

Catalyst Healthcare (Calderdale) Holdings Limited

**Directors' report and financial
statements**

Registered number 3525139

Year ended 31 May 2004



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Directors and advisors

Executive Director

T D Anderson

Non-Executive Directors

Sir ADT Chessells (Chairman)

D Bate (appointed 22 July 2004 resigned 18 November 2003)

PR Grant (resigned 11 March 2004)

AD Darling (resigned 11 March 2004)

SA Lees

AS Price

NH Scott-Barrett

RH Taylor

DK Perry (resigned 22 July 2003)

JC Elliot

D Powling (appointed 18 November 2003)

AL Tennant (appointed 11 March 2004)

MS Amin (appointed 11 March 2004)

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 year ended 31 May 2004.

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 year are set out in the profit and loss account on page 7.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend. The profit for the year amounted to £1,389,000.

Directors and directors' interests

The directors who held office during the year 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 year 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 year.

Political and charitable donations

During the year the company made charitable donations of £400 (2003: £1,502). There were no political donations made in the year.

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

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 year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. 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 22.

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 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG LLP 23/9/04
Chartered Accountants
Registered Auditors

Consolidated profit and loss account
for the year ended 31 May 2004

	<i>Note</i>	£000	14 months ended 31 May 2003 £000
Turnover	2	10,477	11,602
Net operating expenses	3	(9,073)	(13,304)
Operating profit / (loss)			
Before refinancing expenses		1,404	1,091
Refinancing expenses			(2,793)
		1,404	(1,702)
Other interest receivable and similar income	5	7,662	8,985
Interest payable and similar charges	6	(9,043)	(10,848)
Profit / (Loss) on ordinary activities before taxation	2-6	23	(3,565)
Tax on (profit) / loss on ordinary activities	7	1,366	256
Retained profit / (loss) for the financial year		1,389	(3,309)

The Group has no recognised gains or losses other than the retained profit for the year and therefore no separate statement of total recognised gains and losses has been presented.

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

Consolidated balance sheet

at 31 May 2004

	Note	2004 £000	2003 £000
Current assets			
Debtors – falling due within one year	10	1,423	4,259
Debtors – falling due after more than one year		104,833	102,463
		<hr/>	<hr/>
Cash at bank and in hand		106,256 9,078	106,722 3,464
		<hr/>	<hr/>
Creditors: amounts falling due within one year	13	115,334 (5,224)	110,186 (3,257)
		<hr/>	<hr/>
Net current assets		110,110	106,929
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	14	(119,012)	(118,140)
		<hr/>	<hr/>
Provisions for liabilities and charges	16	(2,746)	(1,826)
		<hr/>	<hr/>
Net (liabilities)		(11,648)	(13,037)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	2,824	2,824
Other reserves		(14,000)	(14,000)
Profit and loss account	18	(472)	(1,861)
		<hr/>	<hr/>
Equity shareholders' deficit		(11,648)	(13,037)
		<hr/>	<hr/>

These financial statements were approved by the board of directors on behalf by:

and were signed on its



TD Anderson
 Director

Company balance sheet
at 31 May 2004

	<i>Note</i>	2004 £000	2003 £000
Fixed assets			
Investments	9	17,605	17,605
Current assets			
Debtors	10	5,054	4,370
Cash at bank and in hand		13	57
		<hr/>	<hr/>
		5,067	4,427
Creditors: amounts falling due within one year	13	(15,089)	(15,125)
		<hr/>	<hr/>
Net current liabilities		(10,022)	(10,698)
Creditors: amounts falling due after more than one year	14	(4,990)	(4,315)
		<hr/>	<hr/>
Net assets		2,593	2,592
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	2,824	2,824
Profit and loss account	18	(231)	(232)
		<hr/>	<hr/>
Equity shareholders' funds		2,593	2,592
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 21 September 2004 and were signed on its behalf by:



TD Anderson
Director

Consolidated cash flow statement
for the year ended 31 May 2004

	<i>Note</i>	2004 £000	14 months ended 31 May 2003 £000
Reconciliation of operating profit / (loss) to net cash flow from operating activities			
Operating profit / (loss)		1,404	(1,702)
Increase/(decrease) in debtors		1,241	(4,634)
Decrease in creditors		(1,249)	(4,374)
Increase in provisions		920	1,054
		<hr/>	<hr/>
Net cash inflow / (outflow) from operating activities		2,316	(9,656)
		<hr/>	<hr/>

Cash flow statement

Cash flow from operating activities		2,316	(9,656)
Returns on investments and servicing of finance	19	1,869	(1,863)
Taxation	19	591	-
		<hr/>	<hr/>
Cash outflow before management of liquid resources and financing		4,776	(11,519)
Management of liquid resources			
Financing	19	838	6,915
		<hr/>	<hr/>
Increase/(decrease) in cash in the year		5,614	(4,604)
		<hr/>	<hr/>

Reconciliation of net cash flow to movement in net debt

Increase/(decrease) in cash in the year	20	5,614	(4,604)
Cash inflow from increase in debt		(838)	(18,572)
		<hr/>	<hr/>
Changes in net debt resulting from cash flows		4,776	(23,176)
Non cash movements	20	(266)	126
		<hr/>	<hr/>
Movement in net debt in the year		4,510	(23,050)
Net debt at the start of the year		(115,092)	(92,042)
		<hr/>	<hr/>
Net debt at the end of the year		(110,582)	(115,092)
		<hr/>	<hr/>

Reconciliation of movements in shareholders' funds

for the year ended 31 May 2004

	Group 2004	Company 2004	Group 14 months ended 31 May 2003	Company 14 months ended 31 May 2003
	£000	£000	£000	£000
Profit for the financial year	1,389	1	(3,309)	(244)
Dividends	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,389	1	(3,309)	(244)
Revaluation of investment	-	-	-	14,000
Redemption of share capital	-	-	(11,531)	(11,531)
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to / (reduction in) shareholders' funds	1,389	1	(14,840)	2,225
Opening shareholders' funds	(13,037)	2,592	1,803	367
	<hr/>	<hr/>	<hr/>	<hr/>
Closing equity shareholders' funds	(11,648)	2,593	(13,037)	2,592
	<hr/>	<hr/>	<hr/>	<hr/>

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 2004.

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 year 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 year 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 years
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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 years 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 year 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 profit / (loss) on ordinary activities before taxation

	Year ended 31 May 2004		14 months ended 31 March 2003	
	Turnover £000	Attributable pre-tax profit £000	Turnover £000	Attributable pre-tax profit £000
<i>By activity</i>				
Construction	342	22	432	-
Operational services	10,135	1	11,170	(3,565)
	<u>10,477</u>	<u>23</u>	<u>11,602</u>	<u>(3,565)</u>

3 Net operating costs

	14 months ended 2004 31 May 2003 £000 £000	
Service costs	6,805	7,405
Lifecycle maintenance charge	1,011	1,178
Materials, site and production costs	320	432
Auditors remuneration - audit fees	25	18
Auditors remuneration - other services (taxation compliance services)	34	216
Building insurance	164	157
Other charges	714	3,898
	<u>9,073</u>	<u>13,304</u>

Fees for other services paid to the auditors relate to accounting and taxation advisory work in connection with a proposed refinancing (2004:£nil, 2003:£213,000) and general taxation advice (2004:£34,000, 2003:£3,000).

Notes (continued)

4 Remuneration of directors

The directors received no emoluments directly from the company.

	2004 £000	14 months ended 31 May 2003 £000
Recharges in respect of directors services to third parties	47	58

5 Interest receivable and similar income

	2004 £000	14 months ended 31 May 2003 £000
Bank interest	186	211
Finance interest receivable	7,476	8,774
	<u>7,662</u>	<u>8,985</u>

6 Interest payable and similar charges

	2004 £000	14 months ended 31 May 2003 £000
On bank loans and overdrafts	8,743	9,993
Other interest	2	21
Commitment fees payable	32	58
Amortisation of issue costs	266	776
	<u>9,043</u>	<u>10,848</u>

Notes (continued)

7 Taxation

Analysis of charge/(credit) in year

	2004 £000	14 months ended 31 May 2003 £000
<i>Deferred tax (see note 12)</i>		
Origination and reversal of timing differences	1,204	(965)
Movement in discount	162	709
	<hr/>	<hr/>
Tax (credit) / charge on ordinary activities	1,366	(256)
	<hr/>	<hr/>

Factors affecting the tax charge for the current year

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

	2004 £000	14 months ended 31 May 2003 £000
<i>Current tax reconciliation</i>		
(Loss) / profit on ordinary activities before tax	23	(3,565)
	<hr/>	<hr/>
Current tax at standard rate of 30% (2003: 30%)	7	(1,070)
	<hr/>	<hr/>
<i>Effects on actual tax charge for the year:</i>		
Expenses not deductible for tax purposes (primarily finance debtor amortisation)	209	183
Utilisation of tax losses	(216)	-
Losses created in year	-	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 years' corporation tax computations with the Inland Revenue.

Of the total estimated tax losses available £14.9m 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

Group	Plant and Machinery £000
<i>Cost</i>	
At the beginning and end of the year	15
<i>Depreciation</i>	
At the beginning and end of the year	15
<i>Net book value</i>	
At 31 May 2004 and 31 May 2003	-

9 Investments

	Shares in subsidiary undertaking £000
<i>Cost and net book value</i>	
At the beginning and end of the year	17,605

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).

Notes (continued)

10 Debtors

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Trade debtors	86	992	-	-
Amounts owed by subsidiary undertakings	-	-	5,054	4,370
Other debtors	2,605	2,521	-	-
Finance debtor (<i>note 11</i>)	100,011	100,700	-	-
Deferred tax asset (<i>note 12</i>)	3,253	2,478	-	-
Prepayments and accrued income	301	31	-	-
	<u>106,256</u>	<u>106,722</u>	<u>5,054</u>	<u>4,370</u>

Included within the deferred tax asset is £3,004,000 (2003: £2,460,000) recoverable after more than one year. Included within other debtors is £2,559,000 recoverable after more than one year. The recoverability of the finance debtor is shown in note 11.

11 Analysis of finance debtor - Group

	2004	2003
	£000	£000
Amounts due: Within 1 year	743	697
1-2 years	792	872
2-5 years	2,712	2,540
Over 5 years	95,764	96,591
	<u>100,011</u>	<u>100,700</u>
Less: amounts due within 1 year	(743)	(697)
	<u>99,268</u>	<u>100,003</u>

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

	2004	2003
	£000	£000
Opening debtor	100,700	97,584
Additions to finance debtor in the year (net of capital contributions)	9	3,865
Capital element of payments received in year	(698)	(749)
	<u>100,011</u>	<u>100,700</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 year (Note 7).

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

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Tax losses – undiscounted	4,473	4,318	-	-
Discount	(1,220)	(1,840)	-	-
Discounted deferred tax asset	<u>3,253</u>	<u>2,478</u>	<u>-</u>	<u>-</u>

The movement in the deferred tax asset comprises:

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
At beginning of year	2,478	2,222	-	-
Losses surrendered in year	(591)	-	-	-
Credit to profit and loss account (note 7)	1,366	256	-	-
At end of year	<u>3,253</u>	<u>2,478</u>	<u>-</u>	<u>-</u>

13 Creditors: amounts falling due within one year

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Bank loans and overdrafts (see note 15)	648	416	-	-
Amounts owing to subsidiary undertakings	-	-	15,025	15,025
Trade creditors	996	1,779	-	-
Other tax and social security	412	505	-	-
Other creditors	160	255	64	100
Accruals and deferred income	3,008	302	-	-
	<u>5,224</u>	<u>3,257</u>	<u>15,089</u>	<u>15,125</u>

Notes (continued)

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Loan stock	4,990	4,315	4,990	4,315
Bank loans	114,022	113,825	-	-
	<u>119,012</u>	<u>118,140</u>	<u>4,990</u>	<u>4,315</u>

Included within bank loans and overdrafts are un-amortised issue costs of £3,930,614..

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	
	2004 £000	2003 £000	2004 £000	2003 £000
Debt can be analysed as falling due:				
In one year or less, or on demand	648	416	-	-
Between one and two years	841	453	-	-
Between two and five years	3,589	3,104	-	-
In five years or more	118,513	118,801	4,990	4,315
	<u>123,591</u>	<u>122,774</u>	<u>4,990</u>	<u>4,315</u>
less; issue costs	(3,931)	(4,218)	-	-
	<u>119,660</u>	<u>118,556</u>	<u>4,990</u>	<u>4,315</u>

Notes *(continued)*

16 Provisions for liabilities and charges

Group	2004 £000	2003 £000
At beginning of year	1,826	772
Utilised during year	(92)	(123)
Charge to the profit and loss for the year	1,012	1,177
	<hr/>	<hr/>
At end of year	2,746	1,826
	<hr/>	<hr/>

Company

The company has no provisions for liabilities and charges.

17 Called up share capital

	2004 £000	2003 £000
<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	2,469
	<hr/>	<hr/>
	2,824	2,824
	<hr/>	<hr/>

Notes (continued)

18 Reserves

Group	Other reserves £000	Profit & Loss account £000
At beginning of year	(14,000)	(1,861)
Retained profit for the year	-	1,389
	<u>(14,000)</u>	<u>(472)</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 year	(232)
Retained profit for the year	1
	<u>(231)</u>

19 Analysis of cash flows

	2004 £000	2004 £000	14 Months ended 31 May 2003 £000	14 Months ended 31 May 2003 £000
Returns on investment and servicing of finance				
Interest received	7,662		8,985	
Interest paid	(5,761)		(10,790)	
Bank commitment fees	(32)		(58)	
	<u>1,869</u>		<u>(1,863)</u>	
Taxation				
Payment for consortium relief		591		-
Financing				
Redemption of share capital	-		(11,531)	
Repayment of loans	(222)		(6,823)	
Increase in bank loans	1,060		25,269	
	<u>838</u>		<u>6,915</u>	

Notes (continued)

20 Analysis of net debt

	At beginning of year £000	Cash flow £000	Other non cash movements £000	At end of year £000
Cash in hand, at bank	3,464	5,614		9,078
Loans due within one year	(416)	(232)		(648)
Loans due after one year	(118,140)	(606)	(266)	(119,012)
Net Debt	(115,092)	4,776	(266)	110,582

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

21 Commitments

At 31 May 2004 the group had authorised and contracted capital commitments of £nil (2003: £nil).

22 Related party disclosures

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

Related Party	Relationship	Class of Transaction	2004 Income/ (Expenditure) £000	2003 Income/ (Expenditure) £000	2004 Debtor/ (Creditor) £000	2003 Debtor/ (Creditor) £000
Halifax Bank of Scotland (Bank of Scotland)	16.67% shareholders of Catalyst Healthcare (Calderdale) Holdings Limited	Financial Advisory Work	(231)	(125)	-	(2)
Bovis Lend Lease Limited	Part of Bovis Lend Lease group	Construction/ Services	2 (2,924)	2 (4,551)	2 (427)	- (1,998)
ISS UK Limited (RCO Support Services Limited)	16.67% shareholders of Catalyst Healthcare (Calderdale) Holdings Limited	Services	13 (4,673)	19 (5,226)	1 (471)	6 (583)
Societe Generale Project Investments Limited	16.67% shareholders of Catalyst Healthcare (Calderdale) Holdings Limited	Financing	(15)	(420)	-	-
Quayle Munro	30.1% shareholders of Catalyst Healthcare (Calderdale) Holdings Limited	Financing	(12)	(9)	-	-
Catalyst Healthcare Management Limited	Part of Bovis Lend Lease group	Management Services	21 (386)	16 (727)	- -	16 -