

Catalyst Healthcare (Worcester) Plc

Directors' report and financial statements

30 September 2000

Registered number 03649489



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Catalyst Healthcare (Worcester) Plc

Directors' report and financial statements

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Catalyst Healthcare (Worcester) Plc

Directors and advisors

Executive Director

T D Anderson

Non-Executive Directors

Sir ADT Chessells (Chairman)

M E Davis

A Ring

N H Scott-Barrett

K Moreland

Dr W R Moyes (resigned 30 June 2000)

K F Porter (resigned 1 September 2000)

P Matthews (resigned 17 October 2000)

R C W Hadley (resigned 19 November 1999)

J E Goold (appointed 26 September 2000)

S A Lees (appointed 26 September 2000)

A S Price (appointed 26 September 2000)

R H Taylor (appointed 22 February 2000 and resigned 1 September 2000)

Registered Office

2nd Floor
Peter House
2-14 Oxford Street
Manchester
M1 5AN

Company Secretary

A E W Hudson MA MBA FCIS

Registered Auditors

KPMG
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

Secretaries

HLM Secretaries
Chartered Secretaries
Peter House
2-14 Oxford Street
Manchester M1 5AN

Catalyst Healthcare (Worcester) Plc

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2000.

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 under a concession agreement with Worcester Royal Infirmary NHS Trust.

Business review

The results of the company for the year are set out in the profit and loss account on page 7.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend.

The profit for the year retained in the company is £36,000.

Directors and directors' interests

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

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company. The interests of the directors in other group companies are disclosed in the financial statements of those group companies.

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £500.

Catalyst Healthcare (Worcester) Plc

Directors' report *(continued)*

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 31 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 Worcester Royal Infirmary NHS Trust. The Board has taken note of the Combined Code: Principles of Good Governance and Code of Best Practice, which was published in June 1998 as a consolidation of the work of the Hampel Committee and the earlier Cadbury and Greenbury Committees and also of the ICAEW guidance on internal control issued by the Turnbull Working Party. As this Combined Code has been introduced to apply to quoted plc's with certain reporting requirements, this company, not being a quoted plc, has adopted the principles set out in the Combined Code.

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

A. The Board

1. The Board meets monthly, except August, and reviews construction and 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. The Executive Director has full responsibility for the separate task of running the company's business, subject to regular and specific direction by the Board.
3. The Board comprises 4 non-executive directors nominated by each participating shareholder, together with the independent Chairman and the Executive Director.

Catalyst Healthcare (Worcester) Plc

Directors' report *(continued)*

Corporate Governance *(continued)*

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.

B. Remuneration

No directors received remuneration directly from the subsidiary companies. The remuneration for the services of the Director appointed by Societe Generale is set out in note 4. The remuneration for the Chairman (part-time) and Executive Director (full-time) are set by the shareholders of Catalyst Healthcare Management Limited, and are included in the services provided by that company, whose relationship is set out in note 19.

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 except the Executive Director. This Board/Audit Committee meets annually to review the Management Letter tabled by the Auditors, to verify the effectiveness of system of all internal controls, and to review from time to time any need for an internal audit function.
4. The Board continue to satisfy themselves that, given the contractual and long-term funding provisions, the Company will continue to trade as a going concern.

Catalyst Healthcare (Worcester) Plc

Directors' report *(continued)*

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

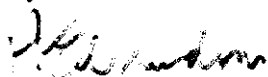
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare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

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Alan Hudson

Secretary

2nd Floor
Peter House
2-14 Oxford Street
Manchester
M1 5AN



St James' Square
Manchester M2 6DS

Auditors' report to the members of Catalyst Healthcare (Worcester) Plc

We have audited the financial statements on pages 7 to 16.

Respective responsibilities of the directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 5 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

KPMG

8 January 2001

Catalyst Healthcare (Worcester) Plc

Profit and loss account

for the year ended 30 September 2000

	<i>Note</i>	2000 £000	1999 £000
Turnover from continuing operations	2	2,432	603
Cost of sales		(2,316)	(575)
Operating profit from continuing operations		116	28
Interest payable and similar charges	5	(80)	(40)
Profit/(loss) on ordinary activities before taxation	3-5	36	(12)
Tax on profit/(loss) on ordinary activities	6	-	-
Retained profit/(loss) for the financial year	13	36	(12)

The company has no recognised gains or losses other than the retained profit/(loss) for the year, other than those reported above and therefore no separate statements of total recognised gains and losses has been presented.

A statement of movements on reserves is given in note 14.

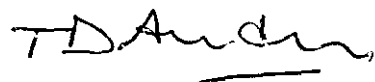
Catalyst Healthcare (Worcester) Plc

Balance sheet

at 30 September 2000

	Note	2000 £000	1999 £000
Fixed assets			
Tangible assets	7	57,844	23,141
Investments - term deposits	8	-	41,142
Current assets			
Debtors	9	561	480
Cash at bank and in hand		43,956	37,980
		<u>44,517</u>	<u>38,460</u>
Creditors: amounts falling due within one year	10	<u>(5,087)</u>	<u>(5,505)</u>
Net current assets		39,430	32,955
Total assets less current liabilities		<u>97,274</u>	<u>97,238</u>
Creditors: amounts falling due after more than one year	11	(97,190)	(97,190)
Net assets		<u>84</u>	<u>48</u>
Capital and reserves			
Called up share capital	12	60	60
Profit and loss account	13	24	(12)
Equity shareholders' funds		<u>84</u>	<u>48</u>

These financial statements were approved by the board of directors on 19 December 2000 and were signed on its behalf by:



T D Anderson
Director

Catalyst Healthcare (Worcester) Plc

Cash flow statement

for the year ended 30 September 2000

	Note	2000 £000	1999 (as restated) £000
Cash (outflow)/inflow from operating activities		(396)	3,584
Return on investments and servicing of finance	15	(80)	(40)
Taxation		-	-
Capital expenditure and financial investment	15	(34,690)	(21,672)
Cash outflow before management of liquid resources and financing		(35,166)	(18,128)
Management of liquid resources	15	35,471	(76,613)
Financing	15	-	97,250
Increase in cash in the year		305	2,509

Reconciliation of operating profit to operating cashflows

for the year ended 30 September 2000

	2000 £000	1999 £000
Operating profit	116	28
Increase in debtors	(81)	(480)
(Decrease)/increase in creditors	(431)	4,036
Net cash (outflow)/inflow from operating activities	(396)	3,584

Reconciliation of net cash flow to movement in net debt

for the year ended 30 September 2000

	2000 £000	1999 £000
Increase in cash in the year	305	2,509
Cash inflow from increase in debt	-	(97,190)
Cash (inflow)/outflow from (decrease)/increase in financial investments	(34,971)	76,113
Cash (inflow)/outflow from (decrease)/increase in liquid resources	(500)	500
Movement in net debt in the year	(35,166)	(18,068)
Net debt at the start of the year	(18,068)	-
Net debt at the end of the year	(53,234)	(18,068)

Catalyst Healthcare (Worcester) Plc

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.

Fixed assets and depreciation

No depreciation is provided on assets in the course of construction.

Taxation

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Related party transactions

The directors have taken advantage of the exemption in FRS 8, paragraph 3(c), and have not disclosed related party transactions with parent and fellow subsidiary undertakings.

2 Analysis of turnover and profit/(loss) on ordinary activities before taxation

The turnover and profit/(loss) on ordinary activities before taxation are wholly attributable to the group's principal activities.

All turnover arises in the UK.

3 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging auditors fees of £12,000 (1999: £12,000) and other services paid to the auditors of £1,750 (1999: £143,260). These fees have been capitalised. The non audit services of £1,750 (1999: £143,260) relate to taxation advice.

Catalyst Healthcare (Worcester) Plc

Notes (continued)

4 Remuneration of directors

The directors received no emoluments directly from the group. A payment is made for the services of one director to his employer.

	2000 £000	1999 £000
Recharges in respect of directors services	25	12

5 Interest payable and similar charges

	2000 £000	1999 £000
Commitment fees payable	80	40

6 Taxation

There is no charge to taxation due to the availability of losses.

7 Tangible fixed assets

	Assets under construction £000	Total £000
Cost		
At beginning of the year	23,141	23,141
Additions	34,703	34,703
At end of year	57,844	57,844
Depreciation		
At beginning of the year	-	-
Charge for the year	-	-
At end of the year	-	-
Net book value		
At 30 September 2000	57,844	57,844
At 30 September 1999	23,141	23,141

Catalyst Healthcare (Worcester) Plc

Notes (continued)

7 Tangible fixed assets (continued)

There are fixed and floating charges over the assets of the company. Included in 'Assets under construction' are interest payments amounting to £8,557,579 (1999: £2,852,528) and interest received amounting to £5,288,900 (1999: £2,012,676).

8 Investments - term deposits

Long term deposits	£000
At the beginning of the year	41,142
Transferred to short term deposits during the year	(41,142)
At the end of the year	-

9 Debtors

	2000 £000	1999 £000
Trade debtors	-	31
Other debtors - VAT	561	399
Prepayments and accrued income	-	50
	<u>561</u>	<u>480</u>

All debtors fall due within one year.

10 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Trade creditors	3,605	4,036
Accruals and deferred income	1,482	1,469
	<u>5,087</u>	<u>5,505</u>

Catalyst Healthcare (Worcester) Plc

Notes (continued)

11 Creditors: amounts falling due after more than one year

	2000 £000	1999 £000
Guaranteed Secured Bonds 2002-2030	97,190	97,190

The guaranteed secured bonds carry a fixed interest rate of 5.87% and fall due for redemption between 2002 and 2030. The bonds are issued and redeemed at par.

Creditors payable by instalments:

	2000 Instalments payable within one year £000	2000 Instalments payable in two to five years £000	Instalments payable after five years £000	Total £000
Bond Issue	-	4,092	93,098	97,190

	1999 Instalments payable within one year £000	1999 Instalments payable in two to five years £000	Instalments payable after five years £000	Total £000
Bond Issue	-	2,758	94,432	97,190

12 Called up share capital

	2000 £000	1999 £000
<i>Authorised</i>		
60,000 Ordinary shares of £1 each	60	60
<i>Allotted, called up and fully paid</i>		
60,000 Ordinary shares of £1 each	60	60

Catalyst Healthcare (Worcester) Plc

Notes (continued)

13 Profit and loss reserve

	2000 £000
Balance at beginning of year	(12)
Profit for the financial year	36
Balance at end of year	<u>24</u>

14 Reconciliation of movement in shareholders' funds

	2000 £000	1999 £000
Profit/(loss) for the financial year	36	(12)
Net addition/(reduction) in shareholders' funds	<u>36</u>	<u>(12)</u>
Opening shareholders' funds	48	-
Shares issued	-	60
Closing shareholders' funds	<u>84</u>	<u>48</u>

15 Analysis of items netted in the cash flow statement

	2000 £000	1999 (as restated) £000
Returns on investment and servicing of finance		
Commitment fees paid	(80)	(40)
Net cash outflow from returns on investment and servicing of finance	<u>(80)</u>	<u>(40)</u>
Capital expenditure and financial investments		
Purchase of tangible fixed assets	(34,690)	(21,672)
Net cash outflow from capital expenditure and financial investments	<u>(34,690)</u>	<u>(21,672)</u>
Management of liquid resources invested on term deposits		
Short term deposits 16	34,971	(76,113)
Term deposits 16	500	(500)
Net cash inflow/(outflow) from management of liquid resources	<u>35,471</u>	<u>(76,613)</u>

Catalyst Healthcare (Worcester) Plc

Notes (continued)

15 Analysis of items netted in the cash flow statement (continued)

	2000	1999 (as restated)
	£000	£000
Financing		
Issued share capital	-	60
Bank loans	-	97,190
Net cash inflow from financing	-	97,250

16 Analysis of changes in net debt

	At beginning of year £000	Reclassification £000	Cash flows £000	At end of year £000
Cash investment deposits - long term	41,142	(41,142)	-	-
Cash investment deposits - short term	34,971	41,142	(34,971)	41,142
Deposits	500		(500)	-
Cash in hand and at bank	2,509		305	2,814
	37,980			43,956
	79,122	-	(35,166)	43,956
Bonds	(97,190)	-	-	(97,190)
Net debt	(18,068)	-	(35,166)	(53,234)

17 Contingent liabilities

At 30 September 2000 the company had no contingent liabilities (1999: £nil).

18 Commitments

At 30 September 2000 the company had authorised and contracted capital commitments of £41,622,909 (1999: £71,913,560).

Catalyst Healthcare (Worcester) Plc

Notes (continued)

19 Related party transactions

Expenditure with related parties	Relationship	Class of Transaction	Year ended 30 September 2000 Expenditure £000	Year ended 30 September 1999 Expenditure £000	2000 Creditor £000	1999 Creditor £000
Bovis Engineering Limited	Part of Bovis Lend Lease Group	Construction	40	25	12	12
The British Linen Bank Limited/Bank of Scotland	Holding company of BLI Limited, 16.67% shareholders of Catalyst Healthcare (Worcester) Holdings Limited	Financial Advisory Work	12	1,739	-	-
Bovis Lend Lease Limited	Part of Bovis Lend Lease Group	Construction	34,581	12,951	3,535	3,667
Bovis Lend Lease Holdings Limited	50% shareholders of Catalyst Healthcare (Worcester) Holdings Limited	Services	-	73	-	(30)
RCO Support Services Limited	16.67% shareholders of Catalyst Healthcare (Worcester) Holdings Limited	Services	100	845	-	-
Catalyst Healthcare Management Limited	Shares held equally by RCO Support Services Limited/Bovis Lend Lease Limited and the Bank of Scotland	Services	538	327	-	91
Societe Generale	16.67% shareholder of Catalyst Healthcare (Worcester) Holdings Limited	Financing	99	276	20	20

20 Ultimate parent company

The company's ultimate holding company is Catalyst Healthcare (Worcester) Holdings Limited, a company incorporated in England and Wales. The largest group in which the results are consolidated is that headed by Catalyst Healthcare (Worcester) Holdings Limited. Copies of the group accounts of Catalyst Healthcare (Worcester) Holdings Limited can be obtained from 2nd Floor, Peter House, 2-14 Oxford Street, Manchester, M1 5AN.