

**Catalyst Healthcare (Hexham) Holdings Limited**

**Directors' report and financial  
statements**

Registered number 04108766

31 December 2008

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## **Company information**

### **Non-Executive Directors**

Sir ADT Chessells (Chairman)  
TD Anderson (resigned 6 June 08)  
ME Davis (appointed 6 June 08)  
D Powling  
AL Tennant  
T Dickie (resigned 6 June 08)  
K Gillespie (appointed 3 July 08)

### **Registered Office**

3rd 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

### **Company Secretary**

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

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

### Principal activities

The Company's principal activity is to act as a holding company for the investment in its subsidiary undertakings.

The principal activities of the group are to design, finance, construct, refurbish and operate certain new facilities at the Hexham General Hospital under a concession agreement with Northumbria Healthcare Foundation NHS Trust.

### Proposed dividend and transfer to reserves

The Company made a dividend payment of £376,031 in the year (2007: £700,000).

### Business review

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

### Directors and directors' interests

The directors who held office during the period 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

There were no donations of a political or charitable nature made during the period (2007: £nil).

### Corporate Governance

The Group is committed to high standards of corporate governance, as are appropriate for the long-term obligations to finance, construct and operate non-clinical services for hospitals under the Private Finance Initiative programme.

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 Northumbria Healthcare Foundation NHS Trust. The Board has taken note of the Combined Code which applies 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 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 budget. This model incorporates 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 Board comprises 4 non-executive directors nominated by participating shareholders, together with the independent Chairman.

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

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

3. 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.
4. Nominations for any changes to Board membership are subject to the shareholders' separate or collective decision.
5. 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 group. 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 Bank of Scotland as Agent Bank for the senior lenders.

#### *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 continue to satisfy themselves 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 group'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.

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

### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**AL Mitchell**  
*Secretary*

3rd Floor, The Venus  
1 Old Park Lane  
Trafford  
Manchester  
M41 7HG

## **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).

The financial statements are required by law to 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; 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.



## KPMG Audit plc

St James' Square  
Manchester  
M2 6DS  
United Kingdom

### **Independent auditors' report to the members of Catalyst Healthcare (Hexham) Holdings Limited**

We have audited the financial statements of Catalyst Healthcare (Hexham) Holdings Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditor's 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.



**Independent auditors' report to the members of Catalyst Healthcare (Hexham) Holdings Limited** *(continued)*

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its result for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*Walter Audit Plc*  
11/5/09  
**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

**Profit and loss account**  
*for the year ended 31 December 2008*

	<i>Note</i>	<b>2008</b> <b>£000</b>	2007 £000
<b>Turnover</b>		-	-
Net operating costs		-	-
		<hr/>	<hr/>
<b>Operating profit</b>		-	-
Interest payable and similar charges	4	(361)	(162)
Other interest receivable and similar income	5	361	162
Income from shares in group undertakings		376	700
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		376	700
Tax on profit on ordinary activities	6	-	-
		<hr/>	<hr/>
<b>Retained profit for the year</b>	10	376	700
		<hr/>	<hr/>

All amounts relate to continuing activities.

The company has no recognised gains or losses other than the result for the year 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 2008

	<i>Note</i>	<b>2008</b> <b>£000</b>	<b>2007</b> <b>£000</b>
<b>Fixed assets</b>			
Investments	7	50	50
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	-	-
amounts falling due after more than one year	8	3,853	1,247
<b>Net current assets</b>		<u>3,853</u>	<u>1,247</u>
<b>Total assets less current liabilities</b>		<u>3,903</u>	<u>1,297</u>
<b>Creditors: amounts falling due after more than one year</b>	9	<u>(3,853)</u>	<u>(1,247)</u>
<b>Net assets</b>		<u>50</u>	<u>50</u>
<b>Capital and reserves</b>			
Called up share capital	10	50	50
Profit and loss account	11	-	-
<b>Equity shareholders' funds</b>		<u>50</u>	<u>50</u>

These financial statements were approved by the board of directors on 29 April 2009 and were signed on its behalf by:

Director



**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 December 2008*

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
<b>Profit for the financial year</b>	<b>376</b>	<b>700</b>
Dividend	(376)	(700)
	<hr/>	<hr/>
<b>Net addition to shareholders' funds</b>	<b>-</b>	<b>-</b>
Opening shareholders' funds	50	50
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>50</b>	<b>50</b>
	<hr/>	<hr/>

## 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.

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

As 100% of the Company's voting rights are controlled within the group headed by Catalyst Investment Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Catalyst Investment Holdings Limited, within which this Company is included, can be obtained from the address given in note 12.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

#### ***Investments***

Investments in subsidiaries and other undertakings are stated at cost less amounts written off.

#### ***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.

Deferred tax is recognised, without 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.

#### ***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:

- 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.

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.

## Notes (continued)

### 2 Remuneration of directors

None of the directors received emoluments directly from the company or from the parent company (2007: nil).

### 3 Staff numbers and costs

No staff are directly employed by the company (2007: none).

### 4 Interest payable and similar charges

	2008 £000	2007 £000
Interest on subordinated debt	361	162

### 5 Other interest receivable and similar income

	2008 £000	2007 £000
Interest on intercompany debt	361	162

### 6 Taxation

Analysis of charge in the year

	2008 £000	2007 £000
<i>UK corporation tax (28%)</i>		
Current tax on income for the year	-	-
Total current tax credit/(charge) (see above)	-	-

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

The current tax charge for the year is lower (2007: lower) than the standard rate of corporation tax in the UK 3 months at 30%, 9 months at 28% (year ended 31 December 2007: 30%). The differences are explained below

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	376	700
Current tax at standard rate of 28.5% (2007: 30%)	107	210
<i>Effects on actual tax charge for the year:</i>		
Non-taxable income	(107)	(210)
Total current tax charge (see above)	-	-

## Notes (continued)

### 7 Fixed asset investments

	Shares in group Undertakings 2008 £000
<i>Cost and net book value</i>	
At beginning and end of year	50

The principal company in which the company's interest at the year end is more than 20% is as follows:

#### Subsidiary undertakings

	Principal activity	Class of shares	%
Catalyst Healthcare (Hexham) Plc	PFI Contractor	Ordinary	100

The above company is incorporated in England and Wales. The principal activities of the group are to design, finance, construct, refurbish and operate certain new facilities at the Hexham General Hospital under a concession agreement with Northumbria Healthcare NHS Trust.

### 8 Debtors

	2008 £000	2007 £000
Intercompany debtor – amounts due from subsidiary	3,853	1,247

The amounts due from subsidiary includes £3,853,159 (2007: £1,247,000) due after more than one year.

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

	2008 £000	2007 £000
Subordinated debt	3,853	1,247

#### Analysis of debt

	2008 £000	2007 £000
Debt can be analysed as falling due:		
In one year or less, or on demand	-	-
Between one and two years	-	-
Between two and five years	-	-
In five years or more	3,853	1,247
	3,853	1,247

The subordinated debt is in respect of unsecured loan notes which have been issued in respect of the project. The loan notes are redeemable by 31 August 2032 and bear interest at 11%. The loan notes are secured by way of a floating charge over the assets of the company.

**Notes (continued)**

**10 Called up share capital**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
<i>Authorised</i>		
Equity: 50,000 ordinary shares of £1 each	<b>50</b>	<b>50</b>
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: 50,000 ordinary shares of £1 each	<b>50</b>	<b>50</b>
	<hr/>	<hr/>

**11 Reserves**

	<b>Profit and loss account £000</b>
At beginning of year	-
Profit for the financial year	376
Dividend	(376)
	<hr/>
At end of year	-
	<hr/>

**12 Ultimate parent company**

The Company is a subsidiary undertaking of Catalyst Investment Holdings Limited which is the ultimate parent company incorporated in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Catalyst Investment Holdings Limited incorporated in England and Wales. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from 3<sup>rd</sup> Floor, The Venus, 1 Old Park Lane, Trafford, Manchester, M41 7HG.