Derby Healthcare Plc

Directors' Report and Financial Statements

For the year ended 31 December 2005

Registered number 04668140

Contents

Company information

Directors
R.A Pett (Chairman)
T.R. Pearson
C.L. Mitchell (appointed 9 February 2006)
J.E. Gemmell
J.R. Pedretti (appointed 19 January 2006)

Secretary
R.S. West

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 2005.

Principal Activities

The principal activity of the Company is the finance, design and construction and partial operation of the new Derby City General Hospital under the Government's Private Finance Initiative. The company also provides non-clinical services at the current Derby City General Hospital and the Derby Royal Infirmary.

Business Review

The Company has entered into a Project Agreement with the Southern Derbyshire Acute Hospitals NHS Trust, together with an associated construction contract, funding agreements, hard and soft services contracts and ancillary project agreements.

The Company's Project Agreement requires it to finance, design, develop, construct, maintain and deliver certain non-clinical services within the new Derby City General Hospital for a primary term of forty years from the date of signing the Project Agreement.

The Company is also providing non-clinical services at the current Derby City General Hospital and the Derby Royal Infirmary under the terms of a Mobilisation Services Agreement.

The construction works are progressing satisfactorily. The new hospital is due to be fully commissioned in December 2008.

Dividends

The directors do not recommend the payment of a dividend (2004: £nil)

Directors

The following persons were directors of the company during the year: -

G.N.V. Green (resigned 10 May 2005)
T.R. Pearson
A.R. Gillman
J.E. Gemmell
N.J.E. Crowther (appointed 10 May 2005)

Since the year end the following changes have occurred:-

N.J.E. Crowther resigned on 9 February 2006. C.L. Mitchell was appointed on 9 February 2006. A.R. Gillman resigned on 19 January 2006. J.R. Pedretti was appointed on 19 January 2006.

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.

Policy on payment of creditors

It is the Company's 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 £9,406,136 (2004: £13,111,838) of trade creditors at 31 December 2005 and an average payment period of 46 days (2004: 27 days).

Financial Instruments

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, as required under the Companies Act are set out in Note 14 of the Notes on the financial statements.

Directors' report *(continued)*

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

KPMG Audit Plc are 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

R S West
Company Secretary

3 White Oak Square
London Road
Swanley
Kent
BR8 7AG

19 July 2006

Statement of directors' responsibilities

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 Derby Healthcare Plc

We have audited the financial statements of Derby Healthcare 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 5, 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

19/7/06

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Profit and loss account
for the year ended 31 December 2005

	Note	**2005** **£**	2004 £
Turnover	**3**	**89,584,541**	100,509,446
Net operating costs	**4**	**(89,574,003)**	(100,509,446)
Operating profit		**10,538**	-
Interest payable and similar charges	**6**	**(23,649,445)**	(23,833,401)
Other interest receivable and similar income	7	**8,342,150**	12,704,691
Loss on ordinary activities before taxation		**(15,296,757)**	(11,128,710)
Taxation on loss on ordinary activities	**8**	**4,583,702**	4,168,310
Loss for the financial year		**(10,713,055)**	(6,960,400)
Retained loss brought forward		**(9,782,626)**	(2,822,226)
Retained loss at end of year		**(20,495,681)**	(9,782,626)

There were no other recognised gains and losses for the period 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 10 to 18 form part of these financial statements.

Balance Sheet
as at 31 December 2005

	Note	2005 £	2004 £
Current Assets			
Debtors: amounts falling due within one year	9	15,475,499	9,754,979
Debtors: amounts falling due in more than one year	10	224,286,906	156,209,033
		239,762,405	165,964,012
Cash at bank and in hand	11	151,032,015	226,950,774
		390,794,420	392,914,786
Current liabilities			
Creditors: Amounts falling due within one year	12	(22,675,508)	(14,877,171)
Net current assets		368,118,912	378,037,615
Total assets less current liabilities		368,118,912	378,037,615
Creditors: amounts falling due after more than one year	13	(388,564,593)	(387,770,241)
Net liabilities		(20,445,681)	(9,732,626)
Capital and Reserves			
Called up share capital	15	50,000	50,000
Profit and loss account	16	(20,495,681)	(9,782,626)
Deficit on equity shareholders' funds		(20,445,681)	(9,732,626)

The notes on pages 10 to 18 form part of these financial statements

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

J. E. Gemmell

Director

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

	2005 £	2004 £
Opening equity shareholders' deficit	**(9,732,626)**	(2,772,226)
Loss for the year	**(10,713,055)**	(6,960,400)
Closing equity shareholders' deficit	**(20,445,681)**	(9,732,626)

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 2005 show a deficit of £20,445,681 (2004: £9,732,626). 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 net assets deficit will reverse in the future and therefore consider that, given the continuing access to funds, it is appropriate to prepare these financial statements on the 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.

As the company is a subsidiary of Derby Healthcare (Holdings) Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Derby Healthcare (Holdings) Limited, within which the company is included, can be obtained from the address given in note 20.

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

(b) Contract receivable
Increases in the contract receivable represent the costs arising on the construction of the new Derby City General Hospital. Cost is stated at prime cost plus contracting overheads.

(c) Finance debtor
In accordance with Financial Reporting Standard (FRS) 5 Application Note F the costs incurred in building the new Derby City General 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 by the Company of its obligations under its Concession Agreement, and is accounted for in accordance with FRS5.

(d) Interest
Interest costs are capitalised during the construction phase of the contract, and will be amortised over the period of the concession

(e) 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 reverse in the foreseeable future.

Notes *(continued)*

(f) 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, bonds, subordinated debt 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.

3. Turnover

	2005	2004
	£	£
Services income	**20,320,194**	17,339,371
Construction services	**69,264,347**	83,170,075
	89,584,541	100,509,446

Services income relates to the provision of soft and hard facilities management services at the Derby City General Hospital and the Derby Royal Infirmary.

Notes *(continued)*

4. Net operating costs

		2005	2004
		£	£
Materials, site and production costs		**69,211,331**	83,126,383
Services costs		**20,320,194**	17,339,371
Auditor's remuneration	- audit fees	**15,000**	15,000
	- other	**6,300**	8,300
Directors' fees		**21,178**	20,392
		89,574,003	100,509,446

5. Directors and staff costs

There were no employees during the year *(2004: nil)*. Directors' emoluments were paid to the shareholders of the parent undertaking.

6. Interest payable and similar charges

	2005	2004
	£	£
Amounts payable on bonds	**(22,806,643)**	(22,994,869)
Amortisation of finance arrangement costs	**(842,802)**	(838,532)
	(23,649,445)	(23,833,401)

7. Other interest receivable and similar income

	2005	2004
	£	£
Interest receivable on bank deposits	**8,342,150**	12,704,691

Notes *(continued)*

8. Taxation

(a) Analysis of the charge in the year

	2005	2004
	£	£
Current tax:		
UK corporation tax on income for the period	-	-
Total current tax	**-**	-
Deferred tax:		
Tax on loss on ordinary activities	**4,589,027**	3,338,613
Adjustment to tax losses recognized in prior period	**(5,325)**	-
Recognition of prior period tax losses not previously brought to account	**-**	829,697
Total deferred tax (note 19)	**4,583,702**	4,168,310
Tax on loss on ordinary activities	**4,583,702**	4,168,310

Tax losses have been recognised as the Directors consider the balance to be recoverable over the life of the PFI contract with Derby Hospitals NHS Foundation Trust

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

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

	2005	2004
	£	£
Current tax reconciliation:		
Loss on ordinary activities before tax	**(15,296,757)**	(11,128,710)
Current tax at 30% (2004: 30%)	**(4,589,027)**	(3,338,613)
Effects of:		
Adjustment to tax losses recognised in prior period	**5,325**	-
Tax losses carried forward	**4,583,702**	3,338,613
	-	-

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

The Group has tax losses of £29.2 million (*2004: £13.9 million*) which has been carried forward and will offset against future trading profits.

Notes *(continued)*

9. Debtors: amounts falling due within one year

	2005 £	2004 £
Trade debtors	**3,047,107**	238,080
Prepayments and accrued income	**2,886,678**	3,269,042
Deferred tax asset (note 19)	**8,752,012**	4,168,310
Other debtors	**789,702**	2,079,547
	15,475,449	9,754,979

10. Debtors: amounts falling due after more than one year

	2005 £	2004 £
Contract receivable	**220,972,995**	151,860,921
Prepayments and accrued income	**3,313,911**	4,348,112
	224,286,906	156,209,033

11. Cash at bank and in hand

	2005 £	2004 £
Fixed rate guaranteed investment contract	**134,712,443**	219,668,203
RPI linked guaranteed investment contract	**390,867**	1,779,854
Other bank balances	**15,928,705**	5,502,717
	151,032,015	226,950,774

£135,103,311 of the above is cash is blocked and comprises balances held in a fixed interest guaranteed income contract and an index lined guaranteed income contract. Cash will be released from these contracts over the period of construction of the hospital so as to match the forecast profile of construction and debt service costs.

12. Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	**9,406,136**	13,111,838
Accruals and deferred income	**13,269,372**	1,765,333
	22,675,508	14,877,171

Notes *(continued)*

13. Creditors: amounts falling due after more than one year

	2005	2004
	£	£
Guaranteed secured 5.564% bonds 2041	**411,588,000**	411,588,000
Unsecured unsubordinated 13.465% loan notes 2041	**2,014**	2,014
Total borrowings	**411,590,014**	411,590,014
Finance arrangement costs capitalised	**(24,966,355)**	(24,917,905)
Less amortization of finance arrangement costs capitalised	**1,940,934**	1,098,132
	388,564,593	387,770,241

Guaranteed secured bonds 2041
The Company has created £446.588m 5.564% guaranteed secured bonds 2041 pursuant to a Trust Deed and Collateral Deed dated 9 September 2003 of which £411.588m were issued for cash on 9 September 2003 at an issue price of 99.993%.

The bonds bear interest at 5.564% which is payable semi - annually in arrears on 30 June and 31 December each year. The bonds are repayable in installments which commence in June 2009 and end in June 2041.

The Company retained £35m of bonds (the "variation bonds") which it may sell, subject to certain restrictions in the Collateral Deed, to fund variations to the project.

The bonds, excluding the variation bonds, have the benefit of an unconditional and irrevocable financial guarantee issued by MBIA Assurance S.A. in favour of BNP Paribas Trust Corporation UK Limited as security trustee over all of the undertaking and assets of the company.

Unsecured subordinated 13.465% loan notes 2041
The Company is a wholly owned subsidiary of Derby Healthcare (Holdings) Limited. Together Skanska BOT Investment UK Limited is legal and beneficial owner, and Innisfree Nominees Limited acting on behalf of Innisfree PFI Fund II and III is legal owner, of the entire issued share capital of Derby Healthcare (Holdings) Limited.

Under the terms of Deed Polls made on 9 September 2003 both Derby Healthcare (Holdings) Limited and Derby Healthcare Plc authorised and approved the issue of up to £39.07m unsecured subordinated loan notes 2041 on like terms. Under the terms of an Equity Subscription Agreement dated 9 September 2003 Skanska BOT Investment UK Limited and Innisfree Nominees Limited each agreed to subscribe in installments between December 2003 and December 2008 for £39.07m of the Loan Notes in Derby Healthcare (Holdings) Limited, which in turn agreed to subscribe for the £39.07m Loan Notes in its subsidiary Derby Healthcare Plc.

On 31 December 2003 Derby Healthcare (Holdings) limited and Derby Healthcare Plc each issued £2,014 of Loan Notes at par for cash. The loan notes do not bear interest until December 2008, from December 2008 the Loan Notes bear interest at 13.465% which is payable semi-annually on 30 June and 31 December each year. The Loan Notes are repayable in installments on 30 June and 31 December 2041, save that they may be redeemed early with the consent of MBIA Assurance S.A.

Notes *(continued)*

14. Financial instruments

The Company's principal financial instruments comprise guaranteed investment contracts ("GICs"), short term bank deposits, fixed rate bonds and fixed rate 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 arise in the normal course of the Company's business.

Liquidity risk
The Company has entered into indexed-linked and fixed rate GICs with a periodic withdrawal schedule to match the payment requirements during the construction of the Hospital.

Repayment of fixed rate bonds and fixed rate 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 South Derbyshire Acute Hospitals NHS Trust (the Trust) is the only client of the Derby Healthcare Plc, the directors are satisfied that the Trust will be able to fulfil its collateral obligations under the PFI contract that are in turn underwritten by the Secretary of State for Health.

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 their maturity profile:

2005	**Effective interest rate**	**Total £'000**	**1 year or less £'000**	**1-2 years £'000**	**2-5 years £'000**	**5 + years £'000**
Guaranteed secured bonds	**5.59%**	**(411,588)**	**-**	**-**	**(290)**	**(411,298)**
Unsecured subordinated loan notes	**13.47%**	**(2)**	**-**	**-**	**-**	**(2)**
Contract receivable	**5.31%**	**220,973**	**1,425**	**1,514**	**7,069**	**210,965**
Fixed rate GICs	**4.52%**	**134,712**	**44,744**	**76,991**	**12,977**	**-**
RPI linked GICs*	**3.96%**	**391**	**391**	**-**	**-**	**-**
Bank balances*	**4.15%**	**15,929**	**15,929**	**-**	**-**	**-**
Total		**(39,585)**	**62,489**	**78,505**	**19,756**	**(200,335)**

2004	Effective interest rate	Total £'000	1 year or less £'000	1-2 years £'000	2-5 years £'000	5 + years £'000
Guaranteed secured bonds	5.59%	(411,588)	-	-	(290)	(411,298)
Unsecured subordinated loan notes	13.47%	(2)	-	-	-	(2)
Contract receivable	5.71%	151,861	916	973	4,544	145,428
Fixed rate GICs	4.52%	219,668	84,956	44,744	89,968	-
RPI linked GICs*	3.96%	1,780	1,389	391	-	-
Bank balances*	4.15%	5,503	5,503	-	-	-
Total		(32,778)	92,764	46,108	94,222	(265,872)

*Floating rate

Notes *(continued)*

14. 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		2004	
	Carrying value	**Fair value**	Carrying value	Fair value
Guaranteed secured bonds	**(411,588,000)**	**(479,257,077)**	(411,588,000)	(450,297,851)
Unsecured subordinated loan notes	**(2,014)**	**(2,014)**	(2,014)	(2,014)
Contract receivable	**220,972,995**	**249,589,990**	151,860,921	163,101,813
Fixed rates GICs	**134,712,444**	**134,893,881**	219,668,203	196,370,164
RPI linked GICs	**390,867**	**373,481**	1,779,854	1,795,312
Bank balances	**15,928,705**	**15,928,705**	5,502,717	5,502,717
Total	**(39,585,003)**	**(78,473,034)**	(32,778,320)	(83,529,859)

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

The fair value of the guaranteed secured bonds is the quoted price of the bonds.

The fair value of the unsecured subordinated loan notes is not believed to be materially different to the carrying value of the liability.

Fair value of contract receivable is calculated by discounting future cash flows at an appropriate discount rate. The discount rate has been calculated by estimating the current weighted average cost of capital for the company. The discount rate that has been applied to the contract receivables at 31 December 2004 and 31 December 2005 is 5.71% and 5.31% respectively.

Fair value of the Guaranteed Investment Contracts is calculated based upon discounted expected future principal and interest cash flows. The discount rates used for computing the fair value Guaranteed Investment Contracts are the gilt yield rates for a similar period as the contracts and are as follows:

	2005	2004
Fixed Rate Guaranteed Investment Contract	**4.50%**	4.79%
RPI Linked Guaranteed Investment Contract	**4.54%**	4.79%

Sensitivity analysis

Since the Company has significant fixed rate financial assets and liabilities, a general increase of one percentage point in interest rates is not expected to significantly impact the profits of the Company.

Notes *(continued)*

15. Called up share capital

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

16. Reserves

	2005	2004
	£	£
At the beginning of the year	**(9,782,626)**	(2,822,226)
Retained loss for the year	**(10,713,055)**	(6,960,400)
At the end of the year	**(20,495,681)**	(9,782,626)

17. Contingent liabilities

There are no contingent liabilities *(2004: £nil)*

18. Capital commitments

	2005	2004
	£	£
Amounts contracted for but not provided for in the financial statements	**129,723,085**	195,424,115

19. Deferred tax asset

A deferred tax asset has been recognised on those tax losses which can be set off against future profits of the Group. The future profits of the Group have been estimated on the forecasted cash flows and its estimated contractual rights and obligations as an operator of a Private Finance Initiative contract.

The elements of deferred taxation are as follows:-

	2005	2004
	£	£
Tax losses for prior periods	**4,168,310**	3,338,613
Adjustment to tax losses for prior periods	**(5,325)**	-
Tax losses for current year	**4,589,027**	829,697
	8,752,012	4,168,310

Notes *(continued)*

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

The Company is a subsidiary undertaking of Derby Healthcare (Holdings) Limited which is incorporated in the United Kingdom. The largest and smallest group in which the results of the Company are consolidated is that headed by Derby Healthcare (Holdings) Limited. The consolidated accounts of this group are available to the public and may be obtained from 3 White Oak Square, London Road, Swanley, Kent BR8 7AG.