

COMPANY REGISTRATION NUMBER 03302909

CRITERION HEALTHCARE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 APRIL 2022



CRITERION HEALTHCARE PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022

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CRITERION HEALTHCARE PLC

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

E Edwards
A McErlane
H Holman
K O'Brien

Company secretary

Jack Fowler

Registered office

c/o Equitix Management Services Limited
2nd Floor Toronto Square
Toronto Street
Leeds
LS1 2HJ

Independent auditors

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

CRITERION HEALTHCARE PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2022

The Directors have the pleasure in presenting their Strategic Report for the Company for the year ended 30 April 2022.

Business review

During the year, the Hospital has adapted to changes relating to Covid-19 and incurred no unavailability or service performance deductions. The Company made a pre-tax profit for the financial year of £3,128,000 (2021: £2,134,000) and has net assets of £4,727,000 (2021: £3,951,000). 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. At 30 April 2022 the Company had net assets of £4,727,000 (2020: £3,951,000).

Key performance indicators and management of risk are detailed below.

Principal risks and uncertainties

The principal risks and uncertainties for the Company lie in relation to any unavailability of the Hospital. There have been no unavailability deductions in this or the previous period and the Company works closely with its subcontractor to ensure a high level of service.

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 13 to the financial statements.

In the annual review of the Company's going concern, the directors have considered the long term impact of the Covid-19 pandemic. The company has entered into long term contracts with both the client and suppliers, and after careful review of these contracts the Directors are confident the Company can operate as normal for the next twelve months. The Directors have committed to carrying out regular reviews of the Company's cash flows to monitor the ongoing situation.

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 2022, the Company's performance reflects an acceptable variance to this model.

The results for the year are set out in the Statement of Comprehensive Income on page 14.

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, liquidity risk and interest rate risk.

Credit risk

Although the Health Authority, County Durham and Darlington NHS Foundation Trust, 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.

Interest rate risk

The Company is financed through Bonds, a Mezzanine loan and Loan Stock. Interest on the Loan

CRITERION HEALTHCARE PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2022

Stock is at a fixed rate, while interest on the Bonds and Mezzanine loan is calculated based on changes to the Retail Price Index (RPI). This risk is mitigated as the Company's income is also linked to changes to RPI.


Section 172 statement

The purpose of the Company is to design, build, finance and operate Bishop Auckland General Hospital over a concession period of up to sixty years to the satisfaction of County Durham and Darlington Acute Hospitals NHS foundation Trust, the "Trust". The Company's aim is to work in partnership with the Trust to provide effective infrastructure of a high quality standard. This shapes the Company's values and objectives and defines long term success. Decisions are taken in the context of this ethos of working in partnership. The Company has the long term funding in place, as described in the Directors' Report. The detailed PFI contracts set out the relationships with the Trust, debt funders, maintenance and operations contractors. These parties are the Company's main stakeholders. The Company also works with the Trust to ensure their requirements are met. Debt funders are provided with operational and financial reports on a bi-annual basis. The operational management team works closely with the Trust and the maintenance and operations contractors to programme major works on the Hospital. The Company ensures that the Hospital is maintained to the required standards. The Company does not have any employees.

The Board is an experienced team with representatives of all shareholders. The Board members have experience of working with other key stakeholders, which enables them to identify the long term consequences of the principal decisions. The Board meet on a quarterly basis and information is provided at the meetings by the operational and financial management teams. This information will have regard to health and safety matters, the operational and financial performance of the project, planned major maintenance works and relationships with the client and the main subcontractors. The operational and financial management team make recommendations to the Board of Directors. These are considered at the quarterly Board meetings. These Board meetings are minuted and actions arising are monitored. Decisions made by the Directors that have a financial impact are accounted for in a concession length forecast of financial performance.

Principal decisions of the Company are those that are key to the Company's success. These include but are not limited to: decisions impacting upon the relationships between the parties, decisions impacting upon the availability and safety of the Hospital and decisions impacting the return to the shareholders.

On behalf of the Board

DocuSigned by:

.....E00D8FD107D54D9.....
H Holman
Director

Dated: 23-May-2023 | 10:39 AM BST

CRITERION HEALTHCARE PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2022

The Directors have pleasure in presenting their report and the audited financial statements of the Company for the year ended 30 April 2022.

Principal activities and future developments

The principal activity of the Company during the year was 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).

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, with a break clause of thirty 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.

The concession is due to expire in 2033; the Company intends to continue to comply with its obligations under the PFI agreement until this date.

Directors

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

J Heath	(Resigned 31 March 2023)
M Holden	(Resigned 8 September 2022)
A McErlane	(Appointed 8 September 2022)
E Edwards	(Appointed 31 March 2023)
H Holman	
K O'Brien	

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. Qualifying indemnity provisions of this nature have been in place during the financial year and to the date of approval of the financial statements but have not been utilised by the Directors.

None of the Directors at 30 April 2022 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
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 APRIL 2022

Going concern

The Directors have prepared cash flow forecasts which indicate that the Company will have sufficient funds to meet its liabilities as they fall due. Further information of the Directors' assessment including the consideration of the impact of COVID-19 is contained within note 1.

The Company was able to meet the financial covenants as at 30 April 2022 and is forecast to meet them for the foreseeable future.

Taking into account reasonable possible risks in operations to the Company the Directors have a reasonable expectation that the Company will be able to settle its liabilities as they fall due to the foreseeable future and at least twelve months from the signing of these financial statements. It is therefore appropriate to prepare these financial statements on the going concern basis.

Results and dividends

The Company made a pre-tax profit for the financial year of £3,128,000 (2021: £2,134,000) and has net assets of £4,727,000 (2021: £3,951,000)

Dividends

Dividends of £246,000 were proposed and paid in the year (2021: £769,000). Further dividends of £515,000 have been proposed after 1 May 2022 to the signing of these financial statements (2021: £nil).

Financial instruments

A discussion of the Company's objectives, policies and strategies with regard to financial instruments can be found in note 13 to the financial statements.

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

Corporate governance statement

Financial reporting, risk and internal controls

The Company has outsourced the financial reporting function to the Equitix Management Services Ltd ("EMS"). The Board receives quarterly reports from EMS 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 are 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.

Financial risk management has been addressed in the Strategic Report on page 2.

Significant shareholding and special rights

The Company is 100% owned by Criterion Healthcare Holdings Limited. Criterion Healthcare Holdings Limited is owned by HPC BAS Limited (19.99%), HPC Bishop Auckland Hospital Limited (44.01%) 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 hold shareholdings as a long term investment.

CRITERION HEALTHCARE PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2022

Directors' 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.

Provision of information to auditors

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.


Events after the reporting period

No reportable events have occurred after the reporting period.

Independent auditors

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

On behalf of the board

DocuSigned by:

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H Holman
Director

Dated: 23-May-2023 | 10:39 AM BST

CRITERION HEALTHCARE PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

The Directors 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.

Independent auditors' report to the members of Criterion Healthcare PLC

Report on the audit of the financial statements

Opinion

In our opinion, Criterion Healthcare plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2022 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 (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 30 April 2022; the Statement of comprehensive income, the Statement of changes in equity and the Cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- We have performed a full scope audit of all material balances within the entity.

Key audit matters

- Risk of incorrect turnover recognition as a result of inappropriate calculation and allocation of the unitary charge

Materiality

- Overall materiality: £149,200 (2021: £106,700) based on 5% of profit before tax.
- Performance materiality: £111,900 (2021: £80,025).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Impact of the COVID-19 pandemic, which was a key audit matter last year, is no longer included because of the reduced potential risk associated with the pandemic, as this becomes part of day-to-day life, and the limited impact it has had on the company since 2020. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><i>Risk of incorrect turnover recognition as a result of inappropriate calculation and allocation of the unitary charge</i></p> <p>The company is in a service concession arrangement with County Durham and Darlington Acute Hospitals NHS Foundation Trust ("the Trust") for the design, finance and construction of certain new buildings and refurbishment of Bishop Auckland Hospital, and the subsequent ongoing maintenance. The company accounts for the service concession arrangement as a finance debtor with amortisation and finance income recognised each year at a constant rate. The unitary charge payments received from the Trust for the service concession arrangement are allocated to turnover, finance income and the finance debtor amortisation. The allocation to turnover is calculated by applying a margin to the costs incurred in the ongoing maintenance of the asset. This can result in an accrued or deferred position accounted for within a 'unitary charge control account' (UCCA), which is presented within 'Debtors' (Note 8). Due to the judgement required to estimate the margin and the significant impact that the allocation of the unitary charge has on key accounts: turnover, finance income, the finance debtor and the UCCA, including those most susceptible to fraudulent manipulation, we consider this risk to be a key area of focus.</p>	<p>We tested all monthly unitary charge payments received from the Trust, agreeing to invoice and evidence of cash receipt. We did not note any issues from our testing. • We re-performed the allocation of the unitary payment between turnover, finance debtor amortisation, finance income and the UCCA and checked that the allocated amounts had been recognised consistently in each of the impacted accounts. We found the calculation to be performed accurately and recognised consistently across the impacted accounts. • We also recalculated the revenue recognised by applying the margin to qualifying costs incurred in the year ended 30 April 2022. This was in line with our expectation. • We compared the margin applied in the current year to the margin applied in the prior year, with no material difference noted. Our audit work did not identify any issues and we therefore concluded that there was no material misstatement in revenue.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The company's financial statements comprise solely the special purpose vehicle which was subject to a full scope audit.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall company materiality</i>	£149,200 (2021: £106,700).
<i>How we determined it</i>	5% of profit before tax
<i>Rationale for benchmark applied</i>	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 7%) of overall materiality, amounting to £111,900 (2021: £80,025) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the directors that we would report to them misstatements identified during our audit above £14,920 (2021: £5,335) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and testing the mathematical accuracy of the latest financial model which sets out the expected income/costs over the life of the project and calculates the margins to be recognised each period;
- Performing a look back test by comparing the current year financial statement balances to the prior year model to assess management's ability to forecast;
- Assessing the reasonableness of the current year financial model by reviewing the trends in finance debtor amortisation, finance debtor interest and the unitary charge split over the life of the project; and
- Testing compliance with debt covenants and reviewing the company's cashflow forecast included in the latest financial model and determining if the entity has sufficient headroom.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements

does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 April 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to listing rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax laws. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of the distributable reserves available to shareholders,

through posting inappropriate journal entries to increase revenue, or making inappropriate distributions or payments from the company. Audit procedures performed by the engagement team included:

- reviewing legal expenses and board minutes and consideration of any matters throughout the rest of our audit work which indicated risks of non-compliance;
- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- identifying and testing journal entries to assess whether any of the journals appeared unusual, in particular journal entries impacting the unitary charge income recognised; and
- detailed testing over the financial model.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the directors, we were appointed by the directors on 1 February 2013 to audit the financial statements for the year ended 30 April 2013 and subsequent financial periods. The period of total uninterrupted engagement is 10 years, covering the years ended 30 April 2013 to 30 April 2022.



Paul Cheshire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
23 May 2023

CRITERION HEALTHCARE PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2022

	Note	2022 £'000	2021 As restated £'000
Turnover	2	12,534	9,928
Cost of sales		(8,349)	(7,002)
Gross profit		4,185	2,926
Operating profit	3	4,185	2,926
Interest receivable and similar income	5	3,831	2,242
Interest payable and similar expenses	6	(4,888)	(3,034)
Profit before tax		3,128	2,134
Tax on profit	7	(2,106)	(562)
Profit and total comprehensive income for the financial year		1,022	1,572

All of the activities of the Company are classed as continuing.


A prior year adjustment has been made, the 2021 Turnover and Cost of sales figures have been updated due to Pass Through costs being reclassified from Turnover to Cost of sales, an increase of £1,431k to each.

The notes on pages 18 to 34 form part of these financial statements.

CRITERION HEALTHCARE PLC**BALANCE SHEET****AS AT 30 APRIL 2022**

	Note	2022 £'000	2021 £'000
Current assets			
Debtors: amounts falling due within one year	8	1,266	2,583
Debtors: amounts falling due after more than one year	8	51,758	48,922
Cash at bank		14,345	13,131
		<u>67,369</u>	<u>64,636</u>
Creditors: amounts falling due within one year	9	(10,340)	(8,125)
Net current assets		<u>57,029</u>	<u>56,511</u>
Creditors: amounts falling due after more than one year	10	(46,669)	(49,032)
Provisions for liabilities			
Deferred taxation	12	(5,633)	(3,528)
Net assets		<u>4,727</u>	<u>3,951</u>
Capital and reserves			
Called up share capital	15	50	50
Profit and loss account		<u>4,677</u>	<u>3,901</u>
Total shareholder's funds		<u>4,727</u>	<u>3,951</u>

These financial statements were approved by the directors and authorised for issue ^{23-May-2023} and ^{10:39 AM BST}
are signed on their behalf by:

DocuSigned by:

 E0008ED107D54D9.....
 H Holman
 Director

Company Registration Number: 03302909

The notes on pages 18 to 34 form part of these financial statements.

CRITERION HEALTHCARE PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2022

	Note	Called up share capital £'000	Profit and loss account £'000	Total shareholder's funds £'000
Balance as at 1 May 2020		50	3,098	3,148
Profit for the year		-	1,572	1,572
Total comprehensive income		-	1,572	1,572
Dividends paid		-	(769)	(769)
Balance as at 30 April 2021	16	50	3,901	3,951
Profit for the year		-	1,022	1,022
Total comprehensive income		-	1,022	1,022
Dividends paid		-	(246)	(246)
Balance as at 30 April 2022		50	4,677	4,727

The notes on pages 18 to 34 form part of these financial statements.

CRITERION HEALTHCARE PLC**CASH FLOW STATEMENT****FOR THE YEAR ENDED 30 APRIL 2022**

	2022	2021
	£'000	£'000
Cash flows from operating activities		
Profit for the financial year	1022	1,572
<i>Adjustments for:</i>		
Interest receivable	(3,831)	(2,242)
Interest payable and similar expenses	4,888	3,034
Taxation	2106	562
	4,185	2,926
(Increase)/Decrease in debtors	(2,673)	122
Increase in creditors	2,030	189
	(643)	311
Net cash inflow from operating activities	3,542	3,237
Cash inflows from investing activities		
Capital repayment of finance debtor	1,154	2,654
Interest received	3,831	2,242
Cash inflows from investing activities	4,985	4,896
Cash flows used in financing activities		
Repayment of borrowings	(4,670)	(4,605)
Interest paid	(2,397)	(2,583)
Dividends paid	(246)	(769)
Cash outflows used in financing activities	(7,313)	(7,957)
Net increase in cash	1,214	176
Cash and cash equivalents at the beginning of the year	13,131	12,955
Cash and cash equivalents at the end of the year	14,345	13,131

The notes on pages 18 to 34 form part of these financial statements.

CRITERION HEALTHCARE PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022

1. Accounting policies

Criterion Healthcare PLC (the "Company") is a private company limited by shares and incorporated and domiciled in England and Wales.

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "*The Financial Reporting Standard applicable in the UK and Republic of Ireland*" ("FRS 102") and the Companies Act 2006. The presentation currency of these financial statements is sterling. Monetary amounts in these financial statements have been rounded to the nearest £1,000.

The financial statements have been prepared under the historical cost convention, and in accordance with applicable UK accounting standards, and the Companies Act 2006.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

Service concession arrangements – The Company entered into its service concession arrangement before the date of transition to this FRS. Therefore its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed within this note below.

Going concern

The Directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to April 2033. In making this assessment the Directors have considered the potential impact of the emergence and spread of COVID-19.

The Company's operating cash inflows are largely dependent on unitary charge receipts receivable from County Durham and Darlington NHS Trust. These have been received as expected to date and the Directors expect these amounts to be received even in severe but plausible downside scenarios.

The Company continues to provide the asset in accordance with the contract and is available to be used. As a result, the Company does not believe there is any likelihood of a material impact to the unitary payment.

The Directors have assessed the viability of its main sub-contractors and reviewed the contingency plans of the sub-contractors and are satisfied in their ability to provide the services in line with the contract without significant additional costs to the Company, even in downside scenarios, due to the underlying contractual terms. To date, there has been no adverse impact on the services provided by the Company or its sub-contractors arising from COVID-19. The Directors believe the Company has sufficient funding in place and expect the Company to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

CRITERION HEALTHCARE PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022

1. Accounting policies (*continued*)

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

Classification of financial instruments issued by the Company

The Company has applied FRS 102 section 11 and 12 in respect of financial instruments. In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

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 statement of comprehensive income over the period to redemption.

CRITERION HEALTHCARE PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022

1. Accounting policies (*continued*)

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Accounting for the service contracts and finance receivables requires estimation of service margins, finance receivable interest rates and finance receivable amortisation profile which is based on forecasted results of the PFI contract.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss.

Turnover

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 Statement of comprehensive income to calculate the service income recognised as turnover credited to the Statement of comprehensive income. 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.

CRITERION HEALTHCARE PLC
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022

1. Accounting policies (*continued*)

Taxation

Taxation is based on the profit for the financial year and where relevant takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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 future 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.

Finance debtor and services income

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.

Interest

Interest costs have been capitalised during the construction phase of the contract and will be amortised over the period of the concession.

CRITERION HEALTHCARE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022

1. Accounting policies (*continued*)

Debt issue costs and discount on issue

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Lifecycle 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 Statement of comprehensive income as the obligation arises.

Cash and cash equivalents

In accordance with FRS 102 Section 7 '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.

Cash at bank includes twelve current accounts with Barclays Bank PLC having a balance of £14,345,000 (2021: £13,131,000). The restricted cash balance is £12,215,000 (2020: £12,807,000). Withdrawals from these bank accounts are restricted to items set out in the Collateral Deed with Assured Guaranty and the Company must satisfy certain requirements before being permitted to withdraw any amounts from these accounts.

Critical accounting estimates and key 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.

For the calculation of the margin this 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. This margin is updated every six months to reflect the latest forecast for the remainder of the concession.

Lifecycle costs represent the estimated cost of the Company's obligation to maintain the Hospital over the period of the concession. This is charged to the Statement of comprehensive income in line with the latest profile available as the obligation arises.

CRITERION HEALTHCARE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022

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.

There has been a prior year adjustment, reclassifying Pass Through Costs from Turnover to Cost of Sales, increasing the April 2021 Turnover figure by £1,431k.

3. Operating profit

Operating profit is stated after charging:

	2022	2021
	£'000	£'000
Directors' remuneration	194	192
Auditors' remuneration:		
- audit of these financial statements	21	17
- other assurance services	8	8

4. Employee information and directors' remuneration

The Company had no employees during the current or preceding financial year.

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.

5. Interest receivable and similar income

	2022	2021
	£'000	£'000
Bank interest receivable	5	46
Interest receivable on finance debtor	3,826	2,196
	3,831	2,242

CRITERION HEALTHCARE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022

6. Interest payable and similar expenses

	2022	2021
	£'000	£'000
Interest on secured 3.37% index-linked bonds (due 2031)	1,679	1,797
Index-linked bond indexation and discount on issue of bonds	2,345	309
Interest on mezzanine loan facility	418	494
Interest on unsecured subordinated loan stock	284	283
Amortisation of debt issue costs	146	142
Other interest payable	16	9
	4,888	3,034

7. Tax on profit

(a) Analysis of charge in the year

	2022	2021
	£'000	£'000
<i>Deferred tax (see note 12)</i>		
Origination and reversal of timing differences	636	562
Effect of reduced tax rate on opening liability	1,470	
Total deferred tax	2,106	562

CRITERION HEALTHCARE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022

7. Tax on profit (*continued*)

(b) Factors affecting current tax charge

The tax assessed for the year is higher than (2020 – higher than) the standard rate of corporation tax in the UK of 19% (2021 – 19%). The differences are explained below:

	2022	2021
	£'000	£'000
Profit on ordinary activities before taxation	3,128	2,134
Taxation using the UK corporation tax rate of 19% (2021: 19%)	595	405
Expenses not deductible for tax purposes	68	157
Capital allowances net of amortisation	67	261
Net movement in tax losses	(703)	(823)
Origination and reversal of timing differences	636	562
Change in tax rates	1,470	-
Total tax charge for the year	2,132	562

(c) Factors that may affect future tax charges

The company has losses brought forward that can be used to offset non trading income. Legislation increasing the corporation tax rate to 25% with effect from 1 April 2023 was substantively enacted on 24 May 2021. Deferred tax as at 30 April 2022 has been measured using this enacted rate.

CRITERION HEALTHCARE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022

8. Debtors

	2022	2021
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	372	444
Finance debtor	724	2,134
Prepayments and accrued income	170	5
	1,266	2,583
	2022	2021
	£'000	£'000
Amounts falling due after more than one year:		
Finance debtor	40,193	39,937
Unitary charge control account	11,565	8,985
	51,758	48,922

Included within the finance debtor is £26,345,000 (2021: £29,042,000) which is due after more than 5 years.

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

The unitary charge control account reflects the balance between invoiced unitary charge and those amounts recognised in the Statement of comprehensive income. These being amortisation of the finance debtor, interest receivable on the finance debtor and turnover.

9. Creditors: amounts falling due within one year

	2021	2021
	£'000	£'000
Trade creditors	358	1,204
Secured 3.37% index-linked bonds (due 2031)	3,577	3,391
Mezzanine loan (secured)	267	267
Other taxation and social security	527	486
Accruals and deferred income	5,612	2,777
	10,340	8,125

CRITERION HEALTHCARE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022

10. Creditors: amounts falling due after more than one year

	2022	2021
	£'000	£'000
Secured 3.37% index-linked bonds (due 2031)	42,777	45,006
Mezzanine loan (secured)	2,268	2,402
Loan stock	1,624	1,624
	46,669	49,032

11. Borrowings

	2022	2021
	£'000	£'000
Secured 3.37% index-linked bonds (due 2031)	62,894	62,894
Add: cumulative indexation	40,965	38,620
Redeemed to date	(56,824)	(52,235)
Discount on issue	833	778
	47,868	50,057
Mezzanine loan (secured)	2,535	2,669
Loan stock	1,624	1,624
	52,027	54,350
Less: unamortised net issue costs	(1,514)	(1,660)
	50,513	52,690
Less: amounts falling due within one year	(3,844)	(3,658)
	46,669	49,032

Included within borrowing is £24,393,000 (2020: £28,491,000) which is due after more than 5 years. Of this £22,769,000 (2021: £26,867,000) is repayable in instalments which are payable every six months.

CRITERION HEALTHCARE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022

11. Borrowings (continued)

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

2022	Total	Floating rate	Fixed rate	Fixed rate weighted average interest rate	Fixed rate weighted average time for which rate is fixed
	£'000	£'000	£'000	%	Years
Sterling	52,000	50,376	1,624	17.505	8
2021	Total	Floating rate	Fixed rate	Fixed rate weighted average interest rate	Fixed rate weighted average time for which rate is fixed
	£'000	£'000	£'000	%	Years
Sterling	54,350	52,726	1,624	17.505	9

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.

CRITERION HEALTHCARE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022

11. Borrowings (continued)

Unsecured Subordinated Loan Stock

The following parties hold the Unsecured A Loan Stock

	2022	2021
	£'000	£'000
HPC BAS Limited	450	450
HPC Bishop Auckland Limited	124	124
Infrastructure Investments LP (acting by its general partner, Infrastructure Investments General Partner Limited)	600	600
	1,174	1,174

The unsecured (A) loan stock earns interest at 18.569% and is repayable by 31 July 2032.

HPC Bishop Auckland Limited subscribed for £450,000 Unsecured (B) loan stock on 15 December 2017. The (B) loan stock earns interest at 14.729% and is repayable by 31 July 2032.

12. Deferred taxation

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

	2022	2020
	£'000	£'000
Provision brought forward	3,527	2,966
Profit and loss account movement arising during the year	2,106	562
Provision carried forward	5,633	3,528

The provision for deferred taxation, measured at a future tax rate of 19% (2020: 19%), consists of the tax effect of timing differences in respect of:

	2022	2021
	£'000	£'000
Accelerated capital allowances	4,245	3,261
Other timing differences	1,881	1,461
Tax losses	(493)	(1,194)
Provision carried forward	5,633	3,528

CRITERION HEALTHCARE PLC**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 APRIL 2022****13. Financial risk management objectives and policies**

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

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

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

Interest rate risk

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

2022	Effective interest rate	Total £'000	1 year or less £'000	1 -2 years £'000	2 -5 years £'000	5+ years £'000
Cash at bank		14,345	14,345	-	-	-
Finance debtor	4.551%	40,129	1,406	2,523	9,855	26,345
Unsecured subordinated						
- A Loan Stock	18.60%	(1,174)	-	-	-	(1,174)
- B Loan Stock	14.70%	(450)	-	-	-	(450)
Mezzanine loan (secured)	14.50%	(2,535)	(267)	(267)	(801)	(1,200)
Secured 3.37% index-linked bonds (due 2031)	3.37%	(47,868)	(3,577)	(5,267)	(17,428)	(21,596)
2021	Effective interest rate	Total £'000	1 year or less £'000	1 -2 years £'000	2 -5 years £'000	5+ years £'000
Cash at bank		13,131	13,131	-	-	-
Finance debtor	4.551%	42,071	2,134	2,233	8,662	29,042
Unsecured subordinated						
- A Loan Stock	18.60%	(1,174)	-	-	-	(1,174)
- B Loan Stock	14.70%	(450)	-	-	-	(450)
Mezzanine loan (secured)	14.50%	(2,669)	(267)	(267)	(801)	(1,334)
Secured 3.37% index-linked bonds (due 2031)	3.37%	(50,057)	(3,391)	(4,918)	(16,215)	(25,533)

CRITERION HEALTHCARE PLC**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 APRIL 2022****13. Financial risk management objectives and policies (continued)****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 £67,781,000 (2021: £64,636,000). 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 4.551% per annum plus indexation over the term of the lease, of which up to 36 years of the primary period are remaining.

Liquidity risk

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

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

The 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.

2022	Total	1 year or less	1 -2 years	2 -5 years	5+ years
	£'000	£'000	£'000	£'000	£'000
Finance debtor	67,660	4,975	5,366	17,364	39,956
Unsecured subordinated					
- A Loan Stock	(3,790)	(218)	(217)	(655)	(2,700)
- B Loan Stock	(1,245)	(66)	(66)	(199)	(914)
Mezzanine loan (secured)	(6,075)	(761)	(701)	(2,068)	(2,545)
Secured 3.37% index-linked bonds (due 2031)	(79,860)	(6,134)	(6,289)	(20,799)	(46,638)
2021	Total	1 year or less	1 -2 years	2 -5 years	5+ years
	£'000	£'000	£'000	£'000	£'000
Finance debtor	62,378	4,918	5,059	16,042	36,359
Unsecured subordinated					
- A Loan Stock	(3,791)	(218)	(218)	(655)	(2,700)
- B Loan Stock	(1,246)	(66)	(66)	(199)	(914)
Mezzanine loan (secured)	(5,867)	(761)	(688)	(1,897)	(2,521)
Secured 3.37% index-linked bonds (due 2031)	(74,487)	(6,134)	(6,213)	(19,411)	(42,729)

CRITERION HEALTHCARE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022

13. Financial risk management objectives and policies (*continued*)

Fair values of financial assets and liabilities

The comparison of book and fair values of the Company's financial instruments at 30 April 2022 is set out below. In respect of the bond, 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 rate that has been applied to the finance debtor at 30 April 2022 is 4.55% (2021 4.55%).

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.

	2022		2021	
	Book value	Fair value	Book value	Fair value
	£'000	£'000	£'000	£'000
Finance debtor	40,129	51,538	42,071	51,090
Cash at bank	14,345	14,345	13,131	13,131
Secured 3.37% index-linked bonds (due 2031)	(47,841)	(44,452)	(50,057)	(48,791)
Mezzanine loan (secured)	(2,535)	(2,535)	(2,669)	(2,669)
Loan stock	(1,624)	(1,624)	(1,624)	(1,624)
	2,474	17,272	852	11,137

Both the finance 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 £143,000 (2021: £131,000) 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 £202,000 (2021: £221,000) on the indexation charge for the year. This risk is substantially mitigated by the fact that the

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Company's revenue stream from its client is also index-linked.

14. Related party transactions

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

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 £133,432 was repaid in the year (2021: £266,864) and interest thereon of £428,382 is charged in the financial statements (2021: £493,909). A balance of £218,395 interest (2021: £nil) and £2,535,205 principal (2021: £2,669,636) was payable to IILP at 30 April 2022.

IILP has provided £600,451 of loan stock A funding (2021: £600,451) and interest thereon of £111,497 is charged in the financial statements (2021: £111,040). A balance of £54,837 interest (2021: £nil) and £600,451 principal (2020: £600,451) was payable to IILP at 30 April 2022.

Directors' fees of £70,000 were payable to IILP in respect of the year (2020: £69,000). A balance of £70,000 (2021: £nil) was payable to IILP at 30 April 2022.

HPC BAS

HPC BAS has provided £449,689 of loan stock A funding (2021: £449,689) and interest thereon of £83,503 is charged in the financial statements (2021: £83,160). A balance of £40,966 interest (2021: £nil) and £449,689 principal (2021: £449,689) was payable to HPC BAS at 30 April 2022.

Directors' fees of £39,000 were payable to HPC BAS in respect of the year (2021: £38,000). A balance of £nil (2021: £nil) was payable to HPC BAS at 30 April 2022.

HPC Bishop Auckland

HPC Bishop Auckland has provided £123,860 of loan stock A funding (2020: £123,860) and interest thereon of £23,000 is charged in the financial statements (2021: £22,905). A balance of £11,405 interest (2021: £nil) and £123,860 principal (2021: £123,860) was payable to HPC Bishop Auckland at 30 April 2022.

HPC Bishop Auckland has provided £450,000 of loan stock B funding (2021: £450,000) and interest thereon of £66,281 is charged in the financial statements (2021: £66,008). A balance of £32,595 interest (2021: £nil) and £450,000 principal (2021: £450,000) was payable to HPC Bishop Auckland at 30 April 2022.

Directors' fees of £85,000 were payable to HPC Bishop Auckland in respect of the year (2021: £84,000). A balance of £nil (2021: £nil) was payable to HPC Bishop Auckland at 30 April 2022.

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15. Called up share capital

Allotted, called up and fully paid:	2022 Number	2022 £'000	2021 Number	2021 £'000
Ordinary shares of £1 each	50,000	50	50,000	50

16. Dividends

	2022 £'000	2021 £'000
Dividends: £4.92 (2020: £15.38) per share	246	769

17. Ultimate parent company

The immediate holding company is Criterion Healthcare Holdings Limited, a company registered in England and Wales, registered address 2nd Floor, Toronto Square, Toronto Street, Leeds, LS1 2HL

The ultimate parent undertaking and controlling party of Criterion Healthcare Holdings Limited is Equitix Fund III LP.

18. 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 10, 11 and 13. There have been no changes in the capital structure of the Company in the current or prior period.

19. Events after the reporting period

No reportable events occurred after 30 April 2022 up until the signing of these financial statements.