

COMPANY REGISTRATION NUMBER 03302909

**CRITERION HEALTHCARE PLC**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 APRIL 2014**

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**CRITERION HEALTHCARE PLC**

**FINANCIAL STATEMENTS**

**YEAR ENDED 30 APRIL 2014**

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**CRITERION HEALTHCARE PLC**

**OFFICERS AND PROFESSIONAL ADVISERS**

**The board of directors**

R J Newton  
P McCulloch  
R Thompson  
P Sheldrake  
A Bhuvania  
M Holden

**Company secretary**

MAMG Company Secretarial Services Limited

**Registered office**

1 Gresham Street  
London  
EC2V 7BX

**Auditor**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

# CRITERION HEALTHCARE PLC

## STRATEGIC REPORT

YEAR ENDED 30 APRIL 2014

### Business Review

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.

### Position of the Company at the year end

The Company is performing to the required standards of the contract.

Key performance indicators and management of risk are detailed below.

### 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 2014 (2013: nil).

The financial risk management objectives and policies of the company, together with an analysis of the exposure to such risks, as required under the Companies Act are set out below and in note 14 to the accounts.

### Key performance indicators

The Company has modelled the anticipated financial outcome of the Project across its full term. The Company monitors actual financial performance against this anticipated performance. As at 30 April 2014, the Company's performance reflects an acceptable variance to this model.

The results for the year are set out in the profit and loss account on page 8.

### Financial risk management

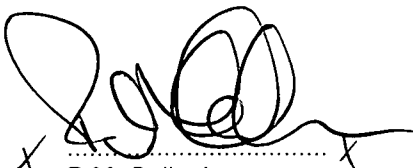
The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are credit risk and liquidity risk.

#### *Credit risk*

Although the Health Authority is the sole client of the Company, the directors are satisfied that the Health Authority will be able to fulfil its obligations under the Project Agreement as it is underwritten by the Government.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's financial obligations, including the repayment of its borrowings which are provided on a long-term basis, have been structured to be met from the income which, under normal operating conditions, will be earned from its long-term concession contract with the Health Authority.



P McCulloch  
Director

Dated: 26/7/2014

# **CRITERION HEALTHCARE PLC**

## **THE DIRECTORS' REPORT**

### **YEAR ENDED 30 APRIL 2014**

The directors have pleasure in presenting their report and the audited financial statements of the Company for the year ended 30 April 2014.

#### **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.

#### **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  
M C Wayment  
P McCulloch  
R Thompson  
P Sheldrake  
A Bhuwania  
M Holden

J S Bal and M I Jaffe resigned as directors on 28 March 2014.

P Sheldrake and A Bhuwania were appointed as directors on 28 March 2014.

M C Wayment resigned and M Holden was appointed on 1 July 2014.

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 2014 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.

# **CRITERION HEALTHCARE PLC**

## **THE DIRECTORS' REPORT**

**YEAR ENDED 30 APRIL 2014**

### **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 £503,000 (2013: £756,000).

### **DIVIDENDS**

The directors declared an interim dividend in respect of the year ended 30 April 2014 of £350,000 (2013: £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.

# CRITERION HEALTHCARE PLC

## THE DIRECTORS' REPORT

YEAR ENDED 30 APRIL 2014

### AUDITOR

PricewaterhouseCoopers LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

### DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, 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.

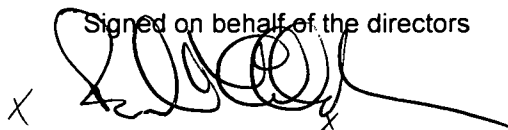
In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 of all the directors are stated on page 2.

Registered office:  
1 Gresham Street  
London  
EC2V 7BX

Signed on behalf of the directors  
  
P McCulloch  
Director

Approved by the directors on 26/7/2014

## **Report on the financial statements**

### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 30 April 2014 and of its profit and cash flows 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.

This opinion is to be read in the context of what we say in the remainder of this report.

### **What we have audited**

The financial statements, which are prepared by Criterion Healthcare PLC, comprise:

- the balance sheet as at 30 April 2014;
- the profit and loss account for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 financial statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



**Other matters on which we are required to report by exception**

**Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

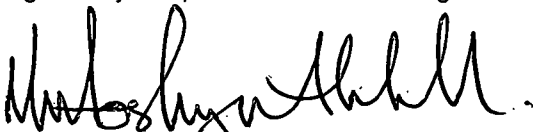
**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 ISAs (UK & 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.



Mark Hoskyns-Abraham (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh

16<sup>th</sup> August 2014

**CRITERION HEALTHCARE PLC**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 APRIL 2014**

	Note	2014 £000	2013 £000
<b>TURNOVER</b>	<b>2</b>	<b>6,327</b>	<b>6,806</b>
Cost of sales		<b>(4,269)</b>	<b>(4,662)</b>
<b>GROSS PROFIT</b>		<b>2,058</b>	<b>2,144</b>
<b>OPERATING PROFIT</b>	<b>3</b>	<b>2,058</b>	<b>2,144</b>
Interest receivable	<b>5</b>	<b>4,326</b>	<b>4,367</b>
Interest payable and similar charges	<b>6</b>	<b>(5,881)</b>	<b>(5,755)</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>503</b>	<b>756</b>
Tax on profit on ordinary activities	<b>7</b>	<b>(54)</b>	<b>(242)</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>17</b>	<b>449</b>	<b>514</b>

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.

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

The notes on pages 11 to 24 form part of these financial statements.

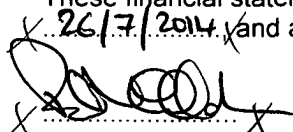
**CRITERION HEALTHCARE PLC**

**BALANCE SHEET**

**30 APRIL 2014**

	Note	2014 £000	2013 £000
<b>CURRENT ASSETS</b>			
Debtors due within one year	8	1,969	1,865
Debtors due after one year	8	62,141	63,849
Cash at bank	9	11,619	11,531
		<u>75,729</u>	<u>77,245</u>
<b>CREDITORS: Amounts falling due within one year</b>	10	<u>(6,169)</u>	<u>(6,687)</u>
<b>NET CURRENT ASSETS</b>		<u>69,560</u>	<u>70,558</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>69,560</u>	<u>70,558</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	11	(66,920)	(68,071)
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred taxation	13	(1,305)	(1,251)
<b>NET ASSETS</b>		<u>1,335</u>	<u>1,236</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	50	50
Profit and loss account	17	1,285	1,186
<b>SHAREHOLDERS' FUNDS</b>	18	<u>1,335</u>	<u>1,236</u>

These financial statements were approved by the directors and authorised for issue on 26/7/2014 and are signed on their behalf by:

  
P McCulloch

Company Registration Number: 03302909

The notes on pages 11 to 24 form part of these financial statements.

**CRITERION HEALTHCARE PLC**

**CASH FLOW STATEMENT**

**YEAR ENDED 30 APRIL 2014**

	<b>Note</b>	<b>2014 £000</b>	<b>2013 £000</b>
<b>Net Cash inflow from operating activities</b>		<b>954</b>	<b>1,878</b>
<b>Returns on investments and servicing of finance</b>			
Interest element of finance lease debtor		<b>4,291</b>	<b>4,201</b>
Other interest received		<b>35</b>	<b>166</b>
Interest paid		<b>(3,529)</b>	<b>(3,548)</b>
<b>Net cash inflow on returns on investments and servicing of finance</b>		<b>797</b>	<b>819</b>
<b>Capital expenditure and financial investment</b>			
Capital repayment of finance lease debtor		<b>1,832</b>	<b>1,749</b>
<b>Net cash inflow from capital expenditure and financial investment</b>		<b>1,832</b>	<b>1,749</b>
<b>Financing</b>			
Principal and indexation repaid on secured bonds		<b>(3,095)</b>	<b>(2,991)</b>
Mezzanine loan repaid		<b>(400)</b>	<b>(267)</b>
<b>Net cash outflow from financing</b>		<b>(3,495)</b>	<b>(3,258)</b>
<b>Increase in cash</b>	<b>19</b>	<b>88</b>	<b>1,188</b>
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
<b>Operating Profit</b>		<b>2,058</b>	<b>2,144</b>
Increase in debtors		<b>(228)</b>	<b>(442)</b>
(Decrease)/Increase in creditors		<b>(876)</b>	<b>176</b>
<b>Net cash inflow from operating activities</b>		<b>954</b>	<b>1,878</b>

The notes on pages 11 to 24 form part of these financial statements.

# **CRITERION HEALTHCARE PLC**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30 APRIL 2014**

### **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, and the Companies Act 2006.

#### **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.

# CRITERION HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2014

### 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.

# CRITERION HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2014

### 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:

	2014 £000	2013 £000
Directors' remuneration	163	157
Auditor's remuneration - audit of the financial statements	13	13
Auditor's remuneration - other assurance services	<u>7</u>	<u>7</u>

### 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

	2014 £000	2013 £000
Bank interest receivable	35	166
Interest receivable on finance debtor	<u>4,291</u>	<u>4,201</u>
	<u>4,326</u>	<u>4,367</u>

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £000	2013 £000
Secured 3.37% Index-linked bonds (due 2031)	2,327	2,315
Other interest payable	6	10
Unsecured subordinated loan stock	287	292
Mezzanine loan facility	909	931
Index-linked bond indexation and discount on issue of bonds	<u>2,233</u>	<u>2,072</u>
Amortisation of debt issue costs	<u>119</u>	<u>135</u>
	<u>5,881</u>	<u>5,755</u>

**CRITERION HEALTHCARE PLC****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 30 APRIL 2014****7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES****(a) Analysis of charge in the year**

	<b>2014</b>	2013
	<b>£000</b>	£000
Deferred tax:		
Origination and reversal of timing differences	<b>153</b>	284
Effect of reduced tax rate on opening liability	<b>(37)</b>	(42)
Prior year	<b>(62)</b>	-
Total deferred tax (note 13)	<b><u>54</u></b>	<u>242</u>

**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.

	<b>2014</b>	2013
	<b>£000</b>	£000
Profit on ordinary activities before taxation	<b><u>503</u></b>	<u>756</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2013 24%)	<b>115</b>	182
Expenses not deductible for tax purposes	<b>152</b>	150
Capital allowances claimed net of amortisation	<b>118</b>	150
Net movement in tax losses	<b><u>(385)</u></b>	<u>(482)</u>
Total current tax	<b><u>-</u></b>	<u>-</u>

**(c) Factors that may affect future tax charges**

A reduction in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 30 April 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

**8. DEBTORS: Amounts falling due within one year**

	<b>2014</b>	2013
	<b>£000</b>	£000
Finance debtor	<b>1,915</b>	1,829
Prepayments and accrued income	<b>54</b>	36
	<b><u>1,969</u></b>	<u>1,865</u>



**CRITERION HEALTHCARE PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30 APRIL 2014**

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Finance debtor	<b>49,777</b>	51,695
Accrued income	<b>12,364</b>	12,154
	<b><u>62,141</u></b>	<b><u>63,849</u></b>
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
The finance debtor is receivable as follows:		
Due within one year	<b>1,915</b>	1,829
Due between 1 and 2 years	<b>2,003</b>	1,917
Due between 2 and 5 years	<b>6,573</b>	6,279
Due after more than 5 years	<b>41,201</b>	43,499
	<b><u>51,692</u></b>	<b><u>53,524</u></b>

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**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Cash at bank	<b><u>11,619</u></b>	<b><u>11,531</u></b>

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**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	<b>996</b>	784
Secured 3.37% Index-linked bonds (due 2031)	<b>3,280</b>	3,113
Mezzanine loan (secured)	<b>267</b>	426
Other taxes and social security	<b>408</b>	457
Accruals and deferred income	<b>1,218</b>	1,907
	<b><u>6,169</u></b>	<b><u>6,687</u></b>

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Secured 3.37% Index-linked bonds (due 2031)	<b>61,026</b>	61,936
Mezzanine loan (secured)	<b>4,270</b>	4,511
Loan stock	<b>1,624</b>	1,624
	<b><u>66,920</u></b>	<b><u>68,071</u></b>

**CRITERION HEALTHCARE PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30 APRIL 2014**

**12. BORROWINGS**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Secured 3.37% Index-linked bonds (due 2031)	<b>62,894</b>	62,894
Add: Cumulative indexation	<b>29,061</b>	26,820
Redeemed to date	<b>(25,650)</b>	(22,515)
Discount on issue	<b>604</b>	572
	<b>66,909</b>	67,771
Mezzanine loan (secured)	<b>4,537</b>	4,937
Loan stock	<b>1,624</b>	1,624
	<b>73,070</b>	74,332
Less: Unamortised net issue costs	<b>(2,603)</b>	(2,722)
	<b>70,467</b>	71,610
Less: amounts falling due within one year	<b>(3,547)</b>	(3,539)
	<b>66,920</b>	68,071
Borrowings are repayable as follows:		
Within one year	<b>3,547</b>	3,539
Between one and two years	<b>3,716</b>	3,563
Between two and five years	<b>12,315</b>	11,797
After five years	<b>53,492</b>	55,433
	<b>73,070</b>	74,332

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

<b>2014</b>					
	Total	Floating rate	Fixed rate	Fixed rate weighted average interest rate	Fixed rate weighted average time for which rate is fixed Years
	£000	£000	£000	%	
Sterling	<b>70,468</b>	<b>68,844</b>	<b>1,624</b>	<b>17.505</b>	<b>16</b>
<b>2013</b>					
	Total	Floating rate	Fixed rate	Fixed rate weighted average interest rate	Fixed rate weighted average time for which rate is fixed Years
	£000	£000	£000	%	
Sterling	71,611	69,987	1,624	17.505	17

# CRITERION HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2014

### 12. BORROWINGS *(continued)*

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.

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.

#### **Unsecured Subordinated Loan Stock**

The following parties hold the Unsecured A Loan Stock

	<b>2014</b>	2013
	<b>£000</b>	£000
HPC BAS Limited	<b>450</b>	450
HPC Bishop Auckland Limited	<b>124</b>	124
Infrastructure Investments LP (acting by its general partner, Infrastructure Investments General Partner Limited)	<b>600</b>	600
	<b>1,174</b>	1,174

# CRITERION HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 APRIL 2014

#### 12. BORROWINGS *(continued)*

ISS Finance and Investment (Bishop Auckland) Limited subscribed for £450,000 (B) loan stock on 28 July 2002. The loan stock earns 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) and was later transferred to the Foresight Group on 25 March 2013.

#### 13. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	2014 £000	2013 £000
Provision brought forward	1,251	1,009
Profit and loss account movement arising during the year	54	242
Provision carried forward	<u>1,305</u>	<u>1,251</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2014 £000	2013 £000
Accelerated capital allowances	3,768	4,398
Other timing differences	2,153	2,485
Tax losses	(4,616)	(5,632)
	<u>1,305</u>	<u>1,251</u>

#### 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.

# CRITERION HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2014

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

#### 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.

<b>2014</b>	Effective Interest Rate	Total £000	1 Year or Less £000	1 - 2 Years £000	2 - 5 Years £000	5+ Years £000
Cash at bank		<b>11,619</b>	<b>11,619</b>	-	-	-
Finance lease debtor	<b>4.475%</b>	<b>51,692</b>	<b>1,915</b>	<b>2,003</b>	<b>6,573</b>	<b>41,201</b>
Unsecured subordinated						
A Loan Stock	<b>18.6%</b>	<b>(1,174)</b>	-	-	-	<b>(1,174)</b>
B Loan Stock	<b>14.7%</b>	<b>(450)</b>	-	-	-	<b>(450)</b>
Mezzanine debt	<b>14.5%</b>	<b>(4,537)</b>	<b>(267)</b>	<b>(267)</b>	<b>(801)</b>	<b>(3,202)</b>
Guaranteed secured bond	<b>3.37%</b>	<b>(64,306)</b>	<b>(3,280)</b>	<b>(3,449)</b>	<b>(11,514)</b>	<b>(46,063)</b>
<b>2013</b>	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)

#### 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 £75,675,000 (2013: £77,209,000). There are no debtors that are past due or impaired.

#### 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.

# CRITERION HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2014

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

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.

<b>2014</b>	<b>Total</b>	<b>1 Year or Less</b>	<b>1 – 2 Years</b>	<b>2 - 5 Years</b>	<b>5+ Years</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Finance lease debtor	<b>95,482</b>	<b>5,800</b>	<b>5,779</b>	<b>17,237</b>	<b>66,666</b>
Unsecured subordinated					
A Loan Stock	<b>(5,197)</b>	<b>(223)</b>	<b>(224)</b>	<b>(669)</b>	<b>(4,081)</b>
B Loan Stock	<b>(1,667)</b>	<b>(67)</b>	<b>(68)</b>	<b>(202)</b>	<b>(1,330)</b>
Mezzanine debt	<b>(11,413)</b>	<b>(1,048)</b>	<b>(1,005)</b>	<b>(2,726)</b>	<b>(6,634)</b>
Guaranteed secured bond	<b>(112,553)</b>	<b>(5,563)</b>	<b>(5,680)</b>	<b>(17,818)</b>	<b>(83,492)</b>
<b>2013</b>	<b>Total</b>	<b>1 Year or Less</b>	<b>1 - 2 Years</b>	<b>2 - 5 Years</b>	<b>5+ Years</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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)

#### **Fair values of financial assets and liabilities**

The comparison of book and fair values of the Company's financial instruments at 30 April 2014 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.

The discount rate that has been applied to the finance debtor at 30 April 2014 is 4.50% (2013 4.75%).

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.

# CRITERION HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2014

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

	2014		2013	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Finance lease debtor	51,692	66,494	53,524	67,832
Cash at bank and in hand	11,619	11,619	11,531	11,531
Index-linked bond	(66,909)	(72,524)	(67,771)	(79,165)
Mezzanine Loan	(4,537)	(4,537)	(4,937)	(4,937)
Unsecured loan stock	(1,624)	(1,624)	(1,624)	(1,624)
	<u>(9,759)</u>	<u>(572)</u>	<u>(9,277)</u>	<u>(6,363)</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 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 £15,000 (2013: £18,000) 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 £88,000 (2013: £280,000) 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 year as follows.

#### IILP

IILP has provided £5,871,000 of mezzanine debt funding of which £400,000 was repaid in the year (2013: £267,000) and interest thereon of £909,000 is charged in the financial statements (2013: £931,000). A balance of £nil interest (2013: £430,000) and £nil principal (2013: £133,000) was payable to IILP at 30 April 2014.

IILP has provided £600,000 of loan stock funding (2013: £600,000) and interest thereon of £112,000 is charged in the financial statements (2013: £112,000). A balance of £nil (2013: £56,000) was payable to IILP at 30 April 2014.

# CRITERION HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 APRIL 2014

#### 15. RELATED PARTY TRANSACTIONS *(continued)*

Directors' fees of £58,000 were payable to IILP in respect of the year (2013: £57,000). A balance of £nil (2013: £nil) was payable to IILP at 30 April 2014.

HPC BAS has provided £450,000 of loan stock funding (2013: £450,000) and interest thereon of £84,000 is charged in the financial statements (2013: £84,000). A balance of £nil (2013: £41,000) was payable to HPC BAS at 30 April 2014.

Directors' fees of £32,000 were payable to HPC BAS in respect of the year (2013: £31,000). A balance of £nil (2013: £nil) was payable to HPC BAS at 30 April 2014.

#### HPC BISHOP AUCKLAND

HPC Bishop Auckland has provided £124,000 of loan stock funding (2013: £124,000) and interest thereon of £23,000 is charged in the financial statements (2013: £23,000). A balance of £nil (2013: £11,000) was payable to HPC Bishop Auckland at 30 April 2014.

Directors' fees of £38,000 were payable to HPC Bishop Auckland in respect of the year (2013: £37,000). A balance of £nil (2013: £nil) was payable to HPC Bishop Auckland at 30 April 2014.

#### FORESIGHT GROUP

Foresight Group has provided £450,000 of loan stock funding (2013: £450,000) and interest thereon of £66,000 is charged in the financial statements (2013: £66,000). A balance of £nil (2013: £33,000) was payable to Foresight Group at 30 April 2014.

No directors' fees were paid to Foresight Group in respect of the year (2013: £nil). A balance of £nil (2013: £nil) was payable to Foresight Group at 30 April 2014.

#### 16. SHARE CAPITAL

##### Allotted, called up and fully paid:

	2014		2013	
	No	£000	No	£000
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50</u>	<u>50,000</u>	<u>50</u>

#### 17. PROFIT AND LOSS ACCOUNT

	2014	2013
	£000	£000
Balance brought forward	1,186	672
Profit for the financial year	449	514
Dividends	<u>(350)</u>	<u>-</u>
Balance carried forward	<u>1,285</u>	<u>1,186</u>



# CRITERION HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2014

### 18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014 £000	2013 £000
Profit for the financial year	449	514
Dividends	(350)	-
Opening shareholders' funds	1,236	722
Closing shareholders' funds	<u>1,335</u>	<u>1,236</u>

### 19. NOTES TO THE CASH FLOW STATEMENT

#### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2014 £000	2013 £000
Increase in cash in the year	88	1,188
Cash outflow from the repayment of debt	3,495	3,257
Change in net debt resulting from cash flows	<u>3,583</u>	<u>4,445</u>
Change in net debt resulting from non-cash transactions	(2,233)	(2,072)
Movement in net debt in the period	<u>1,350</u>	<u>2,373</u>
Opening net debt	(62,801)	(65,174)
Closing net debt	<u>(61,451)</u>	<u>(62,801)</u>

#### ANALYSIS OF CHANGES IN NET DEBT

	At 1 May 2013 £000	Cash flows £000	Non cash flows £000	At 30 April 2014 £000
Net cash:				
Cash in hand and at bank	11,531	88	-	11,619
Index-linked bonds (due 2031)	(67,771)	3,095	(2,233)	(66,909)
Mezzanine loan	(4,937)	400	-	(4,537)
Loan stock	(1,624)	-	-	(1,624)
Net debt	<u>(62,801)</u>	<u>3,583</u>	<u>(2,233)</u>	<u>(61,451)</u>

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, 1 Gresham Street, London, EC2V 7BX.

# **CRITERION HEALTHCARE PLC**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30 APRIL 2014**

### **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