

Coventry and Rugby Hospital Company PLC

Directors' report and financial statements

31 December 2004

Registered number: 4508763



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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 report and the audited financial statements for the year to 31 December 2004.

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 the year the rear section of the Clinical Science Building, the Mental Health Unit and the first of 4 tower sections of the main acute hospital were completed and handed over to the Trust. The Company is now providing full facilities management services in these areas.

Dividends

The directors do not recommend the payment of a dividend (2003: £Nil).

Directors

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

JE Gemmell
AR Gillman
TR Pearson
RA Pett

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 £10,430,307 of trade creditors at 31 December 2004 (2003: £15,884,178) and an average payment period of 29.9 days (2003 34.7 days).

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



3 White Oak Square
London Road
Swanley
Kent BR8 7AG

10 May 2005

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 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 company 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 company 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 PLC

We have audited the financial statements on pages 5 to 12.

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 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 of the state of affairs of the company as at 31 December 2004 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

23 May 2005

Profit and loss account
 for the period ended 31 December 2004

	Note	2004 £	2003 £
Turnover		129,003,518	167,777,405
Net operating costs	3	(127,272,902)	(167,232,361)
Operating profit		1,730,616	545,044
Interest payable and similar charges	5	(22,925,866)	(26,989,104)
Other interest receivable and similar income	6	9,872,168	12,970,196
Loss on ordinary activity before taxation		(11,323,082)	(13,473,864)
Taxation	7	7,439,084	-
Loss for the financial year		(3,883,998)	(13,473,864)
Retained loss brought forward		(13,473,864)	-
Retained loss carried forward		(17,357,862)	(13,473,864)

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 14.

The notes on pages 7 to 12 form part of these financial statements

Balance sheet
 at 31 December 2004

	Note	2004	2003
		£	£
Current assets			
Debtors:			
amounts falling due within one year	8	34,190,614	18,838,206
amounts falling due in more than one year	9	275,590,777	159,355,002
		309,781,391	178,193,208
Cash at bank and in hand	10	52,544,776	182,196,372
		362,326,167	360,389,580
Creditors: amounts falling due within one year	11	(11,978,258)	(16,418,543)
Net current assets		350,347,909	343,971,037
Total assets less current liabilities		350,347,909	343,971,037
Creditors: amounts falling due after more than one year	12	(367,655,771)	(357,394,901)
Net liabilities		(17,307,862)	(13,423,864)
Capital and reserves			
Called up share capital	13	50,000	50,000
Profit and loss account	14	(17,357,862)	(13,473,864)
Deficit on equity shareholders' funds	15	(17,307,862)	(13,423,864)

These financial statements were approved by the board of directors on 10 May 2005 and were signed on its behalf by:



TR Pearson
 Director

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 period ending 31 December 2004 show a deficit of £17,307,862 (2003: £13,423,864). 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.

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 FRS5.

(iv) 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.

(v) Cash flow statement

A cashflow statement is not presented since Coventry and Rugby Hospitals (Holdings) Limited, the ultimate parent company has prepared a consolidated cash flow statement, including the cash flows of this company for the year ended 31 December 2004 in accordance with Financial Reporting Standard No.1 (revised 1996)

3 Net operating costs

	2004 £	2003 £
Materials site and production costs	119,524,906	164,826,100
Service costs	6,700,506	2,284,812
Auditors remuneration – audit fees	16,000	14,500
Auditors remuneration – other fees	5,000	-
Other charges	1,026,490	106,949
	<hr/>	<hr/>
	127,272,902	167,232,361
	<hr/>	<hr/>

Notes (continued)

4 Directors and staff costs

There were no employees in the year (2003: Nil). Director's emoluments were incurred by the shareholders of the parent undertaking.

5 Interest payable and similar charges

	2004 £	2003 £
Amounts payable on loans	(12,664,996)	(14,551,636)
Indexation on loans	(9,534,975)	(11,651,081)
Amortisation of finance costs	(725,895)	(786,387)
	<u>(22,925,866)</u>	<u>(26,989,104)</u>

6 Other interest receivable and similar income

	2004 £	2003 £
Finance debtor interest receivable	4,419,214	1,274,112
Interest receivable on bank deposits	5,452,954	11,696,084
	<u>9,872,168</u>	<u>12,970,196</u>

7 Taxation

Analysis of credit in year

	2004 £	2003 £
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
	<u>-</u>	<u>-</u>
Total current tax	-	-
Deferred tax (Note 18)	7,439,084	-
	<u>7,439,084</u>	<u>-</u>
Tax on loss on ordinary activities	-	-

Notes (continued)

7 Taxation (continued)

Factors affecting the tax credit for the current year

	2004 £	2003 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(11,323,082)	(13,473,864)
Current tax at 30%	(3,396,925)	(4,042,159)
<i>Effects of:</i>		
Tax losses carried forward	(3,396,925)	4,042,159
Total current tax credit (see above)	-	-

The company has trading losses of approximately £24,746,946 (2003: £13,473,864), 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 18).

8 Debtors: amounts falling due within one year

	2004 £	2003 £
Finance debtor (note 9)	2,842,427	1,237,605
Contract receivable	-	1,762,457
Trade debtors	664,022	344,315
Other debtors	6,903,956	4,300,791
Prepayments and accrued income	16,341,125	11,193,038
Deferred taxation asset (note 18)	7,439,084	-
	<u>34,190,614</u>	<u>18,838,206</u>

9 Debtors: amounts falling due after more than one year

	2004 £	2003 £
Finance debtor:		
Instalments due within 1 year	2,842,427	1,237,605
1-2 years	2,842,428	1,237,605
2-5 years	5,684,855	3,712,815
Over 5 years	96,298,210	41,975,436
	<u>107,667,920</u>	<u>48,163,461</u>
Less: Amount due within 1 year	(2,842,427)	(1,237,605)
	<u>104,825,493</u>	<u>46,925,856</u>
Contract receivable	170,765,284	112,429,146
	<u>275,590,777</u>	<u>159,355,002</u>

Notes (continued)

10 Cash at bank and in hand

£49,174,666 (2003: £178,638,940) of the total cash balance relates to undrawn amounts as at the year end on the fixed rate and RPI linked Guaranteed Investment Contracts.

11 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	10,430,037	15,884,178
Accruals and deferred income	1,548,221	534,365
	<u>11,978,258</u>	<u>16,418,543</u>

12 Creditors: amounts falling due after more than one year

	2004 £	2003 £
Bond proceeds:		
At the beginning of the period	383,890,080	372,239,000
Inflation on the bond	9,534,975	11,651,100
	<u>393,425,055</u>	<u>383,890,100</u>
At the end of the period		
Bond proceeds:		
Instalments due within 1 year	-	-
1-2 years	-	-
2-5 years	23,965,880	14,089,533
Over 5 years	369,459,175	369,800,547
	<u>393,425,055</u>	<u>383,890,080</u>
Finance costs capitalised	(27,281,566)	(27,281,566)
Less: amortisation of finance costs capitalised	1,512,282	786,387
	<u>367,655,771</u>	<u>357,394,901</u>

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.

13 Called up share capital

	2004 £	2003 £
Equity		
<i>Authorised</i>		
50,000 shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
<i>Called up and fully paid</i>		
50,000 shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

Notes (continued)

14 Reserves

	2004 £	2003 £
At the beginning of the year	(13,473,864)	-
Retained loss for the year	(3,883,998)	(13,473,864)
	<hr/>	<hr/>
At the end of the year	(17,357,862)	(13,473,864)
	<hr/>	<hr/>

15 Reconciliation of movements in equity shareholders' funds

	2004 £	2003 £
Opening equity shareholders' funds	(13,423,864)	-
Loss for the period	(3,883,998)	(13,473,864)
Issue of share capital	-	50,000
	<hr/>	<hr/>
Closing equity shareholders' funds	(17,307,862)	(13,423,864)
	<hr/>	<hr/>

16 Contingent liabilities

There are no contingent liabilities.

17 Capital commitments

	2004 £	2003 £
Amounts contracted for but not provided in the financial statements	71,239,000	184,298,000
	<hr/>	<hr/>

18 Deferred tax asset

In the current year a deferred taxation asset has been recognised in the year as it is felt that this amount will be recoverable from future profits.

The elements of deferred taxation are as follows:

	2004 £	2003 £
Tax losses	3,396,925	-
Adjustments in respect of previous years	4,042,159	-
	<hr/>	<hr/>
	7,439,084	-
	<hr/>	<hr/>
Deferred tax asset	7,439,084	-
	<hr/>	<hr/>

19 Related party transactions

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 BOT 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 £ 119,211,478 (2003: £151,019,918) inclusive of £5,585,504 (2003: £11,551,188) owing at the year end.

20 Parent undertaking

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