HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2006

Registered Number: 4420880

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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DIRECTORS AND ADVISORS

Directors

M Baybutt	
N Berthou	(resigned 20 February 2006)
P F Cuttance	
D M Hardy	(appointed 14 March 2006, resigned 23 August 2006)
S Lowry	(appointed 15 March 2006)
G S Lucas	(resigned 14 March 2006)
R J Marsden	
I J Wells	(appointed 23 August 2006)

Company secretary and registered office
P G Shell
Allington House
150 Victoria Street
London SW1E 5LB

Auditors
Deloitte & Touche LLP
Chartered Accountants
London

Principal bankers
Bank of Scotland
38 Threadneedle Street
London
EC2P 2EH

DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements for the year ended 31 December 2006

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as the holding company of Healthcare Support (Newcastle) Limited and Healthcare Support (Newcastle) Finance plc
The principal activity of the Healthcare Support (Newcastle) Limited is to design, finance, build and operate a PFI hospital construction project on behalf of Newcastle Healthcare National Health Trust

FUTURE DEVELOPMENTS

The Directors of the Company are not aware of any circumstances by which the principal activity of the Company would alter or cease

RESULTS AND DIVIDENDS

The profit for the year before taxation amounted to £195,965 (2005 - £273,603), after tax of £57,150 (2005 - £83,720) the profit for the period was £138,815 (2005 - £189,883)

The Directors do not recommend the payment of a dividend (2005 - £nil)

PRINCIPAL RISKS AND UNCERTAINTIES

The risk of subcontractor insolvency and revenue deductions are dealt with and mitigated by Healthcare Support (Newcastle) Limited by the use of a surety bond supplied by the construction subcontractor and passing performance deductions in revenue onto the facilities management subcontractor
The risk of certain types of asset renewal expenditure is dealt with and mitigated by Healthcare Support (Newcastle) Limited by passing the cost onto the facilities management subcontractor for a fixed annual sum

FINANCIAL RISK MANAGEMENT

Healthcare Support (Newcastle) Limited has an indexed linked inter-company loan with Healthcare Support (Newcastle) Finance plc, who raised an index linked public bond and bank loan The Group is therefore exposed to an RPI risk, which it mitigates with an indexed linked unitary contract with Newcastle Healthcare National Health Service Trust, therefore all risk is transferred outside the Group

DIRECTORS

The Directors who served throughout the period, except as noted, are shown on page 1

DIRECTORS' INTERESTS

No Director held any interests in the shares of the Company, or had any personal interest in any significant or material contract with the Company, during the year ended 31 December 2006

The interests of I J Wells in the share capital of the Company's ultimate parent undertaking (as disclosed in note X) are disclosed in the accounts of Laing Investments Limited

SHARE OPTIONS

In addition, the following Director participated in the JL Executive Share Option Plan 2002 A reconciliation of the option movements over the year to 31 December 2006 is shown below

	Balance at 1 January 2006	Exercised	Balance at 31 December 2006	Average exercise price (p)	Earliest date of exercise
M Baybutt	15,284	(15,284)	-	132 85	01/07/2005

DIRECTORS' REPORT (continued)

LONG-TERM INCENTIVE SCHEMES

Under the John Laing Long-Term Incentive Plan approved by shareholders in 2001, conditional awards were made to the executive Directors and other senior executives Details of entitlements of the Director who served at 31 December 2006 are set out below

	At 1 January 2006	Vested	Lapsed	At 31 December 2006
M Baybutt	2,071	(1,222)	(849)	-

Following the acquisition of John Laing plc, by Henderson Infrastructure Holdco Limited, on 22 December 2006 both the JL Executive Share Option Plan 2002 and the John Laing Long-Term Incentive Plan were closed

As a consequence of the change of control of the Company on 22 December 2006, all outstanding conditional awards under the LTIP vested to the extent that the related performance period had been completed The remainder of the awards which were transferred to the Director on 22 December 2006, together with the the existing shareholdings of the Director on that date were acquired by Henderson Infrastructure Holdco Limited on 22 December 2006 at the offer price of 405 pence per ordinary share

The Director elected to sacrifice 41% of the number of shares to which he was entitled, equating to his Income Tax and National Insurance Contribution liabilities which the Company undertook to settle on his behalf Thus the number of shares vesting represented 59% of the original award

Other than as stated above, no Director had any interest in the shares of any other group Company requiring disclosure under the Companies Act 1985

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Director at the date of approval of this report confirms that

- as far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provision of S234ZA of the Companies Act 1985

EMPLOYEES

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 11

CREDITORS AND SUPPLIER PAYMENT POLICY

It is the Group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them Trade creditors at the year end amount to 21 (2005 - 30) days of average supplies for the year

AUDITORS

A resolution to appoint Deloitte and Touche LLP as auditors will be proposed at the forthcoming Annual General Meeting

On behalf of the Board
M Baybutt
29 March 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements The Directors have chosen to prepare accounts for the Company in accordance with the United Kingdom Generally Accepted Accounting Practice (UK GAAP) Company law requires the Directors to prepare such financial statements for each financial year which 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 and comply with UK GAAP and the Companies Act 1985

In preparing these 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, 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 which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report which comply with the requirements of the Companies Act 1985

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

We have audited the financial statements of Healthcare Support (Newcastle) Holdings Limited for the year ended 31 December 2006 which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated cash flow, the related notes 1 to 18 and the principal subsidiaries 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 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

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's and the Group's affairs as at 31 December 2006 and of the Group's profit for the year 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

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
29 March 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
Turnover	1, 2	**74,188,420**	88,412,221
Cost of sales		**(73,989,981)**	(88,312,285)
Gross profit		**198,439**	99,936
Administrative expenses		**(68,270)**	(57,242)
Operating profit	3	**130,169**	42,694
Net interest	7	**65,796**	230,909
Profit on ordinary activities before taxation		**195,965**	273,603
Tax on result on ordinary activities	8	**(57,150)**	(83,720)
Profit on ordinary activities after taxation		**138,815**	189,883
Retained profit for the year transferred to reserves	13	**138,815**	189,883

A reconciliation of movements in shareholders' funds is given in note 14

All items in the profit and loss account relate to continuing operations

There is no material difference between the results stated in the profit and loss account and their historical cost equivalents

All gains and losses are recognised in the profit and loss account in the current year, and therefore no separate statement of total recognised gains and losses has been presented

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	2006 £	2005 £
Current assets			
Debtors		162,977,138	89,027,286
- due within one year	9	2,405,545	1,399,017
- due after more than one year	9	160,571,593	87,628,269
Cash at bank and in hand		171,555,778	234 460,108
		334,532,916	323,487,394
Current liabilities			
Creditors amounts falling due within one year	10	(7,265,384)	(8,555,141)
Net current assets		327,267,532	314,932,253
Total assets less current liabilities		327,267,532	314,932 253
Creditors amounts falling due after more than one year	10	(326,887,834)	(314,691,370)
Net assets		379,698	240,883
Capital and reserves			
Called up share capital	12	51,000	51,000
Profit and loss account	13	328,698	189,883
Total capital employed	14	379,698	240,883

The financial statements were approved by the Board of Directors on 29 March 2007 and were signed on its behalf by

M Baybutt
Director

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	2006 £	2005 £
Fixed assets			
- Investments	6	51,000	51,000
Net assets		51,000	51,000
Capital and reserves			
Called up share capital	12	51,000	51,000
Equity shareholders' funds	14	51,000	51,000

The financial statements were approved by the Board of Directors on 29 March 2007 and were signed on its behalf by

M Baybutt
Director

CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	2005 £
Net cash outflow from operating activities	15	**(66,182,203)**	(72,173,611)
Returns on investment and servicing of finance			
Interest received		**10,244,357**	7,728,707
Interest paid		**(6,966,484)**	(2,788,980)
Issue costs of new bank loan		**-**	(13,296,797)
Net cash inflow/(outflow) from returns on investments and servicing of finance		**3,277,873**	(8,357,070)
Net cash outflow before use of liquid resources and financing		**(62,904,330)**	(80,530,681)
Financing			
Issue of share capital		**-**	37,499
Increase in bank borrowings falling due after more than one year		**-**	314,953,229
Net cash inflow from financing		**-**	314,990,728
(Decrease)/increase in cash in the year		**(62,904,330)**	234,460,047
Balance as at 1 January		**234,460,108**	61
Balance as at 31 December		**171,555,778**	234,460,108

Notes to the financial statements for the year ended 31 December 2006

1 ACCOUNTING POLICIES

a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards A summary of the principal accounting policies adopted by the Directors, which have been applied consistently in the current and prior year, is shown below

Basis of consolidation

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December each year The results of subsidiaries acquired or sold are consolidated for the periods from or the date on which control passed Acquisitions are accounted for under the acquisition method

b) Turnover

All Turnover is derived entirely in the United Kingdom and is net of VAT

c) Finance debtor

The Company is an operator under a PFI contract Under the terms of the contract, substantially all the risks and rewards of ownership of the property asset remain with Newcastle Healthcare National Health Service Trust The underlying asset is therefore not a fixed asset of the Company under FRS 5 Application Note F and SSAP 21

d) Finance debtor and income recognition

During the construction phase of the project, all attributable expenditure including finance costs is included in amounts recoverable on contracts and turnover Upon the asset becoming operational, the costs are transferred to the finance debtor During the operational phase, income is allocated between interest receivable and turnover using a constant operating margin on costs The remainder of the PFI income will be allocated to the finance debtor

e) Capitalised interest

Interest costs on borrowings used to fund the construction of the hospital are added to the amount recoverable on contract during the construction period This treatment ceases on commissioning

f) Operating costs

Operating costs are added to the amounts recoverable on contract during the construction period Following commissioning, regular operating and maintenance costs and Healthcare Support (Newcastle) Limited central costs will be expensed to the profit and loss account as incurred

g) Interest payable

Interest costs on borrowings are added to amounts recoverable on contract during the construction phase of the contract, and then written off to the profit and loss account over the period of concession

h) Taxation

Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

In accordance with FRS 19 'Deferred Tax', deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax assets are not discounted

i) Debt

The Group secured bond debt with Royal Bank of Canada and a loan with European Investment Bank "EIB" Both the loan and the bond are indexed link and subject to calculations based on RPI (all items) tables published by the Office of National Statistics Interest is payable bi-annually at an interest rate stated in note 11 on an accruals basis

Notes to the financial statements for the year ended 31 December 2006

2 TURNOVER

Turnover in the period is analysed as follows	2006 £	2005 £
Construction income	73,356,535	88,241,519
Concession unitary income	193,809	167,104
Other	638,076	3,598
	74,188,420	88,412,221

3 OPERATING PROFIT

Operating profit is stated after charging	2006 £	2005 £
Fees payable to the Group auditors for the audit of the Group's annual accounts	16,372	14,000

4 DIRECTORS' REMUNERATION

No Directors received any remuneration for services to the Company during the current year (2005 - £nil) The Company is managed by secondees from the shareholders under a management services contract

5 STAFF NUMBERS

The Company had no employees during the period (2005 - nil)

6 INVESTMENTS

	Shares in group undertaking £
Cost and net book value	
At 1 January 2006	51,000
At 31 December 2006	51,000

The Company's principal subsidiary undertakings are listed on page 15

In the opinion of the Directors the aggregate value of the investment in subsidiaries is not less than the amount stated in the balance sheet

7 NET INTEREST RECEIVABLE

	2006 £	2005 £
Interest receivable and similar income		
Interest receivable on bank deposits	9,783,915	7,379,980
Interest receivable on finance debtor	460,442	347,724
Penalty interest receivable	-	1,003
Interest receivable capitalised	(9,783,915)	(7,379,980)
	460,442	348,727
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	(7,824,952)	(4,986,155)
Amortised debt issue costs	(346,078)	(291,440)
Interest payable capitalised	7,776,384	5,159,777
	(394,646)	(117,818)
Net interest receivable	65,796	230,909

Notes to the financial statements for the year ended 31 December 2006

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge for the period	2006 £	2005 £
Current tax		
UK corporation tax	(58,789)	(83,720)
Prior year adjustments	1,639	-
Total tax on profit on ordinary activities	(57,150)	(83,720)

Factors affecting the tax charge for the current period

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows

	2006 £	2005 £
Profit on ordinary activities before tax	195,965	273,603
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 - 30%)	(58,789)	(82,081)
Effects of		
Expenses not deductible for tax purposes	-	(1,639)
Total current tax charge for the year	(58,789)	(83,720)

9 DEBTORS

Due within one year	2006 £	2005 £
Finance debtor	167,578	55,368
VAT debtor	1,413,485	818,446
Prepayments and accrued income	824,482	525,203
	2,405,545	1,399,017
Due after more than one year		
Finance debtor	7,355,023	7,522,601
Amounts recoverable on contract	153,216,570	80,105,668
	160,571,593	87,628,269

The amounts recoverable on contract and finance debtor includes cumulative net interest capitalised of £4,309,197 (2005 - £2,220,203)

10 CREDITORS

	2006 £	2005 £
Amounts falling due within one year		
Bank loans and overdrafts (note 11)	364,296	364,296
Trade creditors	4,240,251	5,168,271
Amounts owed to fellow subsidiary undertakings	161,120	61,914
Corporation tax	58,789	83,720
Deferred Income	190,362	124,873
Contractor retentions	151,485	-
Other creditors	134,110	498,010
Accruals and deferred income	36,032	46,882
Interest payable	1,928,939	2,207,175
	7,265,384	8,555,141
Amounts falling due after more than one year		
Interest payable	1,877,231	-
Contractor retentions	2,744,745	920,543
Bank loans and overdrafts (note 11)	334,925,337	326,776,384
Less unamortised debt issue costs	(12,659,479)	(13,005,557)
	326,887,834	314,691,370
Analysis of debt		
Debt can be analysed as falling due		
In one year or less, on demand	364,296	364,296
Between one and two years	364,302	364,302
Between two and five years	1,092,903	1,092,903
In five years or more	333,468,132	325,319,179
	335,289,633	327,140,680
Less unamortised debt issue costs	(12,659,479)	(13,005,557)
	322,630,154	314,135,123

Notes to the financial statements for the year ended 31 December 2006

11 **LOANS**

The Group has a publicly offered bond from Royal Bank of Canada for £197 8 million, a loan with European Investment Bank of £115 million and a surety bond with Laing O' Rourke of £8 5 million The surety bond is repayable at the end of construction in July 2013, the other debt is repayable in installments based on an agreed percentage amount of the total facilities per annum over the next 35 years

Interest on the public bond is fixed at 2 187%, interest on the EIB loan is fixed at 2 1492% and interest on the surety bond is fixed at 9% Both the public bond and EIB loan are index-linked

12 **CALLED UP SHARE CAPITAL**

	2006	2005
	No	No
Authorised		
Ordinary Shares at £1 each	51,000	51,000
	£	£
Allotted, called up and fully paid		
Ordinary Shares at £1 each	51,000	51,000

13 **MOVEMENT IN RESERVES**

	Profit and loss account
	£
At 1 January 2006	189,883
Retained profit for the year	138,815
At 31 December 2006	328,698

14 **RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS**

	2006	2005
	£	£
Profit for the financial year	138,815	189,883
Opening shareholders' funds	240,883	13,501
New shares issued	-	37,499
Closing shareholders' funds	379,698	240,883

15 **RECONCILIATION OF OPERATING RESULT TO NET CASH OUTFLOW FROM OPERATING ACTIVITES**

	2006	2005
	£	£
Operating result	130,169	42,694
Increase in debtors	(68,666,898)	(80,586,028)
Increase in creditors	2,354,526	8,369,723
Net cash outflow from operating activities	(66,182,203)	(72,173,611)

Notes to the financial statements for the year ended 31 December 2006

16 ANALYSIS OF NET DEBT

	At 1 January 2006 £	Cashflow £	Non cash items £	At 31 December 2006 £
Cash in hand and at bank	234,460,108	(62,904,330)	-	171,555,778
Debt within 1 year	(364,296)	-	-	(364,296)
Debt due more than 1 year	(326,776,384)	-	(8,148,953)	(334,925,337)
NET GROUP DEBT	**(92,680,572)**	**(62,904,330)**	**(8,148,953)**	**(163,733,855)**

These numbers are exclusive of unamortised debt issue costs

17 TRANSACTIONS WITH RELATED PARTIES

Company name	Service provided	Cost £	Outstanding amount £
Laing Investment Management Services Limited	Management services	698,744	
	3rd party cost recharged	23,855	
		722,599	**153,550**
John Laing Social Infrastructure Limited	Letter of credit charges	**220,000**	**55,000**
Commonwealth Bank of Australia	Letter of credit charges	**212,000**	**53,000**
Interserve Investments Plc	Facilities management of MSCP site	76,662	
	Letter of credit charges	110,000	
		186,662	**35,070**
Total transactions with related parties		**1,341,261**	**296,620**

Commonwealth Bank of Australia, Interserve Investments Plc and Henderson Infrastructure (Holdco) Jersey Limted are the ultimate shareholders of Healthcare Support (Newcastle) Holdings Limited John Laing Social Infrastructure Limited and Laing Investment Management Services Limited are subsidiaries of Henderson Infrastructure (Holdco) Jersey Limted

18 ULTIMATE PARENT COMPANY

At 31 December 2006 the Company is owned and jointly controlled by Equion Health (Newcastle) Limited and Interserve PFI 2003 Limited The Directors consider there to be no ultimate controlling party or ultimate parent company

PRINCIPAL SUBSIDIARIES

Company name	Class and percentage of shares held	Principal activity	Country of incorporation
Healthcare Support (Newcastle) Finance Plc	100% of ordinary shares	To issue the Bonds and Loan Stock, borrow the EIB Loan and lend on the proceeds thereof to the Project Company	Great Britain
Healthcare Support (Newcastle) Limited	100% of ordinary shares	The construction of RVI and Freeman hospitals for Newcastle Healthcare National Health Service Trust	Great Britain