

**Coventry and Rugby Hospital Company
(Holdings) Limited**
(Formerly: Walsgrave Hospitals Company
(Holdings) Limited)

**Directors' report and consolidated financial
statements**

31 December 2002

Registered number 04129835



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Company information

Directors

JE Gemmell
AR Gillman
TR Pearson
RA Pett

Secretary

DC Howe

Registered office

3 White Oak Square
London Road
Swanley
Kent BR8 7AG

Auditors

KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activity

The principal activity of the company is the holding of investments.

Business review

The company did not trade during the year.

On 10th June 2003 the company changed its name from Walsgrave Hospitals Company (Holdings) Limited

In December 2002 a subsidiary, The Coventry and Rugby Hospital Company PLC, entered into a contract with the University Hospitals Coventry and Warwickshire National Health Service Trust for the financing, design and construction of and the provision of certain services in connection with the redevelopment of Hospital, mental health facilities and a Clinical Sciences facility at the current hospital site in Walsgrave and the provision of certain services to the Hospital of St Cross.

Dividends

The directors do not recommend the payment of a dividend. (2001:£Nil)

Directors

The directors who held office during the year were as follows:

JE Gemmel (appointed 3 December 2002)

AR Gillman (appointed 14 June 2002)

Mitre Directors Limited (resigned 14 June 2002)

Mitre Secretaries Limited (resigned 14 June 2002)

TR Pearson (appointed 14 June 2002)

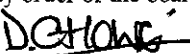
RA Pett (appointed 14 June 2002)

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.

Auditors

During the year, KPMG were appointed as shareholders of the company. In accordance with Section 385 of the Companies Act 1985, a resolution to reappoint KPMG Audit Plc as auditors is to be proposed at the next Annual General Meeting.

By order of the board



DC Howe
Secretary

3 White Oak Square
London Road
Swanley
Kent BR8 7AG

11 NOV 2003

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss 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 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 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Independent auditors report to the members of the Coventry and Rugby Hospital Company (Holdings) Limited

We have audited the financial statements on pages 5 to 15.

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 auditor's 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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

Basis of audit opinion

We have conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 of the state of affairs of the company and the group as at 31 December 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

19 December 2003

Consolidated profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	2002 £	2001 £
Turnover	2(i)	57,288,308	-
Net operating costs	3	(57,220,373)	-
		<hr/>	<hr/>
Operating profit		67,935	-
Interest payable and similar charges	5	(1,873,006)	-
Other interest receivable and similar income	6	1,081,360	-
		<hr/>	<hr/>
Loss on ordinary activity before taxation		(723,711)	-
Taxation credit on loss on ordinary activities	7	217,113	-
		<hr/>	<hr/>
Loss for the financial year		(506,598)	-
Retained profit brought forward		-	-
		<hr/>	<hr/>
Retained loss carried forward		(506,598)	-
		<hr/>	<hr/>

There were no other recognised gains and losses for the 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 14.

The notes on pages 9 to 15 form part of these financial statements

Consolidated balance sheet
at 31 December 2002

	Note	2002	2001
		£	£
Current assets			
Debtors:			1
amounts falling due within one year	9	60,838,023	
amounts falling due in more than one year	10	5,765,183	
		66,603,206	
Cash at bank and in hand		287,986,978	-
		354,590,184	1
Creditors: amounts falling due within one year	11	(10,029,520)	-
Net current assets		344,560,664	1
Total assets less current liabilities		344,560,664	1
Creditors: amounts falling due after more than one year	12	(345,017,262)	-
Net liabilities		(456,598)	1
Capital and reserves			
Called up share capital	13	50,000	1
Profit and loss account	14	(506,598)	-
Deficit on equity shareholders' funds	15	(456,598)	1

These financial statements were approved by the board of directors on 11 NOV 2003 and were signed on its behalf by:



Director
 TR Pearson

Company balance sheet
at 31 December 2002

	Note	2002	2001
		£	£
Fixed assets			
Investment in subsidiary undertakings	8	50,000	
Current assets			
Called up share capital not paid		1	1
Creditors: amounts falling due within one year			
Amounts owed to subsidiary undertaking		(1)	-
		-	1
Net assets		50,000	1
Capital and reserves			
<i>Called up share capital</i>			
Allotted, called up and fully paid	13	50,000	1
Equity shareholders' funds	15	50,000	1

These financial statements were approved by the board of directors on 11 NOV 2003 and were signed on its behalf by:



Director
TR Pearson

Consolidated cash flow statement
 for the year ended 31 December 2002

	Note	2002 £	2001 £
Net cash outflow from operating activities	16	(56,505,750)	-
Returns on investment and servicing of finance	17	(27,796,271)	-
		<hr/>	<hr/>
Cash outflow before financing		(84,302,021)	-
Tax paid		-	-
Financing	17	372,288,999	-
		<hr/>	<hr/>
Increase in cash in the period		287,986,978	-
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		287,986,978	-
New loans		(372,239,000)	-
		<hr/>	<hr/>
Change in net debt resulting from cash flows	18	(84,252,022)	-
Net debt at 1 January 2002	18	-	-
		<hr/>	<hr/>
Net debt at 31 December 2002	18	(84,252,022)	-
		<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Basis of preparation of the accounts

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

The shareholders funds for the year ending 31 December 2002 show a deficit of £456,598. This is a result of the timing of cashflows and is not considered permanent. This has not resulted in breach of the covenant terms relating to the bond.

The directors have reviewed the forecast cashflows and believe that the financial position will strengthen in the future and therefore consider that it is appropriate to prepare these financial statements on a going concern basis.

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2002. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under Section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

2 Accounting policies

(i) Turnover

Turnover represents value of work done entirely in the UK and excludes value added tax.

(ii) Contract receivable

Increases in the contract receivable represent the costs arising on the construction of the new Coventry and Rugby University Hospital. Cost is stated at prime cost plus contracting overheads.

(iii) Finance debtor

In accordance with Financial Reporting Standard (FRS) 5 Application Note F the costs incurred in building the new Coventry and Rugby Hospital have been treated as a contract receivable. On completion of each phase of the contract the contract receivable is converted to a finance debtor receipt of which is dependent upon satisfactory performance of the company and accounted for in accordance with SSAP 21.

(iv) Fixed asset investments

Fixed asset investments are held at the lower of cost or net realisable value.

(v) Taxation

The charge to taxation takes into account taxation deferred because of timing differences in the treatment of certain items for taxation and accounting purposes. Deferred taxation is not recognised unless there is reasonable evidence that it will be reversed in the foreseeable future.

3 Net operating costs

	2002 £	2001 £
Materials site and production costs	56,906,745	-
Service costs	104,310	-
Other charges	209,318	-
	<hr/>	<hr/>
	57,220,373	
	<hr/>	<hr/>

Notes (continued)

4 Directors and staff costs

There were no employees in the year (2000: nil). Director's emoluments were incurred by the parent undertakings.

5 Interest payable and similar charges

	2002 £	2001 £
Amounts payable on other loans	(1,813,178)	-
Amortisation of finance costs	(59,828)	-
	<u>(1,873,006)</u>	<u>-</u>

6 Other interest receivable and similar income

	2002 £	2001 £
Finance debtor interest receivable	29,628	-
Interest receivable on bank deposits	1,051,732	-
	<u>1,081,360</u>	<u>-</u>

7 Taxation

Analysis of credit in year

	2002 £000	2001 £000
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Total current tax	-	-
Deferred tax (note 9)	(217,113)	-
Tax on loss on ordinary activities	<u>(217,113)</u>	<u>-</u>

Notes (continued)

7 Taxation (continued)

Factors affecting the tax credit for the current year

	2002 £000	2001 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(723,711)	-
Current tax at 30% (2001: 30%)	(217,113)	-
<i>Effects of:</i>		
Tax losses carried forward	217,113	-
Total current tax credit (see above)	217,113	-

The company has trading losses of approximately £217,113 (2001: nil), which may be utilised against future tax liabilities. A deferred tax asset has been recognised in respect of these amounts.

8 Investment in subsidiary undertaking

Investments in subsidiary undertakings comprise 49,999 (2001: Nil) £1 ordinary shares in The Coventry and Rugby Hospital Company PLC, a company registered in England and Wales and engaged in the building, financing and part operating of the Walsgrave and St Cross Hospitals under the Government's Private Finance Initiative, and 1 (2001: Nil) £1 ordinary share in The Coventry and Rugby Hospital Company Nominee Limited, a company registered in England and Wales.

9 Debtors

	2002 £	Group 2001 £
Finance lease debtor (note 10)	148,142	-
Contract receivable	50,756,074	-
Trade debtors	1	1
Deferred tax	217,113	-
Other debtors	8,654,449	-
Prepayments and accrued income	1,062,244	-
	60,838,023	1

Notes (continued)

10 Debtors: amounts falling due after more than one year

	2002 £	2001 £
Finance lease debtors:		
Instalments due within 1 year	148,142	-
1-2 years	148,142	-
2-5 years	444,425	-
Over 5 years	5,172,616	-
	<hr/> 5,913,325	<hr/> -
Less: Amount due within 1 year	(148,142)	-
	<hr/> <hr/> 5,765,183	<hr/> <hr/> -

11 Creditors: amounts falling due within one year

	2002 £	Group 2001 £
Trade creditors	9,209,721	-
Accruals and deferred income	49,264	-
	<hr/> 9,258,985	<hr/> -
	<hr/> <hr/>	<hr/> <hr/>

12 Creditors: amounts falling due after more than one year

	2002 £	Group 2001 £
Bond proceeds:		
Instalments due within 1 year	-	-
1-2 years	-	-
2-5 years	4,846,886	-
Over 5 years	368,162,649	-
	<hr/> 373,009,535	<hr/> -
Finance costs capitalised	(27,281,566)	-
Less: amortisation of finance costs capitalised	59,828	-
	<hr/> <hr/> 345,787,797	<hr/> <hr/> -

The bond is secured by an irrevocable financial guarantee policy. The bond is repayable in half-yearly instalments starting in 2007 and is subject to an interest rate of 3.246% indexed linked.

Notes (continued)

13 Called up share capital

	2002 £	2001 £
Equity		
<i>Authorised</i>		
50,000 shares of £1.00 each (2001:100)	50,000	1
	<hr/>	<hr/>
<i>Called up and fully paid</i>		
50,000 shares of £1 each (2001:1)	50,000	1
	<hr/>	<hr/>

14 Reserves

	Company 2002 £	2001 £	Group 2002 £	2001 £
At the beginning of the year	-	-	-	-
Retained loss for the year	-	-	(506,598)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At the end of the year	-	-	(506,598)	-
	<hr/>	<hr/>	<hr/>	<hr/>

15 Reconciliation of movements in equity shareholders' funds

	Company 2002 £	2001 £	Group 2002 £	2001 £
Opening equity shareholders' funds	1	1	1	1
Loss for the year	-	-	(506,598)	-
Issue of share capital	49,999	-	49,999	-
	<hr/>	<hr/>	<hr/>	<hr/>
Closing equity shareholders' funds	50,000	1	(456,598)	1
	<hr/>	<hr/>	<hr/>	<hr/>

16 Reconciliation of operating profit to net cash flow from operating activities

	2002 £	2001 £
Operating profit	67,935	-
(Increase) in debtors	(66,603,205)	-
Increase in creditors	10,029,520	-
	<hr/>	<hr/>
Net cash outflow from operating activities	(56,505,750)	-
	<hr/>	<hr/>

Notes (continued)

17 Analysis of cash flow movements

	2002 £	2001 £
Returns on investment and servicing of finance		
Interest received	490,875	-
Interest paid	(1,005,880)	-
Finance costs	(27,281,566)	-
Net cash outflow from returns on investment and servicing of finance	(27,796,271)	-
Financing		
Issue of new share capital	49,999	-
New bond issue	372,239,000	-
Net cash inflow from financing	372,288,999	-

18 Analysis of net debt

	At 1 January 2002 £	Cash Flows £	At 31 December 2002 £
Cash at bank and in hand	-	287,986,978	287,986,978
Bank loans	-	(372,239,000)	(372,239,000)
	-	(84,252,022)	(84,252,022)

19 Contingent liabilities

There are no contingent liabilities

20 Capital commitments

	2002 £	2001 £
Amounts contracted for but not provided in the financial statements	289,330,000	-

Notes (continued)

21 Related party transactions

On 3 December 2002 a subsidiary undertaking entered into contracts with Skanska Construction Limited and Skanska Rashleigh Weatherfoil Limited for the design, construction and provision of certain services in connection with the redevelopment of acute hospital, mental health facilities and a clinical sciences facility at start up of an acute hospital on the hospital site at Walsgrave and for the provision of certain services to the hospital of St Cross, Coventry and with Skanska AB (publ) who guarantee the performance of Skanska Construction Limited and Skanska Rashleigh Weatherfoil Limited. Skanska BOT UK Limited, a fellow subsidiary of Skanska AB (publ), owns 25% of the share capital of the company. The value of the work in year under the contracts with Skanska Construction Limited and Skanska Rashleigh Weatherfoil Limited was £37,550,000 (2001: Nil) inclusive of £7,251,000 (2001: Nil) owing at the year end.

22 Parent Undertaking

The Company's immediate parent undertaking is Innisfree Nominees Limited, a company registered and incorporated in England and Wales. The results of the company are consolidated into the accounts of Innisfree Group Limited which are available to the public.