

**Catalyst Healthcare (Worcester) Plc**

**Directors' report and financial  
statements**

Registered number 03649489

31 December 2009

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## Contents

Company information	1
Directors' report	2
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	5
Independent auditors' report to the members of Catalyst Healthcare (Worcester) Plc	6
Profit and loss account	8
Balance sheet	9
Cash flow statement	10
Reconciliation of movements in shareholders' funds	11
Notes	12

## **Company information**

### **Non-Executive Directors**

Sir ADT Chessells (Chairman)  
N H Scott-Barrett (resigned 9 January 2009)  
D Powling (resigned 28 July 2009)  
SC Grant (appointed 28 July 2009)  
AL Tennant  
N Rae (resigned 30 January 2009 and reappointed 5 January 2010)  
M Davis  
K Gillespie  
V L Bradley (appointed 9 January 2009)  
G Carvalho (appointed 9 January 2009)  
W R Doughty (appointed 30 January 2009 and resigned 5 January 2010)  
C J Blundell (appointed 30 January 2009 and resigned 5 January 2010)

### **Company Secretary**

Ailison Mitchell LLB ACIS  
3rd Floor, The Venus  
1 Old Park Lane  
Trafford  
Manchester  
M41 7HG

### **Registered Office**

3<sup>rd</sup> Floor, The Venus  
1 Old Park Lane  
Trafford  
Manchester  
M41 7HG

### **Registered Auditors**

KPMG Audit Plc  
St James Square  
Manchester  
M2 6DS

### **Solicitors**

Clifford Chance  
200 Aldersgate Street  
London  
EC1A 4JJ

### **Bankers**

Bank of Scotland  
Manchester Branch  
19-21 Spring Gardens  
Manchester  
M2 1FB

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

### **Principal activities**

The principal activities of the company are to design, finance, construct and operate certain facilities and provide non-clinical services at Worcester Royal Infirmary for a period of 30 years under a concession agreement with Worcestershire Acute Hospitals NHS Trust. The agreement to provide a new hospital, associated facilities management and hotel services, and equipment services was signed on 22 March 1999. Construction of the hospital commenced on 1 April 1999, and was completed on 31 December 2001.

The company is also contracted to provide medical equipment and related services to Worcestershire Acute Hospitals NHS Trust and turnover for the year includes ongoing charges for the provision of medical equipment.

### **Business review**

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

### **Development and performance of the business**

The project has now completed its eighth year of operations. Operational performance of the facilities maintenance contractor has been closely monitored throughout the year. This takes the form of full-time representation on site through the Company's management services agent and periodic reporting by the independent Technical Assessor.

### **Principal risks and uncertainties**

There is no RPI swap to reduce volatility of operating cash flows in relation to the fixed rate debt service. However, this is under continuous review by the directors. Current forecasts show that modest reductions in RPI would not have a material impact on project economics.

A small proportion of cash flow is derived from bank interest on cash balances. The current low levels of interest rates have reduced this interest but this has not impacted on debt covenant compliance.

### **Key performance indicators**

The level of performance and availability deductions arising from failures to achieve specified levels of contract service is a key performance indicator. These are reported quarterly to the Board and have been extremely small in relation to total unitary payments.

Another key indicator is the ratio of operating cash flow to the senior debt service amount. This ratio is tested at six-monthly intervals and each time it has been to the satisfaction of the senior debt provider.

### **Proposed dividend and transfer to reserves**

The company made a dividend payment of £1,304,000 in the year (2008 £900,000).

The profit for the year is £1,821,000 (2008 £1,868,000).

### **Directors and directors' interests**

The directors who held office during the year are set out on page 1.

Certain directors benefit from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

### **Political and charitable contributions**

During the year the company made charitable donations of £nil (2008 £nil). There were no donations of a political nature made during the year (2008 £nil).

## **Directors' report** (*continued*)

### **Financial instruments**

The company's principal financial instruments comprise of secured bonds, a mezzanine loan and unsecured loan stock. The terms of these financial instruments are such that the profile of the debt service costs is tailored to match expected revenues arising from the concession.

The company does not undertake financial instrument transactions which are speculative or unrelated to the company's trading activities.

#### *Interest rate risk*

The secured bonds and the unsecured loan stock are not exposed to interest rate risk.

### **Payments to creditors policy**

It is Company policy that payments to suppliers are made in accordance with agreed terms. The average payment period to creditors amounted to 41 days (2008: 41 days).

### **Corporate Governance**

The Company is committed to high standards of corporate governance, as are appropriate for the longer term obligations to finance, construct and operate non-clinical services for the new Worcester Royal Infirmary hospital under the Private Finance Initiative programme.

The Board of Directors also act as the Board of Directors of the holding company. Corporate governance principles have been implemented within the framework established by agreement between the shareholding parties who have launched the company under a concession agreement with the Worcestershire Acute Hospitals NHS Trust. The Board has taken note of the new Combined Code, as this has been introduced to apply to equity quoted plc's with certain reporting requirements, this company, not being an equity quoted plc, is not bound by the code's requirements but has voluntarily adopted those principles considered relevant.

This report is a narrative on the principles of the corporate governance, as applied in this company. It does not provide a detailed statement to identify those provisions of the new Code from which the company's governance differs.

#### *A The Board*

- 1 The Board meets quarterly and reviews operating performance against the financial model and detailed management budgets. This model incorporates all aspects of the strategic business plan and associated risks, all proposals for contract variations are vetted before approval against the model.  
  
The Board reserves its own decision on all contractual expenditure and associated funding, and has established the provision of management, company secretary and accountancy services for the implementation of the project.
- 2 The Chairman is the senior non-executive director, selected by the shareholders for his particular experience, and he leads the Board.
- 3 The Board comprises 7 non-executive directors nominated by each participating shareholder, together with the independent Chairman.
- 4 The Board receives monthly information which encompasses all corporate, business, financial and relationship matters which are necessary and appropriate for the purposes of monitoring and progressing the complex contractual obligations for the hospital project.
- 5 Nominations for any changes to Board membership are subject to the shareholders' separate or collective decision.
- 6 For the particular interests of the shareholders in the continuity of the project, no directors retire by rotation.

## **Directors' report** *(continued)*

### **Corporate Governance** *(continued)*

#### **B** *Remuneration*

No directors received remuneration directly from the subsidiary companies. The remuneration for the Chairman (part-time) is set by the shareholders of Catalyst Lend Lease Limited and is included in the services provided by that company.

#### **C** *Dialogue with Institutions*

The Board maintains regular liaison with Ambac as insurance guarantor of the Bond issue.

#### **D** *Financial Reporting*

- 1 The Board, after seeking appropriate external advice, decides upon accounting policies which are appropriate for the Company and ensures that they are consistently applied.
- 2 The Board has instigated a rigorous process of internal control, under the discipline of contractual agreements, in order to safeguard the outcomes for the company in terms of operational performance, financial control, legal and regulatory compliance, provision for risk factors, and longer-term relationships.
- 3 The Board has decided to undertake the role of an Audit Committee with all directors. The Audit Committee meets annually to review the Management Letter tabled by the Auditors.
- 4 The Board continues to satisfy itself that, given the contractual and long-term funding provisions, the company will continue to trade as a going concern.

#### **E** *Internal Controls*

- 1 The board annually reviews the need for a formal internal audit function.
- 2 The board maintains a sound system of internal control to safeguard shareholders' investments and the company's assets.

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in the office.

By order of the board



**Allison Mitchell LLB ACIS**  
*Secretary*

3rd Floor, The Venus  
1 Old Park Lane  
Trafford  
Manchester

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG Audit Plc

St James' Square  
Manchester  
M2 6DS  
United Kingdom

### **Independent auditors' report to the members of Catalyst Healthcare (Worcester) Plc**

We have audited the financial statements of Catalyst Healthcare (Worcester) Plc for the year ended 31 December 2009 set out on pages 8 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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



**Independent auditors' report to the members of Catalyst Healthcare (Worcester) Plc** *(continued)*

**Matters on which we are required to report by exception**

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

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



**Mick Davies (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
*Chartered Accountants*  
St James' Square  
Manchester  
M2 6DS

30/4/10

**Profit and loss account**  
*for year ended 31 December 2009*

	<i>Note</i>	<b>2009 £000</b>	<b>2008 £000</b>
<b>Turnover</b>	<b>2</b>	<b>23,386</b>	<b>22 027</b>
Net operating costs	3	(19,997)	(18 615)
<b>Operating profit</b>		<b>3,389</b>	<b>3,412</b>
Interest payable and similar charges	6	(6,280)	(6,694)
Other interest receivable and similar income	7	5,487	6,076
<b>Profit on ordinary activities before taxation</b>		<b>2,596</b>	<b>2,794</b>
Tax on profit on ordinary activities	8	(775)	(926)
<b>Profit for the financial year</b>		<b>1,821</b>	<b>1,868</b>

The company has no recognised gains or losses other than the profit for the financial year reported above and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the result as disclosed in the Profit and Loss account and the result on an unmodified historical cost basis

**Balance sheet**  
*at 31 December 2009*

	<i>Note</i>	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
<b>Current assets</b>			
Debtors – falling due within one year	<i>11</i>	<b>13,889</b>	12,826
Debtors – falling due after more than one year	<i>11</i>	<b>84,117</b>	86,006
		<hr/>	<hr/>
<b>Debtors</b>	<i>10</i>	<b>98,006</b>	98,832
<b>Cash at bank and in hand</b>		<b>11,241</b>	12,208
		<hr/>	<hr/>
		<b>109,247</b>	111,040
<b>Creditors</b> amounts falling due within one year	<i>13</i>	<b>(5,800)</b>	(6,479)
		<hr/>	<hr/>
<b>Net current assets</b>		<b>103,447</b>	104,561
<b>Creditors</b> amounts falling due after more than one year	<i>14</i>	<b>(89,241)</b>	(91,562)
<b>Provisions for liabilities &amp; charges</b>	<i>16</i>	<b>(5,115)</b>	(4,425)
		<hr/>	<hr/>
<b>Net assets</b>		<b>9,091</b>	8,574
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	<i>17</i>	<b>60</b>	60
Profit and loss account	<i>18</i>	<b>9,031</b>	8,514
		<hr/>	<hr/>
<b>Shareholders' funds</b>		<b>9,091</b>	8,574
		<hr/>	<hr/>

These financial statements were approved by the board of directors on **27 APRIL 2010** and were signed on its behalf by



Director

**AL TENNANT**

## Cash flow statement

for the year ended 31 December 2009

### Reconciliation of operating profit to net cash flow from operating activities

	2009 £000	2008 £000
Operating profit	3,389	3,412
Decrease in debtors	494	751
Decrease in creditors	(816)	1,312
Decrease in provisions	(34)	(34)
<b>Net cash inflow from operating activities</b>	<b>3,033</b>	<b>5,441</b>

### Cash flow statement

	<i>Note</i>	2009 £000	2008 £000
Cash flow from operating activities		3,033	5,441
Returns on investments and servicing of finance	20	(551)	(370)
Taxation		281	(181)
Dividends paid		(1,304)	(900)
Cash inflow before financing		1,459	3,990
Financing	20	(2,426)	(2,056)
<b>Decrease in cash in the year</b>		<b>(967)</b>	<b>1,934</b>

### Reconciliation of net cash flow to movement in net debt

	<i>Note</i>	2009 £000	2008 £000
<b>Decrease in cash in the year</b>		<b>(967)</b>	<b>1,934</b>
Cash outflow from decrease in debt		2,426	2,056
Non-cash movement	21	(242)	(249)
<b>Movement in net debt in the year</b>		<b>1,217</b>	<b>3,741</b>
<b>Net debt at the start of the year</b>	<b>21</b>	<b>(81,780)</b>	<b>(85,521)</b>
<b>Net debt at the end of the year</b>	<b>21</b>	<b>(80,563)</b>	<b>(81,780)</b>

**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 December 2009*

	2009 £000	2008 £000
<b>Profit for the financial year</b>	<b>1,821</b>	<b>1 868</b>
Dividends (note 9)	(1,304)	(900)
<b>Net addition to shareholders' funds</b>	<b>517</b>	<b>968</b>
Opening shareholders' funds	8,574	7 606
<b>Closing shareholders' funds</b>	<b>9,091</b>	<b>8,574</b>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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

#### *Basis of preparation*

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

#### *Going concern*

The company currently has £91,804,000 of total debt. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within the level of its current facilities.

The company has considerable financial resources together with long-term contracts with the NHS Trust. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### *Turnover*

Turnover on operational services represents the value of work performed in the period under the concession agreement, together with any additional services provided.

In the operational phase, the balance of unitary payments received, after accounting for the finance debtor interest and amortisation components (which together sum to a constant figure in each period, as in a lease) is accounted for as turnover. This figure is adjusted in each period to ensure that income recognised more accurately reflects the value of economic benefits provided to the public sector client in each period, and is necessary due to the inflationary nature of the unitary payments. As a consequence of this adjustment to turnover, which is generally positive in the first half of the concession and negative in the second half (and must net out over the whole concession), a unitary payment control account debtor is recorded on the balance sheet.

#### *Stocks and work in progress / amounts recoverable under contracts*

Costs incurred in the construction of the hospital have been accounted for under Financial Reporting Standard ('FRS') 5 Application Note F. Applying the guidance within the Application Note indicates that the project's principal agreements transfer substantially all the risks and rewards of ownership to the Worcestershire Acute Hospitals NHS Trust. As such, all construction costs incurred on the project, including interest on finance up to the date of commission and incidental costs, are recorded as construction work in progress during the construction phase of the project. Costs are recognised as cost of sales to the extent that they relate to the value of work done in respect of turnover recognised.

#### *Finance lease debtor*

Amounts receivable under the agreement with the Worcestershire Acute Hospitals NHS Trust relating to the hospital facilities transferred are included under debtors and represent the total amount outstanding under the agreement less unearned interest. Finance lease income is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the lease.

#### *Lifecycle costs*

Provisions are made in respect of lifecycle maintenance costs to the extent that the company is obligated to undertake maintenance in future periods.

#### *Capitalisation of interest*

Loan interest incurred during the construction of the hospital is capitalised into the finance debtor.

## Notes (continued)

### 1 Accounting policies (continued)

#### Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, with discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

#### Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

#### Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- 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
- 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

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds

#### Interest bearing borrowings

Immediately after issue, debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount

### 2 Analysis of turnover and profit on ordinary activities before taxation

	2009		2008	
	Turnover	Attributable pre-tax profit	Turnover	Attributable pre-tax profit
	£000	£000	£000	£000
Operational services	18,310	2,377	17,039	2,586
Sale of medical equipment and services	5,076	219	4,988	208
	<u>23,386</u>	<u>2,596</u>	<u>22,027</u>	<u>2,794</u>

The turnover and profit on ordinary activities before taxation arise entirely within the United Kingdom

## Notes (continued)

### 3 Net operating costs

	2009 £000	2008 £000
Service costs	13,596	12,376
Lifecycle maintenance charge	650	653
Building insurance	283	263
Other charges	5,453	5,310
	<u>19,982</u>	<u>18,602</u>
<i>Auditors' remuneration</i>		
Amounts receivable by the auditors and their associates in respect of Audit of these financial statements	15	13
	<u>19,997</u>	<u>18,615</u>

### 4 Remuneration of directors

	2009 £000	2008 £000
Recharges in respect of directors' services	47	41
	<u>47</u>	<u>41</u>

None of the directors received emoluments directly from the company (2008 £nil). A payment is made for the services of the non-executive directors to their employer.

### 5 Staff numbers and costs

No staff are directly employed by the company (2008 nil). Services provided by the contractors include the provision of staff and management to perform contractual responsibilities. Costs associated with the staff and management are included within the contractors' service charges.

### 6 Interest payable and similar charges

	2009 £000	2008 £000
Amortisation of issue costs	242	249
On bank borrowings	6,038	6,445
	<u>6,280</u>	<u>6,694</u>



## Notes (continued)

### 7 Other interest receivable and similar income

	2009 £000	2008 £000
Bank interest receivable	77	560
Finance interest receivable	5,410	5 516
	<u>5,487</u>	<u>6,076</u>

### 8 Taxation

#### Analysis of charge in year

	2009 £000	2008 £000
<i>UK corporation tax</i>		
Current tax on income for the year	(4)	(3)
Adjustments in respect of previous periods	(47)	(2)
	<u>(51)</u>	<u>(5)</u>
<i>Deferred tax (see note 12)</i>		
Origination/reversal of timing differences	(664)	(901)
Movement in discount	(60)	(20)
	<u>(775)</u>	<u>(926)</u>
Tax on profit on ordinary activities		

## Notes (continued)

### 8 Taxation (continued)

#### Factors affecting the tax charge for the current year

The current tax charge for the year is 28% (2008 3 months at 30%, 9 months at 28%) The differences are explained below

	2009 £000	2008 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,596	2 794
Current tax at 28% (2008 28.5%)	727	796
<i>Effects of</i>		
Expenses not deductible for tax purposes	126	121
Capital allowances greater than amortisation	(38)	(157)
Other timing differences	-	(6)
Adjustments in respect of previous periods	47	2
Utilisation of brought forward tax losses	(811)	(751)
Total current tax charge (see above)	51	5

#### Factors that may affect future tax charges

Tax losses arising on the company's results may be surrendered to group shareholders by way of consortium relief. The shareholders are contracted to make payments for such losses surrendered, at the rate at which tax will be payable, as and when the company becomes liable to corporation tax which would not have been payable but for the surrender of the losses.

There are significant estimated tax losses available for offset against future trading profits, estimated at £16,700,000. This estimate is subject to the agreement of the current and prior years' corporation tax computations with the Inland Revenue.

### 9 Dividends and other appropriations

	2009 £000	2008 £000
Equity shares		
Interim dividends paid	1,304	900

## Notes (continued)

### 10 Debtors

	2009 £000	2008 £000
Finance debtor	86,006	87,781
Trade debtors	715	395
Other debtors	11,146	10,193
Corporation tax	66	398
Prepayments and accrued income	73	65
	<u>98,006</u>	<u>98,832</u>

### 11 Debtors: amounts falling due after more than one year

	2009 £000	2008 £000
Finance Debtor	<u>84,117</u>	<u>86,006</u>

  

	2009 £000	2008 £000
Amounts due within		
1 year	13,889	12,826
1-2 years	2,009	1,888
2-5 years	6,833	6,422
Over 5 years	75,275	77,696
	<u>98,006</u>	<u>98,832</u>
Less: amounts due within 1 year	<u>(13,889)</u>	<u>(12,826)</u>
	<u>84,117</u>	<u>86,006</u>

## Notes (continued)

### 12 Deferred tax

The deferred tax liability, assuming a tax rate of 28%, can be analysed as follows

	2009 £000	2008 £000
Accelerated capital allowances	(14,042)	(14,004)
Tax losses	4,689	5,315
Discount	6,154	6,214
	<hr/>	<hr/>
Discounted deferred liability	(3,199)	(2,475)
	<hr/>	<hr/>

The movement in the deferred tax asset comprises

	2009 £000	2008 £000
At beginning of period	(2,475)	(1,554)
(Charge) to profit and loss account (note 8)	(724)	(921)
	<hr/>	<hr/>
At end of year	(3,199)	(2,475)
	<hr/>	<hr/>

### 13 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Mezzanine loan	194	175
Guaranteed Secured Bonds 2002 – 2030	2,369	2,251
Trade creditors	1,939	1,920
Other tax and social security	370	384
Amounts owing to parent company	264	264
Accruals and deferred income	664	1,485
	<hr/>	<hr/>
	5,800	6,479
	<hr/>	<hr/>

### 14 Creditors: amounts falling due after more than one year

	2009 £000	2008 £000
Guaranteed Secured Bonds 2002 – 2030	79,927	82,064
Mezzanine loans	6,157	6,341
Amounts owing to parent company – loan stock	3,157	3,157
	<hr/>	<hr/>
	89,241	91,562
	<hr/>	<hr/>

## Notes (continued)

### 15 Analysis of debt

	2009 £000	2008 £000
Debt can be analysed as falling due		
In one year or less or on demand	2,563	2,426
Between one and two years	2,708	2,563
Between two and five years	8,272	8,406
In five years or more	81,367	83,941
	<hr/>	<hr/>
	94,910	97,336
Less issue costs	(3,106)	(3,348)
	<hr/>	<hr/>
	91,804	93,988
	<hr/>	<hr/>

The guaranteed secured bonds carry a fixed interest rate of 5.87% and fall due for redemption between 2003 and 2030. The bonds are secured by a fixed charge over the whole of the property, assets and undertaking of the company, assignment of all rights to any proceeds of any insurance policies and all present and future book and other charges over all assets which have not been secured by way of a fixed charge or assignment.

The bonds are issued and redeemed at par.

The Mezzanine loan carries an interest rate based on floating LIBOR plus 5%. Repayments fall due between 2003 and 2024.

Amounts owing to parent company bear interest at a rate of 15%. This falls due for repayment in 2031.

### 16 Provisions for liabilities and charges

	Life cycle provision £000	Deferred tax £000	Total £000
At beginning of year	1,950	2,475	4,425
Utilised during year	(684)	-	(684)
Charge to the profit and loss for the year	650	724	1,374
	<hr/>	<hr/>	<hr/>
At end of year	1,916	3,199	5,115
	<hr/>	<hr/>	<hr/>

### 17 Called up share capital

	2009 £000	2008 £000
<b>Authorised</b>		
Equity 60,000 Ordinary shares of £1 each	60	60
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
Equity 60,000 Ordinary shares of £1 each	60	60
	<hr/>	<hr/>

## Notes (continued)

### 18 Reserves

	Profit and loss account £000
At beginning of year	8,514
Profit for the financial year	1,821
Dividends	(1,304)
<b>At end of year</b>	<b>9,031</b>

### 19 Financial instruments

The company holds or issues financial instruments for the purpose of financing its construction activity

In addition, various financial instruments – for example, trade debtors, trade creditors, accruals and prepayments – arise directly from the company's operations

The main risks arising from the company's financial instruments are interest rate risk, liquidity risk and market price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below

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

Set out below is a comparison by category of book values and fair values of all the company's financial assets and financial liabilities as at 31 December 2009

	2009 Book value £000	2009 Fair value £000	2008 Book value £000	2008 Fair value £000
Fixed rate guaranteed secured bond	(85,315)	(78,420)	(87,566)	(78,661)
Mezzanine loan	(6,439)	(3,219)	(6,614)	(3,307)
Cash and cash equivalents	11,241	11,241	12,208	12,208
Finance debtor	86,006	85,341	87,781	87,156
<b>Total financial instruments</b>	<b>5,493</b>	<b>14,943</b>	<b>5,809</b>	<b>17,396</b>

Market values have been used to determine the fair value of the listed debt issued. The fair values of all other items have been calculated by discounting expected future cash flows at 31 December 2009

## Notes (continued)

### 19 Financial instruments (continued)

Fair value judgements and changes in market conditions and assumptions could significantly affect these estimates. The disclosed values are representative of fair values at the dates indicated. No financial instruments were held for the purpose of dealing or other financial instrument trading activities.

	2009 Book value £000	2009 Fair value £000	2008 Book value £000	2008 Fair value £000
Total loans and receivables	86,006	85,341	87,781	87,156
Cash and cash equivalents	11,241	11,241	12,208	12,208
<b>Total financial assets</b>	<b>97,247</b>	<b>96,582</b>	<b>99,989</b>	<b>99,364</b>
	2009 Book value £000	2009 Fair value £000	2008 Book Value £000	2008 Fair value £000
Liabilities measured at amortised cost	(91,754)	(81,639)	(94,180)	(81,968)
<b>Total financial liabilities</b>	<b>(91,754)</b>	<b>(81,639)</b>	<b>(94,180)</b>	<b>(81,968)</b>
<b>Total financial instruments</b>	<b>5,493</b>	<b>14,943</b>	<b>5,809</b>	<b>17,396</b>

#### Finance and interest rate risk

In order to fund the development of the hospital, the company has issued fixed rate debt to ensure certainty over finance charges.

#### Liquidity risk

Repayment of the fixed-rate bond is funded by the revenue receivable under the terms of the Concession Agreement.

#### Credit risk

The above financial instruments are subject to credit and market risk. The carrying value of financial assets represents the maximum credit exposure.

#### Market risk

Market risk is the sensitivity of the value of financial instruments to changes in related interest rates. The company's fixed-rate bond is not subject to changes in interest rates as the financial liabilities held are at a fixed coupon rate of 5.87%.

## Notes (continued)

### 20 Analysis of cash flows

	2009 £000	2008 £000
<b>Returns on investment and servicing of finance</b>		
Interest payable on borrowings	(6,038)	(6,446)
Other interest receivable	5,487	6,076
	<u>(551)</u>	<u>(370)</u>
<b>Financing</b>		
Bond repayment	(2,252)	(1 897)
Loan repayment	(174)	(158)
	<u>(2,426)</u>	<u>(2,055)</u>

### 21 Analysis of net debt

	At beginning of year £000	Cash flow £000	Other non cash changes £000	At end of year £000
Cash at bank and in hand	12 208	(967)	-	11,241
Guaranteed Secured Bonds 2002 – 2030	(84 315)	2 252	(233)	(82,296)
Mezzanine Loan	(6,516)	174	(9)	(6,351)
Loan stock	(3,157)	-	-	(3,157)
	<u>(91,668)</u>	<u>1,459</u>	<u>(242)</u>	<u>(90,451)</u>
<b>Net debt</b>	<b>(81,780)</b>	<b>1,459</b>	<b>(242)</b>	<b>(80,563)</b>

Non-cash changes relate to amortisation of debt issue costs



## Notes (continued)

### 22 Related party disclosures

Expenditure with related parties	Relationship	Class of Transaction	2009 Expenditure £000	2008 Expenditure £000	2009 Dr/ (Cr) £000	2008 Dr/ (Cr) £000
Vita Lend Lease Limited	100% subsidiary of Bovis Lend Lease Holdings Limited	Operational services	7,856	7,873	(540)	(488)
Bovis Lend Lease Limited	100% subsidiary of Bovis Lend Lease Holdings Limited	Construction financing	-	2	10	10
Catalyst Lend Lease Limited	100% subsidiary of Catalyst Lend Lease Holdings Limited	Management services	553	593	-	-
Bank of Scotland	Holding company of Uberior Infrastructure Investments (No3) Limited	Directors' services	15	14	-	-
BIIF Bidco Limited	16 7% shareholders of Catalyst Healthcare (Worcester) Holdings Limited	Directors' services	12	-	-	-
Infrastructure Investors LP	16 7% shareholders of Catalyst Healthcare (Worcester) Holdings Limited	Directors' services	-	17	-	-
Semperian PPP Investment Partners No 2 Ltd	16 7% shareholders of Catalyst Healthcare (Worcester) Holdings Limited	Directors' services	12	17	-	-

### 24 Commitments

The company had no annual commitments under non-cancellable operating leases at the end of the current year or prior years

### 25 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Catalyst Healthcare (Worcester) Holdings Limited, a company incorporated in England and Wales, of which 67% is owned by Catalyst Investment Holdings Limited. Catalyst Investment Holdings heads the largest group in which the results are consolidated. Copies of the group accounts of Catalyst Investment Holdings Limited can be obtained from 3<sup>rd</sup> Floor, The Venus, 1 Old Park Lane, Trafford, Manchester, M41 7HG