, the Group's performance against this measure was satisfactory.

Position of the Group at the year end

The Group is providing a full range of facilities management services as required under the Project Documents at a satisfactory level.

Principal risks and uncertainties

The University Hospitals Coventry and Warwickshire NHS Trust and the Coventry and Warwickshire Partnership Trust (together The Trusts) are the only clients of the Group but the directors consider that no risk arises from such a small client base since the Secretary for Health has underwritten The Trusts' obligations.

Performance risk under the Project Agreement and related contracts is passed on to the service providers. The obligations of the subcontractors are underwritten by parent company guarantees.

Dividends

The directors do not recommend the payment of a dividend (2008 £nil).

Directors' report (continued)

Directors

The following persons were directors of the company during the year

C Mitchell (resigned 10 March 2009)
I Hudson (appointed 10 March 2009)
G Birley-Smith
J Pedretti (resigned 1 October 2009)
M Gagnon (appointed 1 October 2009)
J Wrinn

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the group companies

Political and charitable contributions

The Group made no political or charitable contributions during the year (2008 *£nil*)

Policy on payment of creditors

It is the Group's policy to comply with the payment terms agreed with suppliers. Where payment terms are not negotiated the Group endeavours to adhere with suppliers' standard terms. The Group had £1,403,486 (2008 *£3,917,191*) of trade creditors at 31 December 2009 and an average payment period of 37 days (2007 *33 days*)

Statement as to disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he / she ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the board



M Brooks
Company Secretary

3 White Oak Square
London Road
Swanley
Kent
BR8 7AG

26 May 2010

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of The Coventry & Rugby Hospital Company (Holdings) Limited

We have audited the financial statements of The Coventry & Rugby Hospital Company (Holdings) Limited for the year ended 31 December 2009 set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed. Respective responsibilities of directors and auditors.

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

- We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
 - the parent company financial statements are not in agreement with the accounting records and returns, or
 - certain disclosures of directors' remuneration specified by law are not made, or
 - we have not received all the information and explanations we require for our audit.



A Moses (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading RG7 4SD

Date 10 June 2010

Consolidated profit and loss account
for the year ended 31 December 2009

	<i>Note</i>	2009 £	2008 £
Turnover	3	51,847,685	47,600,674
Net operating costs	4	(44,072,433)	(41,553,825)
Operating profit		7,775,252	6,046,849
Interest payable and similar charges	6	(18,016,181)	(38,404,861)
Other interest receivable and similar income	7	8,679,023	29,635,580
Loss on ordinary activities before taxation		(1,561,906)	(2,722,432)
Taxation on loss on ordinary activities	8	1,251,014	(103,881)
Loss for the financial year		(310,892)	(2,826,313)

There were no other recognised gains and losses for the current or prior year other than the loss stated above

There is no difference between the historical cost loss and the loss stated above. All of the results relate to continuing activities

Movements on reserves are shown in note 16

The notes on pages 11 to 19 form part of these financial statements

Balance sheets
as at 31 December 2009

	<i>Note</i>	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Fixed Assets					
Investments	9	-	50,000	-	50,000
Current assets					
Debtors amounts falling due within one year	10	18,159,967	1	34,584,312	6,143,891
Debtors amounts falling due in more than one year	11	351,814,325	32,962,906	355,167,294	34,508,906
		369,974,292	32,962,907	389,751,606	40,702,797
Cash at bank and in hand	12	40,012,098	1,454,107	43,240,624	8,575
		409,986,390	34,417,014	432,992,230	40,711,372
Current liabilities					
Creditors amounts falling due within one year	13	(21,788,982)	(1,808,872)	(27,252,213)	(6,152,466)
Net current assets		388,197,408	32,608,142	405,740,017	34,508,906
Total assets less current liabilities		388,197,408	32,658,142	405,740,017	34,558,906
Creditors amounts falling due after more than one year	14	(419,622,931)	(32,608,143)	(436,854,648)	(34,508,906)
Net liabilities		(31,425,523)	50,000	(31,114,631)	50,000
Capital and reserves					
Called up share capital	15	50,000	50,000	50,000	50,000
Reserves	16	(31,475,523)	-	(31,164,631)	-
Equity shareholders' deficit		(31,425,523)	50,000	(31,114,631)	50,000

The notes on pages 11 to 19 form part of these financial statements

These financial statements were approved by the Board of Directors on 26 May 2010 and signed its behalf by



G Birley-Smith
Director

Consolidated cashflow statement
for the year ended 31 December 2009

	<i>Note</i>	2009 £	2008 £
Net cashflow from operating activities	17(a)	22,608,745	9,270,343
Returns on investment and servicing of finance			
Interest received and similar income		9,651,883	31,253,372
Interest paid and similar charges		(23,953,470)	(19,741,545)
Net cash outflow on returns on investment and servicing of finance		(14,301,587)	11,511,827
Taxation		1,017,423	-
Financing			
Redemption of bonds		(11,007,107)	(10,619,979)
Redemption of unsecured subordinated loan notes		(1,546,000)	-
Increase in cash and cash equivalents	17(c)	(3,228,526)	10,162,191

Reconciliations of movements in shareholders' deficit / funds
for the year ended 31 December 2009

	Group 2009	Company 2009	Group 2008	Company 2008
Opening equity shareholders' (deficit) / funds	(31,114,631)	50,000	(28,288,318)	50,000
Loss for the year	(310,892)	-	(2,826,313)	-
Closing equity shareholders' (deficit) / funds	<u>(31,425,523)</u>	<u>50,000</u>	<u>(31,114,631)</u>	<u>50,000</u>

Notes

(forming part of the financial statements)

1 Basis of preparation of the financial statements

The financial statements have been prepared in accordance with applicable accounting standards and under historical cost accounting rules

The shareholders' deficit for the year ended 31 December 2009 is £31,425,523 (2008 £31,144,631) This arises from the early phase in the Group's 40 year concession period

The directors have reviewed the cash flow forecast and taking into account reasonably possible changes in operations believe that the Group and parent Company will be able to settle their liabilities as they fall due for the foreseeable future and therefore it is appropriate to prepare these financial statements on the going concern basis

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

(a) Turnover

Turnover is recognized in accordance with the finance debtor and services contract accounting policy below Turnover represents value of work done entirely in the UK and excludes value added tax

(b) Basis of consolidation

The group accounts consolidate the accounts of The Coventry and Rugby Hospital Company (Holdings) Limited and its subsidiary undertakings for the year ended 31 December 2009 using the acquisition method All inter-company balances, transactions and profits are eliminated on consolidation No profit and loss account is presented for the Company as permitted by section 408 of the Companies Act 2006 The result for the Company for the year ended 31 December 2009 was £nil

(c) Fixed asset investments

The investments in The Coventry and Rugby Hospital Company Nominee Limited and The Coventry and Rugby Hospital Company Plc are stated at cost The carrying value of these investments is reviewed annually by the directors to determine whether there has been any impairment to their value

(d) Finance debtor and services contract

The Group is an operator of a Private Finance Initiative ("PFI") contract The underlying asset is not deemed to be an asset of the Company under Financial Reporting Standard 5 Application Note F because the risks and rewards of ownership as set out in that standard are deemed to lie principally with the Trust

During the construction phase of the project, all attributable expenditure is included in contract receivable and turnover except interest costs as set out below Upon becoming operational, the costs are transferred to the finance debtor During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate The remainder of the PFI unitary charge income is included within turnover in accordance with FRS 5 Application Note G The company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services

Major maintenance costs are recognised on an incurred basis and the revenue receivable in respect of these services is recognised when these services are performed

(e) Interest

Interest bearing bank loans and other borrowings are recorded at the proceeds received net of direct issue costs During the construction stage of the project interest costs were expensed to the profit and loss All other finance charges and interest costs incurred after the completion of the project, including direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise

(f) Taxation

The charge for taxation is based on the loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred taxation is recognized without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Notes (continued)

(g) Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds

(h) Financial instruments

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Company are as follows

Trade debtors

Trade receivables are initially recognised at fair value and then are stated at amortised cost

Cash at bank

Cash at bank is carried in the balance sheet at nominal value

Trade creditors

Trade payables are initially recognised at fair value and then are stated at amortised cost

Bank and other borrowings

Interest bearing bank loans and other borrowings are recorded at the proceeds received net of direct issue costs. Finance charges including direct issue costs are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise

Finance debtor and contract receivables

Finance debtor and contract receivables are classified as loans and receivables as defined in paragraph 9 of FRS 26, which are initially recognised at fair value and then are stated at amortised cost

3 Turnover

	2009 £	2008 £
Services income	51,612,685	47,516,409
Construction income	235,000	84,265
	<u>51,847,685</u>	<u>47,600,674</u>

4 Net operating costs

	2009 £	2008 £
Materials, site and production costs	235,000	84,265
Services costs	41,617,832	39,032,143
Auditor's remuneration	17,640	8,458
- audit of these financial statement	53,881	9,108
- tax services	2,148,080	2,419,851
Other charges	<u>44,072,433</u>	<u>41,553,825</u>

Notes (continued)

5 Directors and staff costs

There were no employees during the year (2008 *£nil*) Directors' emoluments were paid by the shareholders of the parent undertaking The Group does not operate a pension scheme for its directors

6. Interest payable and similar charges

	2009 £	2008 £
Interest payable on bonds and subordinated debt	17,126,569	37,516,512
Amortisation of finance arrangement costs	889,612	888,349
	18,016,181	38,404,861

7. Other interest receivable and similar income

	2009 £	2008 £
Interest receivable on bank deposits	56,045	1,996,703
Interest receivable on finance debtor	8,622,978	27,638,877
	8,679,023	29,635,580

8 Taxation

(a) Analysis of the charge in the year

	2009 £	2008 £
<i>Current tax</i>		
Adjustment with respect to prior periods – land remediation tax credit	1,017,424	-
Total current tax	1,017,424	-
<i>Deferred tax</i>		
Tax on loss on ordinary activities	437,334	762,281
Adjustment to tax losses recognised in prior period	(203,744)	(866,162)
Total deferred tax (note 20)	233,590	(103,881)
Tax on loss on ordinary activities	1,251,014	(103,881)

Deferred tax assets of £11,520,297 (2008 £11,286,707) have been recognized as the directors believe that the availability of suitable future taxable profits under the PFI contract is sufficiently certain

Notes (continued)

8 Taxation (continued)

(b) Factors affecting the tax charge for the current year

The constituent elements of the tax charge for the year are set out below -

	2009 £	2008 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	<u>(1,561,906)</u>	<u>(2,722,432)</u>
Current tax at 28% (2008 28.5%)	(437,334)	(775,893)
<i>Effects of</i>		
Capital allowances in excess of finance debtor amortisation	(748,535)	(887,190)
Tax losses carried forward	<u>1,185,869</u>	<u>1,663,083</u>
	<u>-</u>	<u>-</u>

(c) Factors that may affect future and total tax charges

The Group has tax losses of £53.4 million (2008 £52.2 million) which have been carried forward and will be offset against future trading profits

9. Fixed asset investments

	Company 2009 £	Company 2008 £	
Subsidiary undertakings	<u>50,000</u>	<u>50,000</u>	
	Shares £	Loan Notes £	Total £
Cost as at 1 January 2009	50,000	34,508,906	34,558,906
Movement in year	-	(1,546,000)	(1,546,000)
Cost as at 31 December 2009	<u>50,000</u>	<u>32,962,906</u>	<u>33,012,906</u>

Subsidiary undertaking	Country of incorporation	Class	Shares Held %
The Coventry and Rugby Hospital Company Plc	England and Wales	Ordinary	99.998%
The Coventry and Rugby Hospital Nominee Ltd	England and Wales	Ordinary	100.000%

Notes (continued)

10 Debtors: amounts falling due within one year

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Finance debtor	3,586,467	-	3,378,370	-
Trade debtors	583,848	1	5,016,428	1
Prepayments and accrued income	2,469,355	-	4,145,288	6,143,890
Deferred tax asset (note 20)	11,520,297	-	11,286,707	-
Other debtors	-	-	10,757,519	-
	<u>18,159,967</u>	<u>1</u>	<u>34,584,312</u>	<u>6,143,891</u>

11. Debtors, amounts falling due after more than one year

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Finance debtor	351,814,325	-	355,167,294	-
Amounts due from group undertaking	-	32,962,906	-	34,508,906
	<u>351,814,325</u>	<u>32,962,906</u>	<u>355,167,294</u>	<u>34,508,906</u>

12. Cash at bank and in hand

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Bank balances	40,012,098	1,454,107	43,240,624	8,575
	<u>40,012,098</u>	<u>1,454,107</u>	<u>43,240,624</u>	<u>8,575</u>

13. Creditors: amounts falling due within one year

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Bond instalments due within one year	10,468,441	-	10,978,182	-
Trade creditors	1,403,486	-	3,917,191	-
Accruals and deferred income	8,071,677	1,728,366	10,849,062	6,152,465
Other creditors	1,845,378	-	1,507,778	-
Amounts due to group undertakings	-	80,506	-	1
	<u>21,788,982</u>	<u>1,808,872</u>	<u>27,252,213</u>	<u>6,152,466</u>

Notes (continued)

14. Creditors amounts falling due after more than one year

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Bonds at the beginning of the year	433,749,661	-	426,536,291	-
Amounts repaid	(11,007,107)	-	(10,619,979)	-
Inflation on the bond	(5,326,717)	-	18,220,008	-
Less adjustment for effective interest rate*	(355,387)	-	(386,659)	-
	417,060,450	-	433,749,661	-
Less unamortised debt issuance costs	(20,933,385)	-	(21,822,997)	-
Bonds at the end of the year	396,127,065	-	411,926,664	-
Deferred income	1,356,164	-	1,397,260	-
Unsecured subordinated loan notes	32,962,906	32,962,906	34,508,906	34,508,906
	430,446,135	32,962,906	447,832,830	34,508,906
Less amounts due within one year	(10,823,205)	(354,763)	(10,978,182)	-
	419,662,930	32,608,143	436,854,648	34,508,906

* This represents the difference between the interest charged at the effective interest rate and actual interest payable based on the coupon rate

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Loans and deferred income				
Instalments due within				
1 year	10,823,205	354,763	10,978,182	-
1-2 years	10,616,081	-	11,335,447	-
2-5 years	30,831,032	-	34,147,795	-
Over 5 years	399,109,202	32,608,143	413,194,403	34,508,906
	451,379,520	32,962,906	469,655,827	34,508,906
Less amounts due within 1 year	(10,823,205)	(354,763)	(10,978,182)	-
	440,556,315	32,608,143	458,677,645	34,508,906
Less unamortised debt issuance costs	(20,933,385)	-	(21,822,997)	-
	419,622,930	32,608,143	436,854,648	34,508,906

Guaranteed secured bonds

The bond is secured by an irrevocable financial guarantee policy issued by MBIA Assurance S A , in favour of Maurant & Co Capital Trustees Limited as security trustee over all of the undertakings and assets of the company. The bond is repayable in bi-annual installments ending in 2040 and is subject to an interest rate of 3.246% indexed linked.

Subordinated loan

The shareholders' subordinated debt is unsecured and repayable in 2042. Interest is payable half yearly at a rate of 14.52% per year.

Notes (continued)

15 Called up share capital

	2009 Number	2008 Number
Authorised ordinary shares of £1	<u>50,000</u>	<u>50,000</u>
	£	£
Allotted, called up and fully paid ordinary shares of £1	<u>50,000</u>	<u>50,000</u>

16. Reserves

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
At the beginning of the year	(31,164,631)	-	(28,338,318)	-
Retained profit / (loss) for the year	(310,892)	-	(2,826,313)	-
	<u>(31,475,523)</u>	<u>-</u>	<u>(31,164,631)</u>	<u>-</u>

17. Consolidated cashflow statement

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

	Group 2009 £	Group 2008 £
Operating profit	7,775,252	6,046,848
Decrease / (increase) in debtors	20,010,908	102,030
Increase / (decrease) in creditors	(5,177,415)	3,121,465
Net Cash outflow	<u>22,608,745</u>	<u>9,270,343</u>

(b) Analysis of net debt

	At 1 January 2009 £	Cashflow £	Other non cash changes £	At 31 December 2009 £
Cash at bank and in hand	43,240,624	(3,228,526)	-	40,012,098
Guaranteed secured bonds	(433,749,661)	11,007,107	5,682,104	(417,060,450)
Unsecured subordinated loan notes	(34,508,906)	1,546,000	-	(32,962,906)
	<u>(425,017,943)</u>	<u>9,324,581</u>	<u>5,682,104</u>	<u>(410,011,258)</u>

Notes (continued)

17. Consolidated cashflow statement (continued)

(c) Reconciliation of net cashflow to movement in net debt

	Group 2009 £	Group 2008 £
(Decrease)/increase in cash for the year	(3,228,526)	10,162,191
Redemption of guaranteed secured bonds	11,007,107	10,619,979
Redemption of unsecured subordinated loan notes	1,546,000	-
Change in net debt resulting from cash flows	<u>9,324,581</u>	<u>20,782,170</u>
Changes in net debt resulting from non cash transactions	5,682,104	(17,833,349)
Movement in debt for the year	<u>15,006,685</u>	<u>2,948,821</u>
Changes in net debt resulting from non cash transactions comprise		
Inflation on the bonds	5,326,717	(18,220,008)
Effective interest rate adjustment to bond interest	355,387	386,659
	<u>5,682,104</u>	<u>(17,833,349)</u>

18. Contingent liabilities

There are no disclosable contingent liabilities (2008 £nil)

19 Capital commitments

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Amounts contracted for but not provided for in the financial statements	<u>140,000</u>	<u>-</u>	<u>350,000</u>	<u>-</u>

Notes (continued)

20. Deferred tax asset

A deferred tax asset has been recognised in the current year books of a subsidiary undertaking as it is felt that this amount will be recoverable from future profits

The elements of deferred taxation are as follows

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Tax losses for prior periods	14,713,317	-	13,916,395	-
Adjustment to tax losses for prior periods	(203,744)	-	(866,162)	-
Tax losses for the current year	1,185,869	-	1,663,083	-
Total deferred tax asset	15,695,442	-	14,713,316	-
Balance brought forward	(3,426,610)	-	(2,525,807)	-
Capital allowances in excess of finance debtor amortization	(748,535)	-	(900,802)	-
Total deferred tax liability	(4,175,145)	-	(3,426,609)	-
	11,520,297	-	11,286,707	-

21. Related party transactions

The Company is owned by Skanska Infrastructure Investment UK Limited (25%) and Innisfree Nominees Ltd (75%) acting in its capacity as manager of the Innisfree PFI Continuation Fund. The Skanska and Innisfree groups of companies have interests in contracts placed by the Company's subsidiary, The Coventry and Rugby Hospital Company Plc.

In December 2002 The Coventry and Rugby Hospital Company Ltd entered into contracts with Skanska Construction Ltd and Skanska Rashleigh Weatherfoil Ltd (the Skanska Coventry Joint Venture) for the financing, design, construction and the provision of certain services in connection with the redevelopment of hospital, mental health and a clinical sciences facility at the current hospital site in Walsgrave and the provision of certain services to the Hospital of St Cross. The value of work completed under the contracts with Skanska Construction Ltd and Skanska Rashleigh Weatherfoil Ltd during the year was £10,244,012 (2008 £8,311,116) inclusive of £44,579 (2008 £2,536,677) owing at the year end.

Under the terms of Shareholder, Technical Services and Management Agreements the Skanska and Innisfree groups provide The Coventry and Rugby Hospital Company Ltd with its directors, staff and technical support services. The value of work undertaken in the year was £833,511 (2008 £640,518). As at 31 December 2009 trade creditors includes £20,290 (2008 £82,441) due to the Innisfree and Skanska groups under these arrangements.

Skanska and Innisfree are parties to the subordinated Debt Subscription Agreement, details of which are given in note 14 to the accounts.

