

**CRITERION HEALTHCARE PLC**  
**(Registered number 3302909)**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 APRIL 2010**

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**CRITERION HEALTHCARE PLC  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2010**

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**CRITERION HEALTHCARE PLC**  
**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 APRIL 2010**

The Directors have pleasure in submitting their Report and Statement of Accounts for the year ended 30 April 2010

**PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The Company's principal activity is 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 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' program 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 program with the impact on future incomes and costs expected to be minimal.

**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 ending 30 April 2010, (2009 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 £3,099,000 (2009 loss £1,128,000)

**SHARE CAPITAL**

The Company has in issue 50,000 ordinary £1 shares which are fully subscribed.

**DIVIDENDS**

The Directors did not declare a dividend in respect of the year ended 30 April 2010 (2009 £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 12 to the financial statements.

Other numerical disclosures in respect of financial instruments are given in notes 7,8,9,10 and 11 to the financial statements.

**CRITERION HEALTHCARE PLC**  
**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 APRIL 2010**

**DIRECTORS**

The following persons were Directors of the Company during the year -

	<u>Appointed</u>	<u>Resigned</u>
P J Cooper		
S P Hornby (Alternate to B Semple)		15 May 2009
S P Hornby (Alternate to N Rae)	15 May 2009	4 December 2009
V Jain*		
V Jain (Alternate to A P Woodbury)*		
N Rae	15 May 2009	
A C Ritchie (Alternate to N Rae)	4 December 2009	
B Semple		15 May 2009
M Wayment (Alternate to P J Cooper)		
A P Woodbury***		
A P Woodbury (Alternate to V Jain)*		

\* V Jain resigned as a Director of the Company and as Alternate Director to A P Woodbury with effect from 15 June 2010. A P Woodbury resigned as Alternate Director to V Jain with effect from 15 June 2010.

\*\* M I Jaffe was appointed as a Director of the Company and as Alternate Director to A P Woodbury with effect from 15 June 2010.

\*\*\* A P Woodbury resigned as a Director of the Company and as Alternate Director to M I Jaffe with effect from 30 September 2010. M I Jaffe resigned as Alternate Director to A P Woodbury with effect from 30 September 2010.

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.

**DIRECTORS' SHARE INTEREST**

None of the Directors at 30 April 2010 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.

**POLICY ON PAYMENT OF SUPPLIERS**

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.

Creditor days were 32 at 30 April 2010 (2009: 43 days).

**CORPORATE GOVERNANCE STATEMENT**

**Financial reporting, risk and internal controls**

The Company has outsourced the financial reporting function to Corla Limited. The Board receives quarterly reports from Corla Limited which address specific risks to the Company in a Risk Register which contains a summary of all material and possible 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 shareholdings and special rights**

The Company is 100% owned by Criterion Healthcare Holdings Limited. Criterion Healthcare Holdings Limited is owned by Semperian PPP Investment Partners No. 2 Limited (19.99%), HPC BAS Limited (19.99%), HPC Bishop Auckland Hospital Limited (24.02%) and Infrastructure Investments General Partner Limited (36%). All the shareholders in Criterion Holdings Limited are UK Limited Partnerships and each holds its shareholding as a long term investment.

**CRITERION HEALTHCARE PLC**  
**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 APRIL 2010**

**Director's appointment and replacement, allotments 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 a change of control following a takeover bid. The Company also does not have agreements 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 auditors are 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 auditors are aware of that information.

**AUDITORS**

PKF (UK) LLP have indicated their willingness to continue in office. A resolution to reappoint them will be proposed at the Annual General Meeting.

On behalf of the Board



**N Rae**  
Director  
27 October 2010

Registered Office  
8 Canada Square  
London  
E14 5HQ

**CRITERION HEALTHCARE PLC**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

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 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 Directors confirm, to the best of their knowledge

- that the financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and
- that the Directors' report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

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

On behalf of the Board



**N Rae**  
Director  
27 October 2010

Registered Office  
8 Canada Square  
London  
E14 5HQ

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CRITERION HEALTHCARE PLC**

We have audited the financial statements of Criterion Healthcare plc for the year ended 30 April 2010 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities, 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 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.

### **Scope of the audit**

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.

### **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 2010 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.

### **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.

PKF (UK) LLP

Nicole Kissun (Senior statutory auditor)  
for and on behalf of PKF (UK) LLP, Statutory auditors  
London, UK  
28/10/2010

**CRITERION HEALTHCARE PLC**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 APRIL 2010**

	<u>Note</u>	<u>2010</u> <u>£000</u>	<u>2009</u> <u>£000</u>
<b>Turnover</b>	2	<b>6,033</b>	6,231
Other operating charges		(4,176)	(4,328)
<b>Operating profit</b>	3	<b>1,857</b>	1,903
Interest payable and similar charges	4	(2,867)	(7,443)
Interest receivable and similar income	5	4,109	4,412
<b>Profit/(Loss) on ordinary activities before taxation</b>		<b>3,099</b>	(1,128)
Tax on profit/(loss) on ordinary activities	6	(960)	460
<b>Profit/(Loss) for financial year</b>	16	<b>2,139</b>	(668)

The results reported above relate to continuing activities

There were no gains or losses other than the profit for the year



**CRITERION HEALTHCARE PLC**  
**BALANCE SHEET**  
**AS AT 30 APRIL 2010**

	<u>Notes</u>	<u>2010</u> <u>£000</u>	<u>2009</u> <u>£000</u>
<b>CURRENT ASSETS</b>			
Debtors amounts falling due within one year	7	1,313	1,796
Debtors amounts falling due after more than one year	8	64,177	65,169
Cash at bank and in hand	9	8,287	7,125
		<hr/> 73,777	<hr/> 74,090
<b>CREDITORS</b>			
Amounts falling due within one year	10	(4,101)	(4,075)
<b>NET CURRENT ASSETS</b>		<hr/> 69,676	<hr/> 70,015
<b>CREDITORS</b>			
Amounts falling due after more than one year	11	(68,348)	(71,714)
Deferred tax liabilities	13	(888)	-
<b>TOTAL NET ASSETS/(LIABILITIES)</b>		<hr/> 440	<hr/> (1,699)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	50	50
Profit and loss account	16	390	(1,749)
<b>EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)</b>	15	<hr/> 440	<hr/> (1,699)

These financial statements were approved and authorised for issue by the Board of Directors on 27 October 2010 and signed on its behalf by -



N Rae  
Director

Company Registered Number 3302909

**CRITERION HEALTHCARE PLC**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 APRIL 2010**

	<u>Notes</u>	<u>2010</u> £000	<u>2009</u> £000
<b>Net cash inflow from operating activities</b>		<b>2,096</b>	<b>866</b>
<b>Returns on investments and servicing of finance</b>			
Interest element of finance lease debtor		4,085	4,156
Other interest received		24	256
Interest paid		(3,461)	(3,841)
<b>Net cash inflow on returns on investments and servicing of finance</b>		<b>648</b>	<b>571</b>
<b>Capital expenditure and financial investment</b>			
Capital repayment of finance lease debtor		1,105	1,032
<b>Net cash inflow from capital expenditure and financial investment</b>		<b>1,105</b>	<b>1,032</b>
<b>Financing</b>			
Principal and indexation repaid on secured bonds		(2,420)	(2,378)
Mezzanine loan repaid		(267)	-
<b>Net cash outflow from financing</b>		<b>(2,687)</b>	<b>(2,378)</b>
<b>Increase in cash</b>	17	<b>1,162</b>	<b>91</b>
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
<b>Operating Profit</b>		<b>1,857</b>	<b>1,903</b>
Decrease/(increase) in debtors		297	(509)
Decrease in creditors		(58)	(528)
<b>Net cash inflow from operating activities</b>		<b>2,096</b>	<b>866</b>

**CRITERION HEALTHCARE PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 APRIL 2010**

**1 ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

**(a) Basis of preparation**

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

**(b) 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 below

**(c) 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

**(d) Deferred taxation**

Deferred tax is provided using the full provision method set out in Financial Reporting Standard 19, 'Deferred tax'. Deferred tax is recognised in respect of all relevant timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that it is more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax balances are not discounted

**(e) 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 receivable over the concession, less all lifecycle and other operating costs forecast to be payable over the concession, and is kept under regular review

**(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

**CRITERION HEALTHCARE PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 APRIL 2009**

**1 ACCOUNTING POLICIES (Continued)**

**(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 contract receivables*

Finance debtor and contract receivables are classified as loans and receivables as defined in paragraph 9 of FRS 26, which are initially recognised at fair value and are then are 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 lifecycle 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

**CRITERION HEALTHCARE PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 APRIL 2010**

**3 OPERATING PROFIT**

Operating profit is stated after charging -

	<u>2010</u> £000	<u>2009</u> £000
Auditors' remuneration		
Audit fees	15	15
Other services - all other services	7	9
	<hr/>	<hr/>
Directors' emoluments		
Directors' fees	144	239
	<hr/>	<hr/>

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

**4 INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>2010</u> £000	<u>2009</u> £000
Secured 3 37% Index-linked bonds (due 2031)	2,328	2,425
Mezzanine loan facility	842	1,126
Unsecured subordinated loan stock	282	281
Amortisation of debt issue costs	302	243
Index-linked bond indexation and discount on issue of bonds	(896)	3,359
Other interest payable and similar charges	9	9
	<hr/>	<hr/>
	2,867	7,443
	<hr/>	<hr/>

**5 INTEREST RECEIVABLE AND SIMILAR INCOME**

	<u>2010</u> £000	<u>2009</u> £000
Interest receivable on bank deposits	24	256
Interest receivable on finance debtor	4,085	4,156
	<hr/>	<hr/>
	4,109	4,412
	<hr/>	<hr/>

**CRITERION HEALTHCARE PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 APRIL 2010**

<b>6 TAX ON LOSS ON ORDINARY ACTIVITIES</b>	<b><u>2010</u></b> <b><u>£000</u></b>	<b><u>2009</u></b> <b><u>£000</u></b>
<b>(a) Analysis of charge/(credit) in period</b>		
Current tax		
UK corporation tax on profit/(loss) for the period	-	-
	<hr/>	<hr/>
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences		
- current year	960	(679)
- adjustment in respect of prior periods	-	219
	<hr/>	<hr/>
Total deferred tax	960	(460)
	<hr/>	<hr/>
Tax on profit/loss on ordinary activities	960	(460)
	<hr/>	<hr/>

**(b) Factors affecting the tax charge/(credit) for the period**

The constituent elements of the tax charge/(credit) for the period are set out below

	<b><u>2010</u></b> <b><u>£000</u></b>	<b><u>2009</u></b> <b><u>£000</u></b>
Profit/(loss) on ordinary activities before tax	3,099	(1,128)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 28%)	868	(316)
Effects of		
Expenses not deductible for tax purposes	96	86
Relief for capitalised expenses	-	7
Capital allowances claimed net of amortisation	(136)	(248)
Taxable income recognised in the balance sheet	-	31
	<hr/>	<hr/>
Net movement in tax losses	828 (828)	(440) 440
	<hr/>	<hr/>
Current tax charge for period	-	-
	<hr/>	<hr/>

**(c) 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

**CRITERION HEALTHCARE PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 APRIL 2010**

**7 DEBTORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>2010</u> £000	<u>2009</u> £000
Trade debtors	-	495
Finance debtor	1,183	1,105
Other debtors	13	28
Prepayments	117	168
	<hr/> 1,313 <hr/>	<hr/> 1,796 <hr/>

**8 DEBTORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<u>2010</u> £000	<u>2009</u> £000
Finance debtor	57,363	58,546
Accrued income	6,814	6,551
Deferred tax (note 13)	-	72
	<hr/> 64,177 <hr/>	<hr/> 65,169 <hr/>

	<u>2010</u> £000	<u>2009</u> £000
Finance debtor analysed		
Due within one year	1,183	1,105
Due between one and two years	1,267	1,183
Due between two and five years	4,365	4,077
Due after more than five years	51,731	53,286
	<hr/> 58,546 <hr/>	<hr/> 59,651 <hr/>

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 AND IN HAND**

	<u>2010</u> £000	<u>2009</u> £000
Cash at bank and in hand	8,287	7,125
	<hr/>	<hr/>

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

**CRITERION HEALTHCARE PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 APRIL 2010**

**10 CREDITORS**

	<u>2010</u> <u>£000</u>	<u>2009</u> <u>£000</u>
<b>Amounts falling due within one year</b>		
Secured 3 37% Index-linked bonds (due 2031)	2,515	2,431
Mezzanine loan (secured)	267	267
Trade creditors	376	502
Accruals and deferred income	612	587
Other creditors	331	288
	<hr/> 4,101 <hr/>	<hr/> 4,075 <hr/>

**11 BORROWINGS**

	<u>2010</u> <u>£000</u>	<u>2009</u> <u>£000</u>
Secured 3 37% Index-linked bonds (due 2031)	62,894	62,894
Add Cumulative indexation	18,231	19,165
Redeemed to date	(14,262)	(11,842)
Discount on issue	467	429
	<hr/> 67,330 <hr/>	<hr/> 70,646 <hr/>
Mezzanine loan (secured)	5,604	5,871
Loan stock	1,624	1,624
	<hr/> 74,558 <hr/>	<hr/> 78,141 <hr/>
Less Unamortised net issue costs	(3,428)	(3,729)
	<hr/> 71,130 <hr/>	<hr/> 74,412 <hr/>
Less amounts falling due within one year	(2,782)	(2,698)
	<hr/> 68,348 <hr/>	<hr/> 71,714 <hr/>
<b>Borrowings are repayable as follows</b>		
Within one year	2,782	2,698
Between one and two years	2,852	2,759
Between two and five years	8,929	8,664
After five years	59,995	64,020
	<hr/> 74,558 <hr/>	<hr/> 78,141 <hr/>



**CRITERION HEALTHCARE PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 APRIL 2010**

**11 BORROWINGS (Continued)**

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

	<b>Total</b>	<b>Floating</b>	<b>Fixed</b>	<b>Fixed rate</b>	<b>Fixed rate</b>
	<b>2010</b>	<b>rate</b>	<b>rate</b>	<b>average interest</b>	<b>weighted</b>
	<b>£000</b>	<b>2010</b>	<b>2010</b>	<b>rate at</b>	<b>average time</b>
		<b>£000</b>	<b>£000</b>	<b>30 April</b>	<b>for which</b>
				<b>2010</b>	<b>rate is fixed</b>
				<b>%</b>	<b>2010</b>
					<b>Year's</b>
Sterling	71,130	69,506	1,624	17.505	20
	<b>Total</b>	<b>Floating</b>	<b>Fixed</b>	<b>Fixed rate</b>	<b>Fixed rate</b>
	<b>2009</b>	<b>rate</b>	<b>rate</b>	<b>average interest</b>	<b>weighted</b>
	<b>£000</b>	<b>2009</b>	<b>2009</b>	<b>rate at</b>	<b>average time</b>
		<b>£000</b>	<b>£000</b>	<b>30 April</b>	<b>for which</b>
				<b>2009</b>	<b>rate is fixed</b>
				<b>%</b>	<b>2009</b>
					<b>Year's</b>
Sterling	74,412	72,788	1,624	17.505	21

As the secured bond is directly linked with the Retail Price Index it has 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 a 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.

The amount outstanding under the facility is repayable in instalments over 22 years commencing on 31 October 2009. It is secured by the same fixed and floating charge as the bonds but ranks subordinate in priority to the bonds.

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**11 BORROWINGS (continued)**

**Unsecured Subordinated Loan Stock**

The following parties hold the Unsecured A Loan Stock

	<b>£000</b>
HPC Bas Limited (formerly Shepherd Securities (Healthcare) Limited)	<b>450</b>
HPC Bishop Auckland Hospital Limited (formerly Health Care Development Advisory Limited)	<b>124</b>
Infrastructure Investments LP (acting by its general partner, Infrastructure Investments General Partner Limited)	<b>600</b>
	<hr/>
	<b>1,174</b> <hr/>

The loan stock bears interest at 18.569% and is repayable by 31 July 2032

ISS Finance and Investment (Bishop Auckland) Limited subscribed for £450,000 (B) loan stock on 28 July 2002. The loan stock bears interest at 14.729% and is repayable by 31 July 2032. On 22 June 2007 this loan stock was transferred to Semperian PPP Investment Partners No. 2 Limited (formerly Trillium PP Investment Partners No. 2 Limited).

**12 FINANCIAL INSTRUMENTS**

**Financial risk management policies and objectives**

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 or unrelated to the Company's trading activities. Board approval is required for the use of any new financial instrument, and the Company's ability to do so is restricted by covenants in its existing funding agreements.

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.

**Liquidity risk**

Repayment of index-linked bonds and mezzanine loans are required semi annually in accordance with the debt covenant agreements while the unsecured subordinated loan stock payments are due on a quarterly basis.

In accordance with debt covenants, reserves are funded to required levels to ensure sufficient funds exist 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.

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**12 FINANCIAL INSTRUMENTS (Continued)**

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

	2010	Total £000	1 Year or Less £000	1 – 2 Years £000	2–5 Years £000	5+ Years £000
Finance lease debtor		114,296	5,202	5,207	15,638	88,249
Unsecured subordinated						
A Loan Stock		(5,671)	(204)	(205)	(613)	(4,649)
B Loan Stock		(1,909)	(66)	(66)	(199)	(1,578)
Mezzanine debt		(14,531)	(1,146)	(1,083)	(2,982)	(9,320)
Guaranteed secured bond		(123,390)	(6,498)	(6,515)	(19,506)	(90,871)
	2009	Total £000	1 Year or Less £000	1 – 2 Years £000	2–5 Years £000	5+ Years £000
Finance lease debtor		120,770	5,190	5,202	15,630	94,748
Unsecured subordinated						
A Loan Stock		(5,936)	(216)	(204)	(613)	(4,903)
B Loan Stock		(1,991)	(66)	(66)	(199)	(1,660)
Mezzanine debt		(15,850)	(963)	(1,146)	(3,114)	(10,627)
Guaranteed secured bond		(130,026)	(3,864)	(6,475)	(19,457)	(100,230)

**Credit risk**

Although the County Durham and Darlington Acute Hospitals Trust (the Trust) is the only client of Criterion Healthcare Plc, the Director's 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 £73,660,000 There are no debtors that are past due or impaired

**Financial assets**

The Company has one long term financial asset being the finance lease debtor (see note 8) This asset yields interest at a fixed rate of 7.1% per annum over the term of the lease, of which up to 50 years of the primary period are remaining

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**12 FINANCIAL INSTRUMENTS (Continued)**

**Interest Rate Risk**

In respect of income earning financial 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

2010	Effective Interest Rate	Total £000	1 Year or Less £000	1 – 2 Years £000	2–5 Years £000	5+ Years £000
Cash at bank		8,287	8,287	-	-	-
Finance lease debtor	7.1%	58,546	1,183	1,267	4,365	51,731
Unsecured subordinated						
A Loan Stock	18.6%	(1,174)	-	-	-	(1,174)
B Loan Stock	14.7%	(450)	-	-	-	(450)
Mezzanine debt	14.5%	(5,604)	(267)	(267)	(801)	(4,269)
Guaranteed secured bond	3.37%	(67,330)	(2,515)	(2,585)	(8,128)	(54,102)
2009	Effective Interest Rate	Total £000	1 Year or Less £000	1 – 2 Years £000	2–5 Years £000	5+ Years £000
Cash at bank		7,125	7,125	-	-	-
Finance lease debtor	7.1%	59,651	1,105	1,183	4,077	53,286
Unsecured subordinated						
A Loan Stock	18.6%	(1,174)	-	-	-	(1,174)
B Loan Stock	14.7%	(450)	-	-	-	(450)
Mezzanine debt	14.5%	(5,871)	(267)	(267)	(800)	(4,537)
Guaranteed secured bond	3.37%	(70,646)	(2,431)	(2,492)	(7,864)	(57,859)

**Fair value of financial instruments**

The comparison of book and fair values of the Company's financial instruments at 30 April 2010 is set out below. In respect of the bonds, market values have been used to determine fair values.

The fair value of the finance 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.

The discount rates that have been applied to the finance debtor at 30 April 2010 and 30 April 2009 are 5.50% for both years.

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 of the bonds as at the date of the balance sheet.

**CRITERION HEALTHCARE PLC**  
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**12 FINANCIAL INSTRUMENTS (Continued)**

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

	<u>2010</u>		<u>2009</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Finance lease debtor (see note 8)	58,546	67,572	59,651	67,969
Cash at bank and in hand (see note 9)	8,287	7,125	7,125	7,125
Index-linked bond (see note 11)	(67,329)	(73,415)	(70,646)	(75,932)
Mezzanine Loan (see note 11)	(5,604)	(5,604)	(5,871)	(5,871)
Unsecured loan stock (see note 11)	(1,624)	(1,624)	(1,624)	(1,624)
	<u>(7,724)</u>	<u>(5,946)</u>	<u>(11,365)</u>	<u>(8,333)</u>

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 subject to floating interest rates and a movement of plus or minus 1 percentage point in interest rates would have an effect of approximately £91,000 on interest receivable.

The Company's bond creditor and Mezzanine loan facility are index-linked. A movement of plus or minus 1 point on the RPI would have an impact of approximately £316,000 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.

**13 DEFERRED TAX ASSETS AND LIABILITIES**

	<u>£000</u>
Deferred tax asset as at 1 May 2009	72
Charge for the year (Note 6a)	(960)
Deferred tax liability as at 30 April 2010	<u>(888)</u>

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**13 DEFERRED TAX ASSETS AND LIABILITIES (cont'd)**

The deferred tax balance comprises the following, recognised at 28%

	<u>2010</u> £000	<u>2009</u> £000
Accelerated capital allowances	(5,569)	(5,392)
Other timing differences	(3,127)	(3,168)
Tax losses	7,808	8,632
	<u>(888)</u>	<u>72</u>

**14 SHARE CAPITAL**

	<u>2010</u> £000	<u>2009</u> £000
Allotted, called up and fully paid Ordinary shares of £1	<u>50</u>	<u>50</u>

**15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<u>2010</u> £000	<u>2009</u> £000
As at 1 May 2009	(1,699)	(1,031)
Profit/(loss) for the year	2,139	(668)
	<u>440</u>	<u>(1,699)</u>

**16 RECONCILIATION OF MOVEMENT IN PROFIT AND LOSS ACCOUNTS**

	<u>2010</u> £000	<u>2009</u> £000
Retained earnings at beginning of the year	(1,749)	(1,081)
Profit/(loss) for the year	2,139	(668)
	<u>390</u>	<u>(1,749)</u>

**CRITERION HEALTHCARE PLC**  
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**17 CASHFLOW STATEMENT**

**a) Analysis of net debt**

	At 30 April 2009 £000	Cashflow £000	Other non-cash changes £000	At 30 April 2010 £000
Cash at bank and in hand	7,125	1,162	-	8,287
Index-linked bonds (due 2031)	(70,646)	2,420	896	(67,330)
Subordinate mezzanine loan	(5,871)	267	-	(5,604)
Loan Stock	(1,624)	-	-	(1,624)
	<u>(71,016)</u>	<u>3,849</u>	<u>896</u>	<u>(66,271)</u>

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

	<u>2010</u> £000	<u>2009</u> £000
Increase in cash in year	1,162	91
Cash outflow from repayment of debt	2,687	2,378
Change in net debt resulting from cash flows	<u>3,849</u>	<u>2,469</u>
Changes in net debt resulting from non-cash transactions	896	(3,359)
Movement in net debt in the period	<u>4,745</u>	<u>(890)</u>
Opening net debt	(71,016)	(70,126)
Closing net debt	<u>(66,271)</u>	<u>(71,016)</u>

Other non-cash changes comprise a reduction in the provision for bond indexation of £934,000 (2009 increase of £3,319,000) and discount on issue of bonds of £38,000 (2009 £40,000)

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**18 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 LP Ltd ("Infrastructure") and Semperian PPP Investment Partners No 2 Limited (formerly Trillium PP Investment Partners No 2 Limited) ("Semperian")

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

**INFRASTRUCTURE**

Infrastructure has provided £5,871,000 of mezzanine debt funding (2009 £5,871,000) of which £267,000 was repaid in the year (2009 £nil) and interest of £842,000 is charged in the financial statements (2009 £1,126,000)

Infrastructure has provided £600,000 of loan stock funding (2009 £600,000) and interest thereon of £111,000 is charged in the financial statements (2009 £110,000)

Directors' fees of £57,000 were payable to Infrastructure in respect of the year (2009 £56,000) A balance of £76,000 (2009 £56,000) was payable to Infrastructure at 30 April 2010

**HPC BAS**

HPC BAS has provided £450,000 of loan stock funding (2009 £450,000) and interest thereon of £83,000 is charged in the financial statements (2009 £83,000)

Directors' fees of £30,000 were payable to HPC BAS in respect of the year (2009 £29,000) A balance of £16,000 (2009 £29,000) was payable to HPC BAS at 30 April 2010

**HPC BISHOP AUCKLAND**

HPC Bishop Auckland has provided £124,000 of loan stock funding (2009 £124,000) and interest thereon of £23,000 is charged in the financial statements (2009 £23,000)

Directors' fees of £30,000 were payable to HPC Bishop Auckland in respect of the year (2009 £34,000) A balance of £16,000 (2009 £34,000) was payable to HPC Bishop Auckland at 30 April 2010

**SEMPERIAN (formerly Trillium)**

Directors' fees of £27,000 were payable to Semperian in respect of the year (2009 £20,000) A balance of £6,000 (2009 £20,000) was payable to Semperian at 30 April 2010

Semperian has provided £450,000 of loan stock funding (2009 £450,000) and interest thereon of £66,000 is charged in the financial statements (2009 £66,000)

**19 ULTIMATE HOLDING 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, 8 Canada Square London E14 5HQ



**CRITERION HEALTHCARE PLC  
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**20 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 and
- To provide an adequate return to shareholders by minimizing 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 10, 11, and 12. There have been no changes in the capital structure of the company in the current or prior period.