

**Catalyst Healthcare (Hexham) Holdings Limited**

**Directors' report and financial  
statements**

Registered number 04108766

Year ended 31 December 2010

TUESDAY



\*A02E8VD6\*

A06

28/06/2011

166

COMPANIES HOUSE

## 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 (Hexham) Holdings Limited	6
Profit and loss account	8
Balance sheet	9
Reconciliation of movements in shareholders' funds	10
Notes	11

## **Company information**

### **Non-Executive Directors**

Sir ADT Chessells (Chairman)  
ME Davis (resigned 30 June 2010)  
SC Grant (appointed 30 June 2010 & resigned 10 December 2010)  
KW Gillespie  
B Millsom (appointed 10 December 2010)  
G Neville (appointed 10 December 2010)  
R Potts (appointed 10 December 2010)  
AL Tennant  
M Turnbull-Fox (appointed 10 December 2010)  
A Velupillai (appointed 30 June 2010 & resigned 10 December 2010)

### **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  
10 Upper Bank Street  
London  
E14 5JJ

### **Bankers**

Bank of Scotland  
11 Earl Grey Street  
Edinburgh  
EH3 9BN

### **Company Secretary**

Ailison Mitchell LLB ACIS  
3<sup>rd</sup> 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 2010

### Principal activities

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

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 Foundation Trust

### Proposed dividend and transfer to reserves

The Company made a dividend payment of £55,000 in the year (2009 £300,000)

### 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 (2009 £nil)

### Financial Instruments

The Company's principal financial instruments comprises of 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 from the subsidiary undertaking

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

### Interest rate risk

The unsecured loan stock is not exposed to interest rate risk

### 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 NHS Foundation Trust. The Board has taken note of the UK Corporate Governance 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 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 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

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

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

- 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 7 non-executive directors nominated by participating shareholders, together with the independent Chairman.
- 3 The Board receives quarterly 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.

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

### **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



**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).

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 (Hexham) Holdings Limited**

We have audited the financial statements of Catalyst Healthcare (Hexham) Holdings Limited for the year ended Year ended 31 December 2010 set out on pages 8 to 15. 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, and express an opinion on, 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/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

#### **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 year ended 31 December 2010 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**

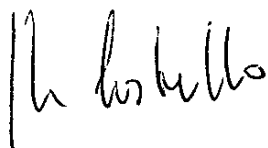
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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



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

24/6/11

**Profit and loss account**  
*for the year ended 31 December 2010*

	<i>Note</i>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Turnover</b>		-	-
Net operating costs		-	-
		<hr/>	<hr/>
<b>Operating profit</b>		-	-
Interest payable and similar charges	4	(449)	(449)
Other interest receivable and similar income	5	449	449
Income from shares in group undertakings		55	300
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		55	300
Tax on profit on ordinary activities	6	-	-
		<hr/>	<hr/>
<b>Profit for the year</b>	11	<b>55</b>	<b>300</b>
		<hr/> <hr/>	<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

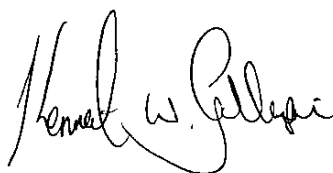
There is no material difference between the result as disclosed in the Profit and Loss account and the result on an unmodified historical cost basis

**Balance sheet**  
*at 31 December 2010*

	<i>Note</i>	<b>2010 £000</b>	<b>2009 £000</b>
<b>Fixed assets</b>			
Investments	7	50	50
<b>Current assets</b>			
Debtors amounts falling due within one year		-	-
amounts falling due after more than one year	8	3,853	3,853
<b>Net current assets</b>		<b>3,853</b>	<b>3,853</b>
<b>Total assets less current liabilities</b>		<b>3,903</b>	<b>3,903</b>
<b>Creditors</b> amounts falling due after more than one year	9	<b>(3,853)</b>	<b>(3,853)</b>
<b>Net assets</b>		<b>50</b>	<b>50</b>
<b>Capital and reserves</b>			
Called up share capital	10	50	50
Profit and loss account	11	-	-
<b>Equity shareholders' funds</b>		<b>50</b>	<b>50</b>

These financial statements were approved by the board of directors on 10 June 2011 and were signed on its behalf by

**Kenneth Gillespie**  
 Director



**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 December 2010*

	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Profit for the financial year</b>	<b>55</b>	<b>300</b>
Dividend	(55)	(300)
	<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 s400 of the Companies Act 2006 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.

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.

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.

#### ***Going concern***

The company acts as a holding company for Catalyst Healthcare (Hexham) Plc. It has no immediate requirement for funding. The directors have reviewed the forecast cash flows for the following year and the company is able to meet its working capital requirements.

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.

#### ***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.

#### ***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.

## Notes (continued)

### 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.

### 2 Remuneration of directors

None of the directors received emoluments directly from the company or from the parent company (2009 none)

### 3 Staff numbers and costs

No staff are directly employed by the company (2009 none)

### 4 Interest payable and similar charges

	2010 £000	2009 £000
Interest on subordinated debt	449	449

### 5 Other interest receivable and similar income

	2010 £000	2009 £000
Interest on intercompany debt	449	449

### 6 Taxation

Analysis of charge in the year

	2010 £000	2009 £000
UK corporation tax (28%)		
Current tax on income for the year	-	-
Total current tax credit/(charge) (see above)	-	-

## Notes (continued)

### 6 Taxation (continued)

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

The current tax charge for the year is lower than (2009 lower than) the standard rate of corporation tax in the UK 28% (2009 28%). The differences are explained below

	2010 £000	2009 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	55	300
	<hr/>	<hr/>
Current tax at standard rate of 28% (2009 28%)	15	84
<i>Effects on actual tax charge for the year</i>		
Non-taxable income	(15)	(84)
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/>	<hr/>

On 22 June 2010 the Chancellor announced that the main rate of UK corporation tax will reduce from 28% to 27% with effect from 1 April 2011. This tax change became substantively enacted in July 2010.

On 23 March 2011 the Chancellor announced a further reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011. This change became substantively enacted on 29 March 2011.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23 per cent by 1 April 2014.

The effect on Catalyst Healthcare (Hexham) Holdings Limited of the remaining proposed changes to the UK tax system will be reflected in the Catalyst Healthcare (Hexham) Holdings Limited financial statements in future years, as appropriate, once the proposals have been substantively enacted.

## Notes (continued)

### 7 Fixed asset investments

	Shares in group Undertakings 2010 £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 Foundation Trust.

### 8 Debtors

	2010 £000	2009 £000
Intercompany debtor – amounts due from subsidiary	3,853	3,853

The amounts due from subsidiary includes £3,853,159 (2009 £3,853,159) due after more than one year

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

	2010 £000	2009 £000
Subordinated debt	3,853	3,853

#### Analysis of debt

	2010 £000	2009 £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	3,853
	3,853	3,853

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% (phase 3) and 13% (phase 1&2). The loan notes are secured by way of a floating charge over the assets of the company.

## Notes (continued)

### 10 Called up share capital

	2010 £000	2009 £000
<i>Allotted, called up and fully paid</i>		
Equity 50 000 ordinary shares of £1 each	50	50

### 11 Reserves

	Profit and loss account £000
At beginning of year	-
Profit for the financial year	55
Dividend	(55)
At end of year	-

### 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