

**Catalyst Healthcare (Calderdale) Holdings Limited**

**Directors' report and financial  
statements**

**Registered number 3525139**

**31 May 2003**



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## Directors and advisors

### Executive Director

T D Anderson

### Non-Executive Directors

Sir ADT Chessells (Chairman)  
A D Silverbeck (resigned 21 January 2003)  
A Ring (resigned 17 May 2002)  
D Bate (appointed 22 July 2003)  
PR Grant  
AD Darling  
SA Lees  
AS Price (appointed 22 November 2002)  
PL Williams (resigned 31 October 2002)  
NH Scott-Barrett  
RH Taylor (appointed 21 January 2003)  
DK Perry (appointed 21 January 2003, resigned 22 July 2003)  
JC Elliot (appointed 17 May 2002)

### Registered Office

9th Floor  
St James's Buildings  
Oxford Street  
Manchester  
M1 6FQ

### Company Secretary

HLM Secretaries Limited  
9th Floor  
St James's Buildings  
79 Oxford Street  
Manchester  
M1 6FQ

### Registered Auditors

KPMG LLP  
St James' Square  
Manchester  
M2 6DS

### Solicitors

Clifford Chance  
200 Aldersgate Street  
London  
EC1A 4JJ

### Bankers

Bank of Scotland  
Manchester Branch  
19-21 Spring Gardens  
Manchester  
M2 1FB

## **Directors' report**

The directors present their annual report and the audited consolidated financial statements for the period ended 31 May 2003.

### **Principal activities**

The principal activities of the group are to design, finance, construct, refurbish and operate certain new facilities at Calderdale Royal Hospital under a concession agreement with the Calderdale Healthcare NHS Trust (from 1 April 2001 now merged into Calderdale and Huddersfield NHS Trust).

### **Business review**

The results of the group for the period are set out in the profit and loss account on page 7.

During the year the group completed the refinancing of the project. Shares in the subsidiary company to the value of £3,250,000 were issued and the directors re-valued the investment in the holding company to £17,605,000. The revaluation was capitalised in the form of a bonus issue of redeemable shares in the holding company. 13,999,998 bonus shares with a nominal value of £1 were issued. Of the redeemable shares issued, the company redeemed 11,530,797 of the shares at par from the shareholders.

As a result of the refinancing, £3,744,000 was allocated to Calderdale and Huddersfield NHS Trust in accordance with the agreed basis for the sharing of refinancing benefits.

### **Proposed dividend and transfer to reserves**

The directors do not recommend the payment of a dividend. The loss for the period absorbed by the company (after accounting for the expenses in connection with the refinancing) amounted to £3,309,000.

### **Directors and directors' interests**

The directors who held office during the period are set out on page 1. (See note A2 on page 3.)

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

According to the register of directors' interests, no rights to subscribe for shares or debentures of the company were granted to any of the directors or the immediate families, or exercised by them during the financial period.

### **Political and charitable donations**

During the period the company made charitable donations of £1,502. There were no political donations made in the period.

### **Corporate Governance**

The Company is committed to high standards of corporate governance, as are appropriate for the longer term obligations to finance, construct and operate non-clinical services for the new Calderdale hospital under the Private Finance Initiative programme.

Corporate governance principles have been implemented within the framework established by agreement between the shareholding parties who have launched the company under a concession agreement with the Calderdale and Huddersfield NHS Trust. The Board has taken note of the Combined Code published in June 1998. As the Combined Code has been introduced to apply to equity quoted plc's with certain reporting requirements, this company, not being a quoted company, has adopted a number of the principles set out in the Combined Code. The Board has taken note of the changes proposed under the revised Code derived from the Higgs review, and will use this as a basis for reviewing appropriate corporate governance requirements in the forthcoming year.

## Directors' report (*continued*)

### Corporate Governance (*continued*)

This report is a narrative on the principles of the Code, as applied in this company. It does not provide a detailed statement to identify those provisions of the Code from which the company's governance differs.

#### A. *The Board*

1. The Board normally meets monthly and reviews construction and operating performance against the financial model and detailed management budget. This model incorporates all aspects of the strategic business plan and associated risks; all proposals for contract variations are vetted before approval against the model.

The Board reserves its own decision on all contractual expenditure and associated funding, and has established the provision of management, company secretary and accountancy services for the implementation of the project.

2. The Chairman is the senior non-executive director, selected by the shareholders for his particular experience, and he leads the Board. The Board comprises 8 non-executive directors nominated by participating shareholders, together with the independent Chairman and the Executive Director.
3. The Board receives monthly information which encompasses all corporate, business, financial and relationship matters which are necessary and appropriate for the purposes of monitoring and progressing the complex contractual obligations for the hospital project.
4. Nominations for any changes to Board membership are subject to the shareholders' separate or collective decision.
5. For the particular interests of the shareholders in the continuity of the project, no directors retire by rotation.

#### B. *Remuneration*

No directors received remuneration directly from the Group. The remuneration for the services of the Directors appointed by the participating shareholders are set out in Note 4. The remuneration for the Chairman (part-time) and Executive Director (full-time) are set by the shareholders of Catalyst Healthcare Management Ltd, and are included in the services provided by that company, whose relationship is set out in Note 22.

#### C. *Dialogue with Institutions*

The Board maintains regular liaison with HBOS as Agent Bank for the senior lenders.

#### D. *Financial Reporting*

1. The Board, after seeking appropriate external advice, decides upon Accounting Policies which are appropriate for the Company and ensures that they are consistently applied.
2. The Board has instigated a process of internal control, under the discipline of contractual agreements, in order to safeguard the outcomes for the company in terms of operational performance, financial control, legal and regulatory compliance, provision for risk factors, and longer-term relationships.

## Directors' report (*continued*)

### Corporate Governance (*continued*)

3. The Board has decided to undertake the role of an Audit Committee with all directors except the Executive Director. This Board/Audit Committee meets annually to review the Management Letter tabled by the Auditors, to review the effectiveness of systems of internal financial controls, and to review from time to time any need for an internal audit function.
4. The Board continue to satisfy themselves that, given the contractual and long-term funding provisions, the Company will continue to trade as a going concern.

#### *E. Internal Controls*

1. The board annually review the need for a formal internal audit function.
2. The board maintains a sound system of internal control to safeguard shareholders investments and the groups assets.

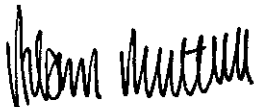
### Payments to creditors policy

It is Company policy that payments to suppliers are made in accordance with agreed terms.

### Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for re-appointment of KPMG LLP is to be proposed at the forthcoming annual generally meeting

By order of the board



HLM Secretaries Limited  
Company Secretary

18 November 2003

9th Floor  
St James's Buildings  
Oxford Street  
Manchester  
M1 6FQ

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period 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.



St James' Square  
Manchester M2 6DS  
United Kingdom

## **Report of the independent auditors to the members of Catalyst Healthcare (Calderdale) Holdings Limited**

We have audited the financial statements on pages 7 to 24.

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 5, 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 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 the 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 May 2003 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG LLP** 3/12/03  
*Chartered Accountants  
Registered Auditors*



**Consolidated profit and loss account**  
*for the 14 months ended 31 May 2003*

	<i>Note</i>	<b>2003</b> <b>£000</b>	Restated 2002 £000
<b>Turnover</b>	2	<b>11,602</b>	21,675
Net operating expenses <i>(including exceptional refinancing costs of £2,793,000)</i>	3	<b>(13,304)</b>	(19,734)
<b>Operating (loss) / profit</b>			
Before refinancing expenses		<b>1,091</b>	1,941
Refinancing expenses		<b>(2,793)</b>	-
		<b>(1,702)</b>	1,941
Other interest receivable and similar income	5	<b>8,985</b>	6,596
Interest payable and similar charges <i>(including exceptional amortisation of issue costs of £772,000)</i>	6	<b>(10,848)</b>	(8,364)
<b>(Loss) / Profit on ordinary activities before taxation</b>	2-6	<b>(3,565)</b>	173
Tax on loss / (profit) on ordinary activities	7	<b>256</b>	(189)
<b>Retained loss for the financial period</b>		<b>(3,309)</b>	(16)

There is no difference between the (loss) / profit on ordinary activities before taxation and the historical cost equivalent. The results for the period arise wholly from continuing operations.

A statement of total recognised gains and losses is given on page 11.

**Consolidated balance sheet**  
*at 31 May 2003*

	<i>Note</i>	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
<b>Current assets</b>			
Debtors – falling due within one year	10	4,259	4,791
Debtors – falling due after more than one year		102,463	97,041
		<hr/>	<hr/>
Cash at bank and in hand		106,722 3,464	101,832 8,068
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	13	110,186 (3,257)	109,900 (7,513)
		<hr/>	<hr/>
<b>Net current assets</b>		106,929	102,387
<b>Creditors: amounts falling due after more than one year</b>	14	(118,140)	(99,812)
<b>Provisions for liabilities and charges</b>	16	(1,826)	(772)
		<hr/>	<hr/>
<b>Net (liabilities) / assets</b>		(13,037)	1,803
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	17	2,824	355
Other reserves		(14,000)	-
Profit and loss account	18	(1,861)	1,448
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		(13,037)	1,803
		<hr/>	<hr/>

These financial statements were approved by the board of directors on *18 November 2003* and were signed on its behalf by:



**TD Anderson**  
*Director*

**Company balance sheet**  
*at 31 May 2003*

	<i>Note</i>	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
<b>Fixed assets</b>			
Investments	9	17,605	355
<b>Current assets</b>			
Debtors	10	4,370	3,691
Cash at bank and in hand		57	12
		<hr/>	<hr/>
		4,427	3,703
<b>Creditors: amounts falling due within one year</b>	13	<b>(15,125)</b>	-
		<hr/>	<hr/>
<b>Net current (liabilities) / assets</b>		<b>(10,698)</b>	3,703
<b>Creditors: amounts falling due after more than one year</b>	14	<b>(4,315)</b>	(3,691)
		<hr/>	<hr/>
<b>Net assets</b>		<b>2,592</b>	367
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	17	2,824	355
Profit and loss account	18	(232)	12
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		<b>2,592</b>	367
		<hr/>	<hr/>

These financial statements were approved by the board of directors on *18 November 2003* and were signed on its behalf by:



**TD Anderson**  
*Director*

**Consolidated cash flow statement**  
*for the 14 months ended 31 May 2003*

	<i>Note</i>	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
<b>Reconciliation of operating (loss) / profit to net cash flow from operating activities</b>			
Operating (loss) / profit		(1,702)	1,941
Depreciation charges		-	4
Increase in debtors		(4,634)	(7,744)
Increase/(decrease) in creditors		(4,374)	765
Increase in provisions		1,054	772
<b>Net cash outflow from operating activities</b>		<b>(9,656)</b>	<b>(4,262)</b>

**Cash flow statement**

Cash flow from operating activities		(9,656)	(4,262)
Returns on investments and servicing of finance	19	(1,863)	1,177
Taxation		-	-
Capital expenditure and financial investment	19	-	-
Cash outflow before management of liquid resources and financing		(11,519)	(3,085)
Management of liquid resources		-	-
Financing	19	6,915	10,828
<b>Increase/(decrease) in cash in the period</b>		<b>(4,604)</b>	<b>7,743</b>

**Reconciliation of net cash flow to movement in net debt**

<b>Increase/(decrease) in cash in the period</b>	20	<b>(4,604)</b>	<b>7,743</b>
Cash inflow from increase in debt		(18,572)	(10,828)
Changes in net debt resulting from cash flows		(23,176)	(3,085)
Non cash movements	20	126	3,468
<b>Movement in net debt in the period</b>		<b>(23,050)</b>	<b>383</b>
Net debt at the start of the period		(92,042)	(92,425)
<b>Net debt at the end of the period</b>		<b>(115,092)</b>	<b>(92,042)</b>

**Consolidated statement of total recognised gains and losses**  
*for the 14 months ended 31 May 2003*

	2003 £000	2002 £000
Loss for the financial period	(3,309)	(16)
Total recognised gains and losses relating to the financial period	(3,309)	(16)
Total gains and losses recognised since last annual report	(3,309)	2,395

**Reconciliation of movements in shareholders' funds**  
*for the 14 months ended 31 May 2003*

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Loss for the financial period	(3,309)	(244)	(16)	-
Dividends	-	-	-	-
	(3,309)	(244)	(16)	-
Revaluation of investment	-	14,000	-	-
Redemption of share capital	(11,531)	(11,531)	-	-
Net (reduction in) / addition to shareholders' Funds	(14,840)	2,225	(16)	-
Opening shareholders' funds	1,803	367	1,819	367
Closing equity shareholders' funds	(13,037)	2,592	1,803	367

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements, except as noted below.

The company has restated the classification of operating expenses within the profit and loss account given the special nature of the business. The restatement has no effect on turnover, operating profit or profit before tax.

#### ***Basis of preparation***

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings drawn to 31 May 2003.

No profit and loss account is presented for Catalyst Healthcare (Calderdale) Holdings Limited as permitted by Section 230 of the Companies Act 1985. Details of the individual profit and loss for Catalyst Healthcare (Calderdale) Holdings Limited for the financial period is shown in note 18 to these financial statements.

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, and on the going concern basis.

#### ***Turnover***

Turnover on construction activities represents the value of work done and services rendered, excluding sales and related taxes. Turnover on operational services represents the value of work performed in the period under the concession agreement, together with additional services provided to the trust.

#### ***Fixed assets and depreciation***

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	-	3 periods
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No depreciation is provided on assets in the course of construction.

#### ***Finance lease debtor***

Amounts receivable under the agreement with the Calderdale and Huddersfield NHS Trust relating to the hospital facilities transferred are included under debtors and represent the total amount outstanding under the agreement less unearned interest. Finance lease income is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the lease.

#### ***Taxation***

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, with discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### ***Lifecycle costs***

Provisions are made in respect of lifecycle maintenance costs to the extent that the company is obligated to undertake maintenance in future periods.

## Notes (continued)

### 1 Accounting policies (continued)

#### Related party transactions

The directors have taken advantage of the exemption in FRS 8, paragraph 3c, and have not disclosed related party transactions with parent and fellow subsidiary undertakings.

#### Cash

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

### 2 Analysis of turnover and (loss) /profit on ordinary activities before taxation

	14 months ended 31 May 2003		Year ended 31 March 2002	
	Turnover £000	Attributable pre-tax (loss) £000	Turnover £000	Attributable pre-tax profit £000
<i>By activity</i>				
Construction	432	-	11,544	-
Operational services	11,170	(3,565)	10,131	173
	<u>11,602</u>	<u>(3,565)</u>	<u>21,675</u>	<u>173</u>

### 3 Net operating costs

	14 months ended 31 May 2003 £000	Restated year ended 31 March 2002 £000
Service costs	7,405	6,561
Lifecycle maintenance charge	1,178	795
Materials, site and production costs	432	9,835
Auditors remuneration - audit fees	18	16
Auditors remuneration - other services (taxation compliance services)	216	113
Building insurance	157	135
Other charges	3,898	2,279
	<u>13,304</u>	<u>19,734</u>

Fees for other services paid to the auditors relate to accounting and taxation advisory work in connection with a proposed refinancing (2003: £213,000, 2002: £110,000) and general taxation advice (2003: £3,000, 2002: £3,000).

**Notes (continued)**

**4 Remuneration of directors**

The directors received no emoluments directly from the company.

	<b>14 months ended 31 May 2003 £000</b>	<b>Year ended 31 March 2002 £000</b>
Recharges in respect of directors services to third parties	<b>58</b>	<b>15</b>

**5 Interest receivable and similar income**

	<b>14 months ended 31 May 2003 £000</b>	<b>Year ended 31 March 2002 £000</b>
Bank interest	<b>211</b>	<b>134</b>
Finance interest receivable	<b>8,774</b>	<b>6,462</b>
	<b>8,985</b>	<b>6,596</b>

**6 Interest payable and similar charges**

	<b>14 months ended 31 May 2003 £000</b>	<b>Year ended 31 March 2002 £000</b>
On bank loans and overdrafts	<b>9,993</b>	<b>8,151</b>
Other interest	<b>21</b>	<b>-</b>
Commitment fees payable	<b>58</b>	<b>62</b>
Amortisation of issue costs	<b>776</b>	<b>151</b>
	<b>10,848</b>	<b>8,364</b>



## Notes (continued)

### 7 Taxation

#### *Analysis of charge/(credit) in period*

	14 months ended 31 May 2003 £000	Year ended 31 March 2002 £000
<i>Deferred tax (see note 12)</i>		
Origination and reversal of timing differences	(965)	325
Movement in discount	709	(136)
	<hr/>	<hr/>
Tax (credit) / charge on ordinary activities	(256)	189
	<hr/>	<hr/>

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is different than the standard rate of corporation tax in the UK. The differences are explained below.

	14 months ended 31 May 2003 £000	Year ended 31 March 2002 £000
<i>Current tax reconciliation</i>		
(Loss) / profit on ordinary activities before tax	(3,565)	173
	<hr/>	<hr/>
Current tax at standard rate of 30% (2002: 30%)	(1,070)	52
	<hr/>	<hr/>
<i>Effects on actual tax charge for the period:</i>		
Expenses not deductible for tax purposes (primarily finance debtor amortisation)	183	169
Utilisation of tax losses	-	(221)
Losses created in period	887	-
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/>	<hr/>

#### *Factors that may affect future tax charges*

Tax losses arising on the company's results may be surrendered to group shareholders by way of consortium relief. The shareholders are contracted to make payments for such losses surrendered, at the rate at which tax will be payable, as and when the company becomes liable to corporation tax which would not have been payable but for the surrender of the losses.

There are significant estimated tax losses available for offset against future trading profits. This estimate is subject to the agreement of the current and prior periods' corporation tax computations with the Inland Revenue.

Of the total estimated tax losses available £14.4m have been recognised as a deferred tax asset, being a prudent estimate of the losses which are capable of being set-off against future trading profits (to the extent that they are not surrendered to shareholders by way of consortium relief). The asset has been discounted using the company's weighted average cost of capital.

**Notes** *(continued)*

**8 Tangible fixed assets**

<b>Group</b>	<b>Plant and Machinery £000</b>
<i><b>Cost</b></i>	
At beginning of period	15
Additions	-
	<hr/>
At end of period	15
	<hr/>
<i><b>Depreciation</b></i>	
At beginning of period	15
Charge for period	-
	<hr/>
At end of period	15
	<hr/>
<i><b>Net book value</b></i>	
At 31 May 2003	-
	<hr/>
At 31 March 2002	-
	<hr/>

**Company**

The company has no tangible fixed assets.

## Notes (continued)

### 9 Investments

	Shares in subsidiary undertaking £000
<i>Cost</i>	
At beginning of the period	355
Revaluation during the period	14,000
Additions	3,250
At end of period	17,605
<i>Provisions for diminution</i>	
At beginning and end of period	-
<i>Net book value</i>	
At 31 May 2003	17,605
At 31 March 2002	355

Shares in the subsidiary undertaking relates to the following:

Name of company	Country of registration	Holding	Proportion held
Catalyst Healthcare (Calderdale) Limited	England	Ordinary shares	100%

The principal activities of the company are to design, finance, construct, refurbish and operate certain new facilities at the Calderdale Royal Hospital under a concession agreement with Calderdale Healthcare NHS Trust (now merged into Calderdale and Huddersfield NHS Trust).

During the period, the investment in Catalyst Healthcare (Calderdale) Limited was revalued to £17,605,000.

## Notes (continued)

### 10 Debtors

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Trade debtors	992	270	-	-
Amounts owed by subsidiary undertakings	-	-	4,370	3,691
Other debtors	2,521	1,573	-	-
Finance debtor (note 11)	100,700	97,584	-	-
Deferred tax asset (note 12)	2,478	2,222	-	-
Prepayments and accrued income	31	183	-	-
	<u>106,722</u>	<u>101,832</u>	<u>4,370</u>	<u>3,691</u>

Included within the deferred tax asset is £2,460,000 (2002:£2,222,000) recoverable after more than one year.

### 11 Analysis of finance debtor - Group

	2003 £000	2002 £000
Amounts due: Within 1 year	697	543
1-2 years	872	642
2-5 years	2,540	2,215
Over 5 years	96,591	94,184
	<u>100,700</u>	<u>97,584</u>
Less: amounts due within 1 year	(697)	(543)
	<u>100,003</u>	<u>97,041</u>

The movement in the finance debtor balance can be considered as follows:

	2003 £000	2002 £000
Opening debtor	97,584	94,781
Additions to finance debtor in the period (net of capital contributions)	3,865	3,201
Capital element of payments received in period	(749)	(398)
	<u>100,700</u>	<u>97,584</u>

In accordance with FRS 5 Application Note F, the income received in the form of a unitary charge has been allocated to the finance debtor using a property specific rate of return which the directors consider appropriate for the asset concerned. The gross earnings in respect of the finance debtor are allocated to give a constant periodic rate of return on the company's net cash investment.

## Notes (continued)

### 12 Deferred tax asset

A deferred tax asset has been recognised based on the forecast profitability of the group. It is expected that the tax losses available to the group to carry forward will be utilised in future to reduce current taxation. All movements on the deferred tax asset have been credited to the profit and loss account as part of the tax credit for the period (Note 7).

The deferred tax asset, assuming a tax rate of 30%, can be analysed as follows:

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Tax losses – undiscounted	4,318	3,353	-	-
Discount	(1,840)	(1,131)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Discounted deferred tax asset	2,478	2,222	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The movement in the deferred tax asset comprises:

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
At beginning of period	2,222	2,411	-	-
Credit / (charge) to profit and loss account (note 7)	256	(189)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	2,478	2,222	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

### 13 Creditors: amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Bank loans and overdrafts (see note 15)	416	298	-	-
Amounts owing to subsidiary undertakings	-	-	15,025	-
Trade creditors	1,779	1,959	-	-
Other tax and social security	505	-	-	-
Other creditors	255	779	100	-
Accruals and deferred income	302	4,477	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	3,257	7,513	15,125	-
	<hr/>	<hr/>	<hr/>	<hr/>

**Notes (continued)**

**14 Creditors: amounts falling due after more than one year**

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Loan stock	4,315	3,691	4,315	3,691
Bank loans	113,825	96,121	-	-
	<u>118,140</u>	<u>99,812</u>	<u>4,315</u>	<u>3,691</u>

Included within bank loans and overdrafts are un-amortised issue costs of £4,218,101.

The subsidiary company has a 27 year term loan. Until 31 May 2002, the rate paid was LIBOR plus a 1.3% margin. This margin changed to 1.2% thereafter. The subsidiary company has entered into a swap transaction resulting in interest being charged on this loan at a rate of 7.955% until 31 May 2004. The loan is secured by a fixed and floating charge over the assets of the group.

The company has unsecured loan notes issued to the current shareholders. The interest rate chargeable on the loan notes is 15% per annum and is payable twice yearly. The proceeds of the loan note issue were reissued to the subsidiary company, Catalyst Healthcare (Calderdale) Limited in the form of an unsecured loan. Both loan amounts require repayment by 31 July 2031.

Repayment details are set out below.

**15 Analysis of debt**

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Debt can be analysed as falling due:				
In one period or less, or on demand	416	298	-	-
Between one and two periods	453	541	-	-
Between two and five periods	3,104	7,448	-	-
In five periods or more	118,801	95,292	4,315	3,691
	<u>122,774</u>	<u>103,579</u>	<u>4,315</u>	<u>3,691</u>
less; issue costs	(4,218)	(3,469)	-	-
	<u>118,556</u>	<u>100,110</u>	<u>4,315</u>	<u>3,691</u>

**Notes (continued)**

**16 Provisions for liabilities and charges**

<b>Group</b>	<b>2003 £000</b>	<b>2002 £000</b>
At beginning of period	772	-
Utilised during period	(123)	(23)
Charge to the profit and loss for the period	1,177	795
	<hr/>	<hr/>
At end of period	1,826	772
	<hr/>	<hr/>
<b>Company</b>		
The company has no provisions for liabilities and charges.		

**17 Called up share capital**

	<b>2003 £000</b>	<b>2002 £000</b>
<i>Authorised</i>		
5,000,000 Ordinary shares of £1 each	5,000	5,000
45,000,000 Redeemable shares of £1 each	45,000	45,000
	<hr/>	<hr/>
	50,000	50,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
354,996 Ordinary shares of £1 each	355	355
2,469,201 Redeemable shares of £1 each	2,469	-
	<hr/>	<hr/>
	2,824	355
	<hr/>	<hr/>

On 25 March 2002 the authorised capital of the company was increased by £49,600,000 beyond the registered capital of £400,000.

The increase in share capital is subject to the following conditions. The additional 45,000,000 redeemable shares of £1 each and the additional 4,600,000 ordinary shares of £1 each carry the same rights to notice and attendance at meetings, dividends and upon winding up as all other ordinary shares. The redeemable shares can only be issued either fully paid or credited as fully paid.

**Notes (continued)**

**18 Reserves**

Group	Other reserves	Profit & Loss account
	£000	£000
At beginning of period	-	1,448
Retained loss for the period	-	(3,309)
Redemption of bonus shares issued	(14,000)	-
	<u>(14,000)</u>	<u>(1,861)</u>

The other reserve arises following the revaluation of the investment in the subsidiary undertaking, subsequent capitalisation of reserves and redemption of bonus shares issued.

Company	Profit & Loss Account
	£000
At beginning of period	12
Retained loss for the period	(244)
Redemption of bonus shares issued	-
	<u>(232)</u>

**19 Analysis of cash flows**

	2002 £000	2002 £000	2002 £000	2002 £000
<b>Returns on investment and servicing of finance</b>				
Interest received	8,985		6,596	
Interest paid	(10,790)		(5,357)	
Bank commitment fees	(58)		(62)	
	<u></u>	<u>(1,863)</u>	<u></u>	<u>1,177</u>
<b>Financing</b>				
Redemption of share capital	(11,531)			
Repayment of loans	(6,823)		(169)	
Increase in bank loans	25,269		10,997	
	<u></u>	<u>6,915</u>	<u></u>	<u>10,828</u>



**Notes** *(continued)*

**20 Analysis of net debt**

	At beginning of period £000	Cash flow £000	Other non cash movements £000	At end of period £000
Cash in hand, at bank	8,068	(4,604)		3,464
Loans due within one period	(298)	(118)	-	(416)
Loans due after one period	(99,812)	(18,454)	126	(118,140)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Debt	(92,042)	(23,176)	126	(115,092)
	<hr/>	<hr/>	<hr/>	<hr/>

The other non cash movements relate to the reclassification of debt issue costs.

**21 Commitments**

At 31 May 2003 the group had authorised and contracted capital commitments of £nil (2002: £nil).

## Notes (continued)

### 22 Related party disclosures

During the period the group incurred the following expenditure with the following related parties. The amounts due outstanding at the end of the period are also set out below:

Related Party	Relationship	Class of Transaction	2003 Income/ (Expenditure) £000	2002 Income/ (Expenditure) £000	2003 Debtor/ (Creditor) £000	2002 Debtor/ (Creditor) £000
Bovis Engineering Limited	Part of Bovis Lend Lease group	Construction	-	-	-	-
Halifax Bank of Scotland (Bank of Scotland)	16.67% shareholders of Catalyst Healthcare (Calderdale) Holdings Limited	Financial Advisory Work	(125)	(10)	(2)	-
Bovis Lend Lease Limited	Part of Bovis Lend Lease group	Construction	2 (4,551)	6 (12,657)	- (1,998)	6 (1,147)
ISS UK Limited (RCO Support Services Limited)	16.67% shareholders of Catalyst Healthcare (Calderdale) Holdings Limited	Services	19 (5,226)	50 (4,773)	6 (583)	40 -
Societe Generale Project Investments Limited	16.67% shareholders of Catalyst Healthcare (Calderdale) Holdings Limited	Financing	(420)	(409)	-	-
Quayle Munro	30.1% shareholders of Catalyst Healthcare (Calderdale) Holdings Limited	Financing	(9)	-	-	-
Catalyst Healthcare Management Limited	Part of Bovis Lend Lease group	Management Services	16 (727)	- (637)	16 -	- -