COMPANY REGISTRATION NUMBER 03302909

CRITERION HEALTHCARE PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 APRIL 2013

CRITERION HEALTHCARE PLC

FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2013

CONTENTS	**PAGE**

CRITERION HEALTHCARE PLC

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	J S Bal M I Jaffe R J Newton P McCulloch R Thompson M C Wayment
Company secretary	MAMG Company Secretarial Services Limited
Registered office	3 Tenterden Street London W1S 1TD
Auditor	PricewaterhouseCoopers LLP Erskine House 68-73 Queen Street Edinburgh EH2 4NH

CRITERION HEALTHCARE PLC

THE DIRECTORS' REPORT

YEAR ENDED 30 APRIL 2013

The directors have pleasure in presenting their report and the audited financial statements of the Company for the year ended 30 April 2013

PRINCIPAL ACTIVITIES
The principal activity of the Company during the year was that of private finance initiative concessionaire for the Bishop Auckland Hospital project, under the terms of a concession agreement dated 28 May 1999 between the Company and County Durham and Darlington Acute Hospitals NHS Foundation Trust (the "Trust" formerly known as South Durham Healthcare NHS Trust)

The Company's concession agreement requires it to design, finance, and construct certain new buildings and undertake refurbishment of the Bishop Auckland Hospital ("Hospital") and then maintain and provide certain non-clinical services for the Hospital for a primary concession period of up to sixty years from the completion of the first phase of the works The Company was required to agree a detailed specification for the Trust which meets the output specification established in the concession agreement with any modifications subsequently agreed Payments under the concession agreement depend upon both the building meeting the agreed performance needs of the Trust and the services in the Hospital being to the agreed standard Work commenced on the redevelopment of the Hospital in June 1999 Phase 1 and phase 2 construction completion was achieved in June 2002 with the final phase 3 completion of refurbished buildings and landscaping works certified in November 2002 The Hospital has been fully operational since July 2002

During the year and up to the balance sheet date the Hospital has operated as normal with no unavailability or service performance deductions No significant changes to the project or service delivery are currently planned

FUTURE DEVELOPMENTS
The Trust has been investigating the potential of the "Seizing the Future" programme that involves the reconfiguration of clinical services to and from the Bishop Auckland Hospital site The Company is working closely with the Trust on this programme with the impact on future incomes and costs expected to be minimal

DIRECTORS
The directors who served the Company during the year and up to the date of this report were as follows

J S Bal
M I Jaffe
R J Newton
N Rae
A C Ritchie
M C Wayment
P McCulloch
R Thompson

N Rae and A C Ritchie resigned as directors on 25 March 2013
P McCulloch and R Thompson were appointed as directors on 25 March 2013

The directors are all shareholder representatives and operate in a non-executive capacity

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006 Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors

None of the Directors at 30 April 2013 had any interests in the shares of the Company or in the securities of any other Company in the group of which it is a member

PRINCIPAL RISKS AND UNCERTAINTIES

The key performance indicators and principal risks and uncertainties for the Company lie in relation to any unavailability of the Hospital and to that affect there was no unavailability for the year ended 30 April 2013 (2012 nil)

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future For this reason they have adopted the going concern basis in preparing the accounts

PROFIT AND LOSS ACCOUNT

The Company made a pre-tax profit for the financial year of £756,000 (2012 £277,000)

DIVIDENDS

The Directors did not declare a dividend in respect of the year ended 30 April 2013 (2012 £nil)

FINANCIAL INSTRUMENTS

A discussion of the Company's objectives, policies and strategies with regard to derivatives and other financial instruments can be found in note 14 to the financial statements

Other numerical disclosures in respect of financial instruments are given in notes 8, 9, 10, 11 and 12 to the financial statements

CORPORATE GOVERNANCE STATEMENT

Financial reporting, risk and internal controls

The Company has outsourced the financial reporting function to MAMG Limited The Board receives quarterly reports from MAMG Limited which address specific risks to the Company in a Risk Register which contains a summary of all material risks which the Company is exposed to, and is pertinent to the industry in which the Company operates and the Company's customer and sub-contractor environment The Board also receives quarterly management accounts with explanations of variances from annual budgets and forecasts, which are in turn compared to the Financial Model, which represents the long term business plan of the Company

Significant shareholding and special rights

The Company is 100% owned by Criterion Healthcare Holdings Limited Criterion Healthcare Holdings Limited is owned by Foresight Group Limited (19 99%), HPC BAS Limited (19 99%), HPC Bishop Auckland Hospital Limited (24 02%) and Infrastructure Investments General Partner Limited in its capacity as General Partner for and on behalf of Infrastructure Investments Limited Partnership (36%) All the shareholders in Criterion Healthcare Holdings Limited holds its shareholding as a long term investment

Director's appointment and replacement, allotment of shares and control provisions

The rules about the appointment and replacement of directors are contained in the Company's Articles of Association Changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force at the time The powers of the directors are determined by UK legislation and the Memorandum and Articles of Association of the Company in force from time to time

The directors have in the past been authorised to issue and allot ordinary shares and such powers have expired The Company is not party to any significant agreements that would take effect, alter or terminate upon change of control following a takeover bid The Company also does not have an agreement with any director or employee that would provide compensation for loss of office or employment resulting from a takeover

INFORMATION FOR AUDIT

The Directors have confirmed that so far as they are aware, there is no relevant audit information of which the auditor is unaware, and that they have each taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

AUDITOR

It is the intention of the Directors to reappoint PricewaterhouseCoopers LLP as the Company's auditor for the forthcoming year

POLICY ON THE PAYMENT OF CREDITORS

The Company's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction or series of transactions and to abide by these terms of payment where it is satisfied the supplier has provided the goods or services in accordance with the agreed terms

DIRECTORS' RESPONSIBILITIES STATEMENT

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law) Under Company law the directors must not approve the financial statements unless they are satisfied that they 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 period

In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting 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 adequate accounting records that are sufficient to show and explain the Company's transactions, to 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 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The names and functions of all the directors are stated on page 2

Registered office
3 Tenterden Street
London
W1S 1TD

Signed on behalf of the directors

J Bal

Director

Approved by the directors on 15 August 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRITERION HEALTHCARE PLC

We have audited the financial statements of Criterion Healthcare plc for the year ended 30 April 2013 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement on Page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 April 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

CRITERION HEALTHCARE PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRITERION HEALTHCARE PLC

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Mark Hoskyns-Abrahall (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
19 | 8 | 2013

CRITERION HEALTHCARE PLC

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 APRIL 2013

	Note	2013 £000	2012 £000
TURNOVER	2	**6,806**	7,415
Cost of sales		**(4,662)**	(5,182)
GROSS PROFIT		**2,144**	2,233
OPERATING PROFIT	3	**2,144**	2,233
Interest receivable	5	**4,367**	5,731
Interest payable and similar charges	6	**(5,755)**	(7,687)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**756**	277
Tax on profit on ordinary activities	7	**(242)**	(99)
PROFIT FOR THE FINANCIAL YEAR	17	**514**	178

All of the activities of the Company are classed as continuing

The Company has no recognised gains or losses other than included in the profit above and therefore no separate Statement of Total Recognised Gains and Losses has been presented

The notes on pages 10 to 23 form part of these financial statements.

CRITERION HEALTHCARE PLC

BALANCE SHEET

30 APRIL 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
CURRENT ASSETS					
Debtors due within one year	**8**	**1,865**		1,999	
Debtors due after one year	**8**	**63,849**		65,022	
Cash at bank	**9**	**11,531**		10,343	
		77,245		77,364	
CREDITORS: Amounts falling due within one year	**10**	**(6,687)**		(6,338)	
NET CURRENT ASSETS			**70,558**		71,026
TOTAL ASSETS LESS CURRENT LIABILITIES			**70,558**		71,026
CREDITORS: Amounts falling due after more than one year	**11**		**(68,071)**		(69,295)
PROVISIONS FOR LIABILITIES					
Deferred taxation	**13**		**(1,251)**		(1,009)
NET ASSETS			**1,236**		722
CAPITAL AND RESERVES					
Called-up equity share capital	**16**		**50**		50
Profit and loss account	**17**		**1,186**		672
SHAREHOLDERS' FUNDS	**18**		**1,236**		722

These financial statements were approved by the directors and authorised for issue on 15 AUG 2013, and are signed on their behalf by

X J BAL X

Company Registration Number 03302909

The notes on pages 10 to 23 form part of these financial statements.

CRITERION HEALTHCARE PLC

CASH FLOW STATEMENT

YEAR ENDED 30 APRIL 2013

	Note	2013 £000	2012 £000
Net Cash inflow from operating activities		**1,878**	495
Returns on investments and servicing of finance			
Interest element of finance lease debtor		**4,201**	5,577
Other interest received		**166**	46
Interest paid		**(3,548)**	(3,863)
Net cash inflow on returns on investments and servicing of finance		**819**	1,760
Capital expenditure and financial investment			
Capital repayment of finance lease debtor		**1,749**	1,674
Net cash inflow from capital expenditure and financial investment		**1,749**	1,674
Management of liquid resources			
Cash placed on deposit		**-**	(8,619)
Net cash outflow from management of liquid resourcest		**-**	(8,619)
Financing			
Principal and indexation repaid on secured bonds		**(2,991)**	(2,758)
Mezzanine loan repaid		**(267)**	(267)
Net cash outflow from financing		**(3,258)**	(3,025)
Increase/(decrease) in cash	19	**1,188**	(7,715)

Reconciliation of operating profit to net cash inflow from operating activities

	2013 £000	2012 £000
Operating Profit	**2,144**	2,233
Increase in debtors	**(442)**	(2,276)
Increase in creditors	**176**	538
Net cash inflow from operating activities	**1,878**	495

The notes on pages 10 to 23 form part of these financial statements.

1 ACCOUNTING POLICIES

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable UK accounting standards

b) Turnover and interest receivable

The Company makes unitary charges to the Trust in respect of both availability of the Hospital and facilities and services provided Unitary charges are allocated between service income (recognised as turnover), interest receivable on the finance debtor and repayment of the finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the concession agreement

A fixed margin is applied to costs charged to the profit and loss account to calculate the service income recognised as turnover credited to the profit and loss account This margin is calculated as total service income forecast to be received over the concession, less all life cycle and other operating costs forecast to be payable over the concession, and is kept under regular review

c) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

d) Finance debtor

In accordance with Financial Reporting Standard (FRS) 5 Application note F the costs incurred in building the Hospital have been treated as a finance debtor upon the commencement of the operational phase of the concession agreement

During the construction phase of the Hospital, all attributable expenditure was capitalised as assets in the course of construction Upon becoming operational, the costs were transferred to the finance debtor During the operational phase, income is allocated between interest receivable and repayment of the finance debtor using a project specific interest rate The remainder of the unitary charge income is included within turnover in accordance with the Turnover accounting policy above

1 **ACCOUNTING POLICIES** *(continued)*

e) Debt issue costs and discount on issue

Issue costs and discount on issue in respect of the Company's debt are recognised over the life of the debt at a constant rate related to the carrying value of the debt

f) Life cycle costs

The estimated cost of the Company's obligation to maintain the Hospital over the period of its concession agreement with the Trust is charged to the profit and loss account as the obligation arises

g) Liquid resources

In accordance with Financial Reporting Standard 1 'Cash Flow Statements', for cash flow purposes, cash includes cash in hand and bank deposits payable on demand within one working day and liquid resources includes all of the Company's other bank deposits

h) 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 debtors are initially recognised at fair value and then are stated at amortised cost

Cash at bank
Cash at bank is carried in the balance sheet at nominal value

Trade creditors
Trade creditors are initially recognised at fair value and then are stated at amortised cost

Bank and other borrowings
Interest bearing bank loans and overdrafts and other loans are recognised initially at fair value All borrowings are subsequently stated at amortised cost with the difference between initial net proceeds and redemption value recognised in the profit and loss account over the period to redemption

Finance debtor and contractual receivables
Finance debtor and contractual receivables are classified as loans and receivables as defined in paragraph 9 of FRS 26, which are initially recognised at fair value and are then stated at amortised cost

i) Accounting estimates and judgements

In applying the accounting policies detailed above, decisions sometimes have to be made as to the likely outcome of future events Those estimates and judgements are based on historical experience and assumptions that the Directors believe to be reasonable in the circumstances The Directors consider the key judgements and estimates made in preparing the financial statements to be those relating to the calculation of the margin applied to costs in recognising revenue and the recognition of life cycle costs These judgements and estimates are discussed in more detail above

2 TURNOVER

The Company's sole business activity is that of a private finance initiative concessionaire for the Bishop Auckland Hospital project, under the terms of a concession agreement dated 28 May 1999 between the Company and County Durham and Darlington Acute Hospitals NHS Foundation Trust (the "Trust" formerly known as South Durham Healthcare NHS Trust)

Accordingly all the Company's turnover and net assets are UK based

3. OPERATING PROFIT

Operating profit is stated after charging

	2013 £000	2012 £000
Directors' remuneration	**157**	154
Auditor's remuneration - audit of the financial statements	**13**	20
Auditor's remuneration - other assurance services	**7**	7

4. DIRECTORS' REMUNERATION

The Directors' fees were paid to the shareholders of Criterion Healthcare Holdings Limited for provision of the Directors' services

The Company does not operate a pension scheme for its Directors The Company has no employees other than its Directors

5 INTEREST RECEIVABLE

	2013 £000	2012 £000
Bank interest receivable	**166**	154
Interest receivable on finance debtor	**4,201**	5,577
	4,367	5,731

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £000	2012 £000
Secured 3 37% Index-linked bonds (due 2031)	**2,315**	2,409
Other interest payable	**10**	9
Unsecured subordinated loan stock	**292**	307
Mezzanine loan facility	**931**	1,179
Index-linked bond indexation and discount on issue of bonds	**2,072**	3,502
Amortisation of debt issue costs	**135**	281
	5,755	7,687

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2013 £000	2012 £000
Deferred tax		
Origination and reversal of timing differences	**284**	174
Effect of reduced tax rate on opening liability	**(42)**	(70)
Prior year	**-**	(5)
Total deferred tax (note 13)	**242**	99

Factors that may affect future charges

The Company does not anticipate paying tax for some years due to the availability of capital allowances on the plant and equipment costs of the Hospital, and the availability of tax losses brought forward

(b) Factors affecting current tax charge

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

	2013 £000	2012 £000
Profit on ordinary activities before taxation	**756**	277
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012 26%)	**182**	72
Expenses not deductible for tax purposes	**150**	154
Capital allowances claimed net of amortisation	**150**	40
Net movement in tax losses	**(482)**	(266)
Total current tax	**-**	-

(c) Factors that may affect future tax charges

During the year, as a result of the change in the UK main corporation tax rate from 24% to 23% that was enacted on 17 July 2012 and that will be effective from 1 April 2013, the relevant deferred tax balances have been re-measured

Further reductions to the UK main corporation tax rate have not been substantively enacted at the balance sheet and therefore are not recognised in these financial statements Firstly, a change proposing to reduce the rate by a further 2% to 21% from 1 April 2014 was announced in the 2012 Autumn Statement Secondly, a further change proposing to reduce the rate to 20% from 1 April 2015 was announced in the March 2013 Budget

8. DEBTORS: Amounts falling due within one year

	2013 £000	2012 £000
Trade debtors	**-**	84
Finance debtor	**1,829**	1,749
Prepayments and accrued income	**36**	166
	1,865	1,999

8. DEBTORS: Amounts falling due after more than one year

	2013 £000	2012 £000
Finance debtor	51,695	53,524
Accrued income	12,154	11,498
	63,849	65,022

The finance debtor is receivable as follows	2013 £000	2012 £000
Due within one year	1,829	1,749
Due between 1 and 2 years	1,917	1,829
Due between 2 and 5 years	6,279	6,005
Due after more than 5 years	43,499	45,690
	53,524	55,273

The total cost of the assets constructed by the Company and held as a finance lease debtor amounted to £65,173,000 Included within the cost of construction is £9,263,000 of capitalised interest

9. CASH AT BANK

	2013 £000	2012 £000
Cash at bank	11,531	10,343

Cash at bank and in hand earns interest at floating rates based principally on short term inter-bank rates

10. CREDITORS: Amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	784	721
Secured 3 37% Index-linked bonds (due 2031)	3,113	2,949
Mezzanine loan (secured)	426	417
Other taxes and social security	457	347
Accruals and deferred income	1,907	1,904
	6,687	6,338

11. CREDITORS: Amounts falling due after more than one year

	2013 £000	2012 £000
Secured 3 37% Index-linked bonds (due 2031)	**61,936**	62,884
Mezzanine loan (secured)	**4,511**	4,787
Loan stock	**1,624**	1,624
	68,071	69,295

12. BORROWINGS

	2013 £000	2012 £000
Secured 3 37% Index-linked bonds (due 2031)	**62,894**	62,894
Add Cumulative indexation	**26,820**	24,860
Redeemed to date	**(22,515)**	(19,603)
Discount on issue	**572**	538
	67,771	68,689
Mezzanine loan (secured)	**4,937**	5,204
Loan stock	**1,624**	1,624
	74,332	75,517
Less Unamortised net issue costs	**(2,722)**	(2,856)
	71,610	72,661
Less amounts falling due within one year	**(3,539)**	(3,366)
	68,071	69,295

	2013	2012
Borrowings are repayable as follows		
Within one year	**3,539**	3,366
Between one and two years	**3,563**	3,386
Between two and five years	**11,797**	11,130
After five years	**55,433**	57,635
	74,332	75,517

12. BORROWINGS *(continued)*

The interest rate risk profile of the Company's borrowings is as follows

2013	Total	Floating rate	Fixed rate	Fixed rate weighted average interest rate	Fixed rate weighted average time for which rate is fixed
	£000	£000	£000	%	Years
Sterling	**71,611**	**69,987**	**1,624**	**17.505**	**17**

2012	Total	Floating rate	Fixed rate	Fixed rate weighted average interest rate	Fixed rate weighted average time for which rate is fixed
	£000	£000	£000	%	Years
Sterling	72,661	71,037	1,624	17 505	18

As the secured bonds are directly linked with the Retail Price Index they have been categorised as floating rate debt in the above table Total liabilities shown above comprise the gross principal amount of the bonds in issue, the mezzanine loan and unsecured subordinated loan stock

Secured 3 37% Index linked bonds (due 2031)

£64,640,000 index- linked bonds (due 2031) were created on 28 May 1999 Of this £59,640,000 were issued and sold at 98 79% The bonds bear interest at 3 37% per annum which, together with the principal outstanding, is subject to indexation to retail price inflation in accordance with the terms of the Bond Trust Deed Interest is payable semi-annually in arrears on 30 April and 31 October

The Company retained £5,000,000 indexed-linked bonds (due 2031) "variation bonds" which it could sell, subject to certain restrictions in the Bond Trust Deed, to finance contingencies On 27 April 2001 the Company sold £4,150,000 nominal bonds at 95 79% for cash to fund variations to the construction contract Any variation bonds unsold at construction completion were cancelled

The bonds are repayable in instalments commencing on 30 April 2005 and ending on 30 April 2031

The bonds are secured by first fixed and floating charges over all of the Company's and the holding Company's assets They are guaranteed by a financial guarantee insurance policy issued by Financial Security Assurance (UK) Limited, and are listed on the London Stock Exchange

Mezzanine loan

The Company was advanced £5,500,000 under Mezzanine loan facility agreement on 28 May 1999 The Mezzanine loan bears interest at 14 5% and payments of interest are indexed to changes in the Retail Price Index

On 27 April 2001 a further amount of £371,000 was advanced under the same facility to part finance contract variations

12. BORROWINGS *(continued)*

The amount outstandıng under the facılity ıs repayable ın ınstalments over 22 years commencıng on 31 October 2009 It ıs secured by the same fixed and floatıng charge as the bonds but ranks subordınate ın prıorıty to the bonds

Unsecured Subordınated Loan Stock

The followıng partıes hold the Unsecured A Loan Stock

	2013 £000	2012 £000
HPC BAS Lımıted	**450**	450
HPC Bıshop Auckland Lımıted	**124**	124
Infrastructure Investments LP (actıng by ıts general partner, Infrastructure Investments General Partner Lımıted)	**600**	600
	1,174	1,174

The loan stock bears ınterest at 18 569% and ıs repayable by 31 July 2032

ISS Fınance and Investment (Bıshop Auckland) Lımıted subscrıbed for £450,000 (B) loan stock on 28 July 2002 The loan stock earns ınterest at 14 729% and ıs repayable by 31 July 2032 On 22 June 2007 thıs loan stock was transferred to Semperıan PPP Investment Partners No 2 Lımıted (formerly Trıllıum PP Investment Partners No 2 Lımıted) and was later transferred to the Foresıght Group on 25 March 2013

13. DEFERRED TAXATION

The movement ın the deferred taxatıon provısıon durıng the year was

	2013 £000	2012 £000
Provısıon brought forward	**1,009**	910
Profit and loss account movement arısıng durıng the year	**242**	99
Provısıon carrıed forward	**1,251**	1,009

The provısıon for deferred taxatıon consısts of the tax effect of tımıng dıfferences ın respect of

	2013 £000	2012 £000
Accelerated capıtal allowances	**4,398**	4,758
Other tımıng dıfferences	**2,485**	2,610
Tax losses	**(5,632)**	(6,359)
	1,251	1,009

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise short term deposits, debtors, creditors, index-linked bonds and subordinated loans The main purpose of these financial instruments is to ensure, via the terms of the financial instruments, that the profile of the debt service costs is tailored to match expected revenues arising from the Project Agreement

The Company does not undertake financial instrument transactions which are speculative, and the Company's ability to do so is restricted by covenants in its existing funding agreements

All of the Company's financial liabilities are measured at amortised cost and all of the Company's financial assets are classified as loans and receivables There have been no changes in the financial risks affecting the Company since the prior year

Interest rate risk
In respect of income earning assets and interest bearing financial liabilities, the following table indicates their effective interest rates as at the balance sheet date and the period in which they mature

2013	Effective Interest Rate	Total £000	1 Year or Less £000	1 - 2 Years £000	2 - 5 Years £000	5+ Years £000
Cash at bank		**11,531**	**11,531**	-	-	-
Finance lease debtor	**4.475%**	**53,524**	**1,829**	**1,917**	**6,279**	**43,499**
Unsecured subordinated						
A Loan Stock	**18.6%**	**(1,174)**	-	-	-	**(1,174)**
B Loan Stock	**14.7%**	**(450)**	-	-	-	**(450)**
Mezzanine debt	**14.5%**	**(4,937)**	**(425)**	**(267)**	**(801)**	**(3,444)**
Guaranteed secured bond	**3.37%**	**(65,049)**	**(3,130)**	**(3,296)**	**(10,996)**	**(47,627)**

2012	Effective Interest Rate	Total £000	1 Year or Less £000	1 - 2 Years £000	2 - 5 Years £000	5+ Years £000
Cash at bank		1,724	1,724	-	-	-
Cash on term deposit	3%	8,619	8,619	-	-	-
Finance lease debtor	4 475%	55,273	1,749	1,829	6,005	45,690
Unsecured subordinated						
A Loan Stock	18 6%	(1,174)	-	-	-	(1,174)
B Loan Stock	14 7%	(450)	-	-	-	(450)
Mezzanine debt	14 5%	(5,204)	(417)	(267)	(733)	(3,787)
Guaranteed secured bond	3 37%	(68,689)	(2,949)	(3,119)	(10,397)	(52,224)

Credit risk
Although the County Durham and Darlington Acute Hospitals Trust (the Trust) is the only client of Criterion Healthcare Plc, the Directors are satisfied that the Trust will be able to fulfil their collateral obligations under the PFI contract that are in turn underwritten by the Secretary of State for Health

The maximum exposure to credit risk is £77,209,000 (2012 £77,198,000) There are no debtors that are past due or impaired

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Financial assets
The Company has one long term financial asset being the finance debtor This asset yields interest at a fixed rate of 4 475% per annum plus indexation over the term of the lease, of which up to 50 years of the primary period are remaining

Liquidity risk
Repayment of index-linked bonds, mezzanine loans and unsecured subordinated loan stock are required semi annually in accordance with the debt covenant agreements

In accordance with debt covenants, reserves are funded to required levels to ensure sufficient funds exists to meet upcoming obligations

The Company will continue to receive unitary payments on a quarterly basis in line with the Contract, funding the repayment of these obligations

The following table sets out the timing of expected future cash flows, including interest payments, in respect of the Company's long term debtors and loan balances

2013	Total £000	1 Year or Less £000	1 – 2 Years £000	2 - 5 Years £000	5+ Years £000
Finance lease debtor	**101,213**	**6,117**	**5,817**	**17,303**	**71,976**
Unsecured subordinated					
A Loan Stock	**(5,427)**	**(223)**	**(223)**	**(671)**	**(4,309)**
B Loan Stock	**(1,736)**	**(67)**	**(67)**	**(203)**	**(1,397)**
Mezzanine debt	**(12,546)**	**(1,098)**	**(1,051)**	**(2,874)**	**(7,523)**
Guaranteed secured bond	**(118,657)**	**(5,470)**	**(5,591)**	**(17,538)**	**(90,059)**

2012	Total £000	1 Year or Less £000	1 - 2 Years £000	2 - 5 Years £000	5+ Years £000
Finance lease debtor	107,166	6,036	6,110	17,365	77,655
Unsecured subordinated					
A Loan Stock	(5,934)	(350)	(237)	(336)	(5,011)
B Loan Stock	(1,870)	(108)	(67)	(102)	(1,593)
Mezzanine debt	(14,040)	(1,378)	(1,100)	(2,945)	(8,617)
Guaranteed secured bond	(123,530)	(5,301)	(5,450)	(17,094)	(95,685)

Fair values of financial assets and liabilities
The comparison of book and fair values of the Company's financial instruments at 30 April 2013 is set out below In respect of the bond, market values have been used to determine fair values

The fair value of the financial debtor is calculated by discounting future cash flows at an appropriate discount rate The discount rate has been established by reference to the long term Gilt Market Yields published by the Debt Management Office A further 1 percent has been added to reflect the slightly higher risk profile of the finance debtor in comparison to Government Gilts

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

The discount rate that has been applied to the finance debtor at 30 April 2013 is 4 75% (2012 4 5%)

The fair value of the short term debtors and creditors, unsecured loan stock and Mezzanine debt is not believed to be significantly different from their book value

The fair value of the index-linked secured guaranteed bonds is the quoted price as at the date of the balance sheet

Relevant information regarding these financial instruments is given in the notes referred to below

	2013		2012	
	Book value £000	**Fair value £000**	Book value £000	Fair value £000
Finance lease debtor (see note 8)	**53,524**	**67,832**	55,273	71,932
Cash at bank and in hand (see note 9)	**11,531**	**11,531**	10,343	10,343
Index-linked bond (see note 12)	**(67,771)**	**(79,165)**	(68,689)	(72,555)
Mezzanine Loan (see note 12)	**(4,937)**	**(4,937)**	(5,204)	(5,204)
Unsecured loan stock (see note 12)	**(1,624)**	**(1,624)**	(1,624)	(1,624)
	(9,277)	**(6,363)**	(9,901)	2,892

Both the finance lease debtor and index-linked bonds are fixed interest instruments linked to adjustments in RPI As such this significantly reduces the Company's sensitivity to movements in interest rates

Sensitivity Analysis

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

The majority of the Company's assets and liabilities are at a floating rate The Company's bank balances are subject to floating interest rates and a movement of plus or minus 1 percentage point in interest rates would have an effect of approximately £18,000 (2012 £11,000) on interest receivable

The Company's bond creditor and Mezzanine loan facility are index-linked A movements of plus or minus 1 point on the RPI would have an impact of approximately £280,000 (2012 £292,000) on the indexation charge for the year This risk is substantially mitigated by the fact that the Company's revenue stream from its client is also index-linked

15. RELATED PARTY TRANSACTIONS

The Company's parent Company is Criterion Healthcare Holdings Limited the shareholders of which, at the end of the period under review, were HPC BAS Limited (formerly Shepherd Securities (Healthcare) Limited), HPC Bishop Auckland Hospital Limited (formerly Health Care Development Advisory Limited) ("HPC Bishop Auckland"), Infrastructure Investments General Partner Limited in its capacity as General Partner for and on behalf of Infrastructure Investments Limited Partnership ("IILP"), Foresight VCT plc and Foresight 2 VCT plc (Foresight Group)

Those parties have had transactions with the Company during the period as follows

15. RELATED PARTY TRANSACTIONS *(continued)*

IILP

IILP has provided £5,871,000 of mezzanine debt funding of which £267,000 was repaid in the year (2012 £267,000) and interest thereon of £931,000 is charged in the financial statements (2012 £1,179,000) A balance of £430,000 interest (2012 £546,000) and £133,000 principal (2012 £nil) was payable to IILP at 30 April 2013

IILP has provided £600,000 of loan stock funding (2012 £600,000) and interest thereon of £112,000 is charged in the financial statements (2012 £121,000) A balance of £56,000 (2012 £56,000) was payable to IILP at 30 April 2013

Directors' fees of £57,000 were payable to IILP in respect of the year (2012 £55,000) A balance of £nil (2012 £nil) was payable to IILP at 30 April 2013

HPC BAS

HPC BAS has provided £450,000 of loan stock funding (2012 £450,000) and interest thereon of £84,000 is charged in the financial statements (2012 £90,000) A balance of £41,000 (2012 £42,000) was payable to HPC BAS at 30 April 2013

Directors' fees of £31,000 were payable to HPC BAS in respect of the year (2012 £30,000) A balance of £nil (2012 £nil) was payable to HPC BAS at 30 April 2013

HPC BISHOP AUCKLAND

HPC Bishop Auckland has provided £124,000 of loan stock funding (2012 £124,000) and interest thereon of £23,000 is charged in the financial statements (2012 £25,000) A balance of £11,000 (2012 £11,000) was payable to HPC Bishop Auckland at 30 April 2013

Directors' fees of £37,000 were payable to HPC Bishop Auckland in respect of the year (2012 £36,000) A balance of £nil (2012 £nil) was payable to HPC Bishop Auckland at 30 April 2013

FORESIGHT GROUP

Foresight Group has provided £450,000 of loan stock funding (2012 £450,000) and interest thereon of £66,000 is charged in the financial statements (2012 £71,000) A balance of £33,000 (2012 £33,000) was payable to Foresight Group at 30 April 2013

No directors' fees were paid to Foresight Group in respect of the year (2012 £nil) A balance of £nil (2012 £nil) was payable to Foresight Group at 30 April 2013

16. SHARE CAPITAL

Allotted, called up and fully paid:

	2013		2012	
	No	**£000**	No	£000
50,000 Ordinary shares of £1 each	**50,000**	**50**	50,000	50

17. PROFIT AND LOSS ACCOUNT

	2013	2012
	£000	£000
Balance brought forward	**672**	494
Profit for the financial year	**514**	178
Balance carried forward	**1,186**	672

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £000	2012 £000
Profit for the financial year	514	178
Opening shareholders' funds	722	544
Closing shareholders' funds	1,236	722

19. NOTES TO THE CASH FLOW STATEMENT

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2013 £000	2012 £000
Increase/(decrease) in cash in the year	1,188	(7,715)
Cash outflow from the repayment of debt	3,257	3,025
Cash outflow from increase in liquid resources	-	8,619
Change in net debt resulting from cash flows	4,445	3,929
Change in net debt resulting from non-cash transactions	(2,072)	(3,502)
Movement in net debt in the period	2,373	427
Opening net debt	(65,174)	(65,601)
Closing net debt	(62,801)	(65,174)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 May 2012 £000	Cash flows £000	Non cash flows £000	At 30 April 2013 £000
Net cash				
Cash in hand and at bank	1,724	9,807	-	11,531
Cash on deposit	8,619	(8,619)	-	-
Index-linked bonds (due 2031)	(68,689)	2,990	(2,072)	(67,771)
Mezzanine loan	(5,204)	267	-	(4,937)
Loan stock	(1,624)	-	-	(1,624)
Net debt	(65,174)	4,445	(2,072)	(62,801)

Other non-cash changes comprise an increase in the provision for bond indexation and discount on issue of bonds

20. ULTIMATE PARENT COMPANY

The ultimate and immediate holding Company is Criterion Healthcare Holdings Limited, a Company registered in England and Wales This is the largest and smallest group for which group accounts are prepared Copies of the accounts of this Company are available from the Secretary, Criterion Healthcare Holdings Limited, 3 Tenterden Street, London, W1S 1TD

21. CAPITAL MANAGEMENT

The Company's objectives when managing capital are

- To safeguard the entity's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders

- To provide an adequate return to shareholders by minimising any potential performance deductions under the Concession Agreement

Criterion Healthcare PLC is constructed as an entity as a structured project finance Special Purpose Vehicle Its capital structure was set up and fixed on the signature of its contract with the Trust The capital structure may not be altered without the consent of its bond holders, the Bond Trustee, its Directors, monoline insurer and the Trust The components of its capital comprise the A and B Loan stock, Mezzanine debt and index-linked bonds as described in notes 11, 12 and 14 There have been no changes in the capital structure of the Company in the current or prior period