The Coventry and Rugby Hospital Company PLC

Directors' report and financial statements

31 December 2005
Registered number: 4508763

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Company information

Directors
JE Gemmell
CL Mitchell (appointed 9 February 2006)
TR Pearson
J Pedretti (appointed 20 January 2006)

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 report and the audited financial statements for the year to 31 December 2005.

Principal activity

The principal activity of the company 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 National Health Service Trust (the Trust) for the financing, design and construction of 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. During 2004 the rear section of the Clinical Science Building, the Mental Health Unit and the first of the four tower sections of the main acute hospital were completed and handed over to the Trust. The Company has continued to provide full facilities management services in these areas throughout 2005 whilst continuing the construction of the other three tower sections.

Dividends

The directors do not recommend the payment of a dividend *(2004: £Nil)*.

Directors

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

NJE Crowther (appointed 9 August 2005, resigned 9 February 2006)
JE Gemmell
AR Gillman (resigned 19 January 2006)
TR Pearson
RA Pett (resigned 9 August 2005)

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

Policy on payment of creditors

It is policy to comply with the payment terms agreed with suppliers. Where payment terms are not negotiated the Company endeavours to adhere with suppliers standard terms. The Company had £5,872,254 of trade creditors at 31 December 2005 (*2004: £10,430,307*) and an average payment period of 43.3 days (*2004: 29.9 days*).

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

During the year KPMG Audit Plc acted as auditors 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

D. Howe

3 White Oak Square
London Road
Swanley
Kent BR8 7AG
19 July 2006

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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

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 year.

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, 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.

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 its 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 company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

Independent auditors' report to the members of The Coventry and Rugby Hospital Company PLC

We have audited the financial statements of The Coventry and Rugby Hospital Company PLC for the year ended 31 December 2005 which comprise Profit and Loss Account, the Balance Sheet, the Reconciliation of movements in Shareholders' deficit and the related notes. 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 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

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 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 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 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss 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 July 2006

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Profit and loss account

for the year ended 31 December 2005

	Note	**2005**	2004
		£	£
Turnover	*3*	**70,936,928**	129,003,518
Net operating costs	*4*	**(68,180,407)**	(127,272,902)
Operating profit		**2,756,521**	1,730,616
Interest payable and similar charges	*6*	**(26,299,594)**	(22,925,866)
Other interest receivable and similar income	*7*	**8,298,237**	9,872,168
Loss on ordinary activity before taxation		**(15,244,836)**	(11,323,082)
Taxation	*8*	**4,428,507**	7,439,084
Loss for the financial year		**(10,816,329)**	(3,883,998)
Retained loss brought forward		**(17,357,862)**	(13,473,864)
Retained loss carried forward		**(28,174,191)**	(17,357,862)

There were no other recognised gains and losses in 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 16.

The notes on pages 8 to 17 form part of these financial statements

Balance sheet
at 31 December 2005

	Note	2005 £	2005 £	2004 £	2004 £
Current assets					
Debtors:					
amounts falling due within one year	*9*	**24,734,420**		34,190,614	
amounts falling due after more than one year	*10*	**332,018,629**		275,590,777	
		356,753,049		309,781,391	
Cash at bank and in hand	*11*	**33,892,560**		52,544,776	
		390,645,609		362,326,167	
Creditors: amounts falling due within one year	*12*	**(17,445,028)**		(11,978,258)	
Net current assets			**373,200,581**		350,347,909
Total assets less current liabilities			**373,200,581**		350,347,909
Creditors: amounts falling due after more than one year	*13*		**(380,881,440)**		(367,655,771)
Subordinated loan	*14*		**(20,443,332)**		-
Net liabilities			**(28,124,191)**		(17,307,862)
Capital and reserves					
Called up share capital	*15*		**50,000**		50,000
Profit and loss account	*16*		**(28,174,191)**		(17,357,862)
Equity shareholders' deficit			**(28,124,191)**		(17,307,862)

The notes on pages 8 to 17 form part of these financial statements

These financial statements were approved by the board of directors on 19 July 2006 and were signed on its behalf by:

J.E. Gemmell

JE Gemmell
Director

Reconciliation of movements in equity shareholders' deficit
for the year ended 31 December 2005

	2005	2004
	£	£
Opening equity shareholders' deficit	**(17,307,862)**	(13,423,864)
Loss for the year	**(10,816,329)**	(3,883,998)
Closing equity shareholders' deficit	**(28,124,191)**	(17,307,862)

The notes on pages 8 to 17 form part of these financial statements

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 deficit as at 31 December 2005 is £28,124,191 *(2004:£17,307,862)*. 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.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds of that a parent undertaking includes the company in its own published consolidated financial statements.

2 Accounting policies

(i) Turnover

Turnover is recognised in accordance with the finance debtor and long term contracts accounting policies below. Turnover represents value of work done entirely in the UK and excludes value added tax .

(ii) Finance debtor

The Company is an operator of a Private Finance Initiative ("PFI") contract. The underlying property is not deemed to be a tangible asset of the Company under Financial Reporting Standard 5 Application Note F.

During the construction phase of the project, all attributable expenditure is included in amounts recoverable on contracts and turnover. 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 the long term contract accounting policy below.

(iii) 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.

(iv) Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred less those transferred to the profit and loss account after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

(v) Interest

Interest costs are expensed to profit and loss account during the construction stage of the project.

Notes *(continued)*

(vi) 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 and Guaranteed Investment Contracts (GICs)

Cash at bank are carried in the balance sheet at nominal value.

GICs are readily convertible into known amounts of cash at or close to their carrying values and are classified as cash. They are treated as held-to-maturity instruments as defined in paragraph 9 of FRS 26, which are initially recognised at fair value and then are stated at amortised cost.

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 overdrafts and other loans are recognised initially at fair value. All borrowings are subsequently stated at amortised cost with the difference between initial net proceeds and redemption value recognised in the income statement over the period to redemption.

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.

(vii) 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 Analysis of turnover

	2005	2004
	£	£
Construction income	**57,955,067**	119,505,365
Facilities management income	**12,981,861**	9,498,153
	70,936,928	129,003,518

4 Net operating costs

	2005	2004
	£	£
Materials site and production costs	**57,955,067**	119,524,906
Service costs	**8,734,479**	6,700,506
Auditors remuneration – audit fees	**15,000**	16,000
Auditors remuneration – other fees	**5,000**	5,000
Other charges	**1,470,861**	1,026,490
	68,180,407	127,272,902

Notes *(continued)*

5 Directors and staff costs

There were no employees in the year (*2004: Nil*). Director's emoluments were incurred by the shareholders of the parent undertaking.

6 Interest payable and similar charges

	2005 £	2004 £
Amounts payable on loans	**(13,073,926)**	(12,664,996)
Indexation on loans	**(12,499,773)**	(9,534,975)
Amortisation of finance costs	**(725,895)**	(725,895)
	(26,299,594)	(22,925,866)

7 Other interest receivable and similar income

	2005 £	2004 £
Finance debtor interest receivable	**6,448,613**	4,419,214
Interest receivable on bank deposits	**1,849,624**	5,452,954
	8,298,237	9,872,168

8 Taxation

Analysis of credit in year

	2005 £	2004 £
UK corporation tax		
Current tax on income for the year	-	-
Total current tax	-	-
Deferred tax (Note 17)	**4,560,578**	7,439,084
Adjustment in respect of prior year	**(132,071)**	-
Tax on loss on ordinary activities	**4,428,507**	7,439,084

Notes *(continued)*

8 Taxation (continued)

Factors affecting the current tax for the current year

	2005 £	2004 £
Current tax reconciliation		
Loss on ordinary activities before tax	**(15,244,836)**	(11,323,082)
Current tax at 30% (2004: 30%)	**(4,573,451)**	(3,396,925)
Effects of:		
Disallowable expenses	**12,873**	-
Capital allowances in excess of finance debtor amortisation	**(210,325)**	-
Reversal of timing differences	**(90)**	-
Tax losses carried forward	**4,770,993**	3,396,925
Tax on loss on ordinary activities	**-**	-

Factors that may affect future current and total tax charges

The company has trading losses of approximately £41,638,824 (*2004: £24,746,946*), which may be utilised against future tax liabilities. A deferred taxation asset has been recognised in the current year as it is felt that this amount will be recoverable from future profits (note 17).

9 Debtors: amounts falling due within one year

	2005 £	2004 £
Finance debtor (note 10)	**822,812**	2,842,427
Trade debtors	**764,691**	664,022
Other debtors	**9,628,917**	6,903,956
Prepayments and accrued income	**1,650,409**	16,341,125
Deferred taxation asset (note 17)	**11,867,591**	7,439,084
	24,734,420	34,190,614

10 Debtors: amounts falling due after more than one year

	2005 £	2004 £
Finance debtor:		
Instalments due within 1 year	**822,812**	2,842,427
1-2 years	**872,922**	2,842,428
2-5 years	**2,950,877**	5,684,855
Over 5 years	**102,245,730**	96,298,210
	106,892,341	107,667,920
Less: Amount due within 1 year	**(822,812)**	(2,842,427)
	106,069,529	104,825,493
Contract receivable (note 18)	**225,949,100**	170,765,284
	332,018,629	275,590,777

Notes *(continued)*

11 Cash at bank and in hand

	2005	2004
	£	£
RPI linked Guaranteed Investment Contracts	**2,225,711**	7,490,448
Fixed rate Guaranteed Investment Contracts	**-**	41,684,218
Other bank balances	**31,666,849**	3,370,110
	33,892,560	52,544,776

12 Creditors: amounts falling due within one year

	2005	2004
	£	£
Trade creditors	**5,872,254**	10,430,037
Accruals and deferred income	**8,907,901**	1,548,221
Other liabilities	**2,664,873**	-
	17,445,028	11,978,258

13 Creditors: amounts falling due after more than one year

	2005	2004
	£	£
Bond proceeds:		
At the beginning of the period	**393,425,055**	383,890,080
Inflation on the bond	**12,499,774**	9,534,975
At the end of the period	**405,924,829**	393,425,055
Bond proceeds:		
Instalments due within 1 year	**-**	-
1-2 years	**5,274,587**	-
2-5 years	**29,601,256**	23,965,880
Over 5 years	**371,048,986**	369,459,175
	405,924,829	393,425,055
Less: unamortized debt issuance costs	**(25,043,389)**	(25,769,284)
	380,881,440	367,655,771

The bond is secured by an irrevocable financial guarantee policy. The bond is repayable in half-yearly instalments starting in 2007 and ending in 2040 and is subject to an interest rate of 3.246% indexed linked.

Notes *(continued)*

14 Subordinated loan

The shareholders' subordinated debt from the parent undertaking is unsecured and repayable in 2042 subsequent to the repayment of the bond. Interest is payable half yearly at a rate of zero per cent until June 2007 and at a rate of 14.52% per year thereafter.

	2005	2004
	£	£
Subordinated loans		
Instalments due over 5 years	**20,443,332**	-

15 Called up share capital

	2005	2004
Equity	**£**	£
Authorised		
50,000 shares of £1 each	**50,000**	50,000
Called up and fully paid		
50,000 shares of £1 each	**50,000**	50,000

16 Reserves

	2005	2004
	£	£
At the beginning of the year	**(17,357,862)**	(13,473,864)
Retained loss for the year	**(10,816,329)**	(3,883,998)
At the end of the year	**(28,174,191)**	(17,357,862)

17 Deferred tax asset

The Company has a net deferred taxation asset as it is felt that this amount will be recoverable from future profits.

The elements of deferred taxation are as follows:

	2005	2004
	£	£
Tax losses for prior periods	**7,439,084**	-
Adjustment for prior periods	**282,765**	4,042,159
Reversal of timing differences	**(90)**	-
Tax losses for the current year	**4,770,993**	3,396,925
Total deferred tax asset	**12,492,752**	7,439,084
Adjustment for prior periods	**(414,836)**	-
Capital allowances in excess of finance debtor amortisation	**(210,325)**	-
Total deferred tax liability	**(625,161)**	-
Deferred tax asset (net)	**11,867,591**	7,439,084

Notes *(continued)*

18 Financial instruments

Financial risk management policies and objectives

The Company's principal financial instruments comprise Guaranteed Investment Contracts ("GICs") short term deposits, index-linked rate bonds and subordinated loans. The main purpose of these financial instruments is to ensure, via the terms of the financial instruments, that the profile of the debt service costs is tailored to match expected revenues arising from the Project Agreement.

The Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities. Board approval is required for the use of any new financial instrument, and the Company's ability to do so is restricted by covenants in its existing funding agreements.

Exposure to liquidity, credit and interest rate risks are in the normal course of the Company's business.

Liquidity risk

The Company has entered into index-linked and fixed rate GICS with a periodic withdrawal schedule to match the construction and interest payment requirements during the construction of the Hospital.

Repayment of index-linked rate bonds and subordinated loans are not required until the Hospital is operational and revenue is receivable under the terms of the Project Agreement.

Credit risk

Although the University Hospitals Coventry and Warwickshire NHS Trust and the Coventry Primary Care Trust (the Trusts) are the only clients of the Coventry and Rugby Hospital Company PLC, the directors are satisfied that the Trusts will be able to fulfil their collateral obligations under the PFI contract that are in turn underwritten by the Secretary of State for Health.

Notes *(continued)*

18 Financial instruments (continued)

Interest rate risk

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature or, if earlier are repriced.

	2005						2004					
	Effective Interest rate	Total £'000	One year or less £'000	1 – 2 years £'000	2 – 5 years £'000	Over 5 years £'000	Effective Interest rate	Total £'000	One Year or less £'000	1 – 2 years £'000	2 – 5 years £'000	Over 5 years £'000
Fixed rate GICs	-	-	-	-	-	-	4.3%	41,684	41,684	-	-	-
RPI linked GICS*	4.5%	2,226	2,226	-	-	-	4.5%	7,491	5,265	2,226	-	-
Bank balances*	3.8% - 4.8%	31,667	31,667	-	-	-	3.0% – 4.6%	3,370	3,370	-	-	-
Contract receivable**	6.0%	225,949	-	-	-	225,949	6.0%	170,765	-	-	-	170,765
Finance debtor	6.0%	106,892	823	873	2,951	102,245	6.0%	107,668	2,842	2,843	5,685	96,298
Trade debtors	-	765	765	-	-	-	-	664	664	-	-	-
Guaranteed secured bonds*	3.5% - 8.5%	(405,925)	-	(5,275)	(29,601)	(371,049)	3.4% - 8.4%	(393,425)	-	-	(23,966)	(369,459)
Unsecured subordinated loans	14.5%	(20,443)	-	-	-	(20,443)	-	-	-	-	-	-
Trade creditors	-	(5,872)	(5,872)	-	-	-	-	(10,430)	(10,430)	-	-	-
		(64,741)	29,609	(4,402)	(26,650)	(63,298)		(72,213)	43,395	5,069	(18,281)	(102,396)

*Floating rate. Where appropriate, inflation has been assumed at 2.5% per annum *(2004: 2.5% per annum)*

** On completion of construction, the contract receivable is reclassified as finance debtor.

Notes *(continued)*

18 Financial instruments (continued)

Fair values

The fair values together with the carrying amounts shown in the balance sheet of all financial assets and financial liabilities are as follows:

	2005 Carrying amount	**2005 Fair value**	2004 Carrying amount	2004 Fair value
	£	**£**	£	£
Fixed rate GICs	**-**	**-**	41,684,218	41,684,218
RPI linked GICs	**2,225,711**	**2,225,711**	7,490,448	7,490,448
Bank balances	**31,666,849**	**31,666,849**	3,370,110	3,370,110
Contract receivable	**225,949,100**	**228,584,097**	170,765,284	169,193,085
Finance debtor	**106,892,340**	**114,309,865**	107,667,920	104,212,435
Trade debtors	**764,691**	**764,691**	664,022	664,022
Guaranteed secured bonds	**(405,924,829)**	**(491,132,137)**	(393,425,055)	(442,294,380)
Unsecured subordinated loans	**(20,443,332)**	**(10,213,688)**	-	-
Trade creditors	**(5,872,254)**	**(5,872,254)**	*(10,430,037)*	*(10,430,037)*
	(64,741,724)	**(129,666,866)**	(72,213,090)	(126,110,099)

Fair values

The guaranteed index linked bond is valued based upon quotes received from the bank.

There is no significant difference between the fair value and the carrying amount of GICs as they are short term liquid instruments.

The fair values of the finance debtor, contract receivable and subordinated loan are calculated by discounting future cashflows at an appropriate discount rate.

The discount rate for the finance debtor and contract receivable has been calculated by estimating the weighted average cost of capital for the company. The discount rate that has been applied is 5.68% *(2004:6.27%)*.

The discount rate for the subordinated loan is calculated by adding an appropriate premium to the relevant gilt yield. The gilt yield reflects the unexpired term of the project and the premium reflects the market spread that would be required by investors in bonds issued by the PFI companies with similar risk profiles, plus a market wrapping fee that would normally be charged to enhance the project cashflows to investment grade. As at 31 December 2005 this premium including the wrapping fee was 100 basis points. In addition a further premium is added to reflect the risk to the cashflows where they are related to usage. The further premium is 50 basis points. The discount rate that has been applied for 31 December 2005 is 8.25%.

Sensitivity analysis

In managing interest rate risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer-term, however, permanent changes in interest rates might have an impact on earnings.

At 31 December 2005, it is estimated that a general increase of one percentage point in interest rates would increase the Company's loss before tax by approximately £3,498,624.

Notes *(continued)*

19 Contingent liabilities

There are no contingent liabilities.

20 Capital commitments

	2005	2004
	£	£
Amounts contracted for but not provided in the financial statements	**15,290,000**	71,239,000

21 Related party transactions

The Company is owned by The Coventry and Rugby Hospital Company (Holdings) Limited, the Company's immediate parent undertaking. The Coventry and Rugby Hospital Company (Holdings) Limited is owned by Skanska Infrastructure Investment UK Limited (25%) (formerly Skanska BOT UK Limited) and Innisfree PFI Fund III (75%) (acting through its manager Innisfree Limited, or Innisfree Nominees Limited as its nominee where appropriate). The Skanska and Innisfree groups of companies have interests in certain contracts placed by the Company for the financing, design and construction of 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.

On 3 December 2002 the company 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 an acute hospital, mental health facilities and a clinical sciences facility on the hospital site at Walsgrave and for the provision of certain services to the Hospital of St Cross, Rugby and with Skanska AB (publ) who guarantee the performance of Skanska Construction Limited and Skanska Rashleigh Weatherfoil Limited. Skanska Infrastructure Development UK Limited, a fellow subsidiary of Skanska AB (publ), owns 25% of the share capital of the holding company, The Coventry and Rugby Hospital Company (Holdings) Limited. The value of the work in the period under the contracts with Skanska Construction Limited and Skanska Rashleigh Weatherfoil Limited was £64,901,044 (*2004: £119,211,478*) inclusive of £2,541,795 (*2004: £5,585,504*) owing at the year end.

Skanska and Innisfree are parties to a Subordinated Debt Subscription Agreement to subscribe for subordinated debt in proportion to their shareholdings, details of which are given in note 14 to the accounts.

22 Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company's immediate parent undertaking is The Coventry and Rugby Hospital Company (Holdings) Limited, a company registered and incorporated in England and Wales.

The largest and smallest group in which the results of the Company are consolidated is that headed by The Coventry and Rugby Hospital Company (Holdings) Limited, a company registered and incorporated in England and Wales. The consolidated account of the group is available to the public and may be obtained from 3 White Oak Square, London Road, Swanley, Kent BR8 7AG, United Kingdom.