HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

Registered Number 4420880

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

CONTENTS

DIRECTORS AND ADVISORS

Directors
J Graham
J M Linney
R J Marsden
N Crowther

Company secretary and registered office
M Lewis
1 Kingsway
London
WC2B 6AN

Auditor
Deloitte LLP
Chartered Accountants and Statutory Auditor
London

Principal bankers
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Gillingham Business Park
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DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements for the year ended 31 December 2012

The company is owned and jointly controlled by Equion Health (Newcastle) Limited and Interserve PFI 2005 Limited

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the group is to design, develop and fund the construction of the Royal Victoria Infirmary and Freeman Hospital on behalf of the Newcastle Upon Tyne Hospitals NHS Foundation Trust Financial close was achieved on 4 May 2005 The concession period is 38 years

Via Healthcare Support (Newcastle) Holdings Limited, John Laing Infrastructure Fund Limited, Interserve PFI 2003 Limited and Innisfree Nominees Limited invested £1,000 share capital John Laing Infrastructure Fund Limited and Innisfree Nominees Ltd acting in its capacity as nominee on behalf of Innisfree PFI Secondary Fund invested subordinated debt of £3 7 million and £16 0 million respectively on 4 March 2010, with Interserve PFI 2003 Limited investing £4 9 million on 8 March 2010

During the year Interserve PFI 2005 Limited acquired the shares of Interserve PFI 2003 Limited

GOING CONCERN

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and concluded that it is appropriate In reaching this conclusion, the Directors have specifically considered the Group's relationship with its immediate parent company More information is provided in note 1 to the financial statements

FUTURE DEVELOPMENTS

There has been a delay to the completion of Phase 8, which had been scheduled to be handed over during 2013 The Group will be kept whole through the receipt of Liquidated Damages from the building contractor It is anticipated that this phase will be available to the Trust later in 2013

KEY PEFORMANCE INDICATORS

The Group has met all contractual obligations pertaining to the financing of the project throughout the year under review

RESULTS AND DIVIDENDS

The profit for the year before taxation amounted to £1,788,414 (2011 - £2,728,286 profit) After taxation of £29,744 (2011 - £1,140,985 taxation charge) the profit for the year was £1,758,670 (2011 - £1,587,301 profit)

During the year the Company paid a dividend of £1,254,353 (2011 - £1,298,561)

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's construction risk is fully passed down via the building contract that Healthcare Support (Newcastle) Limited entered with the building contractor

The operating cost risk is fully passed down to the facility management service provider via the facilities management contract

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 RPI risk, which it mitigates with an indexed linked unitary contract with the Newcastle Upon Tyne Hospitals NHS Foundation Trust, therefore all inflationary risk is transferred outside the Group

Further information on the financial risks are included at note 2

DIRECTORS' REPORT (continued)

AUDITORS

Each of the persons who is a 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 auditor is 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 auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provision of section 418 of the Companies Act 2006

DIRECTORS

The Directors who served throughout the year, and to the date of this report are listed below

I Hudson	(Resigned 20th January 2012)
J Graham	
J M Linney	
R J Marsden	
R Sheehan	(Appointed 29th May 2012 and Resigned 7th December 2012)
S M Jones	(Resigned 7th December 2012)
N Crowther	(Appointed 7th December 2012)

EMPLOYEES

Details of the number of employees and related costs can be found in note 6 to the financial statements on page 14

AUDITOR

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting

On behalf of the Board

Robert Marsden
Director
30 May 2013

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 year In preparing these financial statements, the Directors are required to

- *select suitable accounting policies and then apply them consistently,*
- make judgements and accounting estimates that are reasonable and prudent,
- state whether 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 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S 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 2012 which comprise the consolidated profit and loss account, the consolidated and Company balance sheet, consolidated cashflow statement and the related notes 1 to 21 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 auditor 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 auditor

As explained more fully in the Directors' Responsibilities Statement, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies in the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and parent Company's affairs as at 31 December 2012 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom 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

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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company 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

Jacqueline Holden FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
30 May 2013

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £	2011 £
Turnover	3	**13,084,784**	18,263,246
Cost of sales		**(9,582,706)**	(16,040,512)
Operating profit on ordinary activities before interest	4	**3,502,078**	2,222,734
Net interest (payable) / receivable	7	**(1,713,664)**	505,552
Profit on ordinary activities before taxation		**1,788,414**	2,728,286
Tax on profit on ordinary activities	8	**(29,744)**	(1,140,985)
Profit for the financial year	15	**1,758,670**	1,587,301

A reconciliation of movements in shareholder's funds is given in note 16

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

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

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 £	2011 £
Current assets			
Debtors		**414,306,170**	414,045,775
- due within one year	11	**102,891,351**	95,560,867
- due after more than one year	11	**311,414,819**	318,484,908
Cash at bank and in hand		**10,622,999**	7,092,805
		424,929,169	421,138,580
Current liabilities			
Creditors amounts falling due within one year	12	**(19,521,031)**	(17,935,960)
Net current assets		**405,408,138**	403,202,620
Total assets less current liabilities		**405,408,138**	403,202,620
Creditors amounts falling due after more than one year	12	**(401,671,966)**	(399,970,766)
Net assets		**3,736,172**	3,231,854
Capital and reserves			
Called up share capital	14	**51,000**	51,000
Profit and loss account	15	**3,685,172**	3,180,854
Shareholder's funds	16	**3,736,172**	3,231,854

The consolidated financial statements of Healthcare Support (Newcastle) Holdings Limited, registered number 4420880, were approved by the Board of Directors and authorised for issue on 30 May 2013 They were signed on its behalf by

Robert Marsden
Director
30 May 2013

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 £	2011 £
Fixed assets			
Investments	10	**51,000**	51,000
Current assets			
Debtors		**24,236,236**	24,337,179
- due within one year	11	**-**	207,943
- due after more than one year	11	**24,236,236**	24,129,236
		24,236,236	24,337,179
Current liabilities			
Creditors amounts falling due within one year	12	**-**	(207,943)
Net current assets		**24,236,236**	24,129,236
Total assets less current liabilities		**24,287,236**	24,180,236
Creditors amounts falling due after more than one year	12	**(24,236,236)**	(24,129,236)
Net assets		**51,000**	51,000
Capital and reserves			
Called up share capital	14	**51,000**	51,000
Shareholder's funds	14	**51,000**	51,000

The financial statements of Healthcare Support (Newcastle) Holdings Limited, registered number 4420880, were approved by the Board of Directors and authorised for issue on 30 May 2013 They were signed on its behalf by

Robert Marsden
Director
30 May 2013

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £	2011 £
Net cash inflow from operating activities	18	**26,583,227**	20,209,022
Returns on investments and servicing of finance			
Interest received		**433,099**	384,630
Interest and other financing costs paid		**(10,071,157)**	(11,346,444)
Net cash outflow from returns on investments and servicing of finance		**(9,638,058)**	(10,961,814)
Taxation		**(573,448)**	450,504
Equity dividends paid		**(1,254,353)**	(1,298,561)
Net cash inflow before use of liquid resources and financing		**15,117,368**	8,399,151
Financing			
Secured loan repaid		**(11,587,174)**	(10,920,499)
Net cash (outflow)/inflow from financing		**(11,587,174)**	(10,920,499)
Increase / (Decrease) in cash in the year	19	**3,530,194**	(2,521,348)
Reconciliation to net debt			
Net debt at 1 January 2012		**(380,094,970)**	(369,529,196)
Increase / (Decrease) in cash in the year		**3,530,194**	(2,521,348)
Movement in borrowings		**211,689**	(7,551,644)
Other non-cash changes		**(490,441)**	(492,782)
Net debt at 31 December 2012	19	**(376,843,529)**	(380,094,970)

Notes to the financial statements for the year ended 31 December 2012

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 throughout the current and preceding year, is shown below

Company

The Company exists to hold investments in its subsidiary that provides services under certain private finance agreements The subsidiary is set up as a Special Purpose Company under non-recourse arrangements and therefore the Company has limited its exposure to the liabilities In the event of default of the subsidiary, the exposure is limited to the extent of the investment it has made Having reviewed the Company's investment portfolio including the associated future cash requirements and forecast receipts, the Directors are satisfied that they have a reasonable expectation that the Company will have access to adequate resources to continue in existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Group

The current economic conditions create some uncertainty, including with respect to
(a) the ability of key sub-contractors to continue to meet contractual commitments, and
(b) the ability of the debt provider to continue to meet its contractual commitments

The Directors have also considered the ability of government authorities to continue to pay unitary fees due to the Company and do not consider this to be a material risk

The Group's forecasts and projections, taking account of reasonably possible changes in counterparty performance show that the Company expects to be able to continue to operate

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

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 Group consists of Healthcare Support (Newcastle) Holdings Limited, Healthcare Support (Newcastle) Limited and Healthcare Support (Newcastle) Finance Plc 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 The Group made a profit before tax of £1,788,415 (2011 - £2,728 286 profit) for the financial year As permitted by s408 of the Companies Act 2006, no separate profit and loss account in presented in respect of the parent company A reconciliation of movements in equity shareholders' funds is given in note 16

b) FRS 25 Financial Instruments Disclosure and Presentation and FRS 26 Financial Instruments Measurement Disclosure Requirements

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument

Financial assets

Financial assets have been classified into the 'loans and receivables' category which include cash and cash equivalents based on the nature and purpose of the financial assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables' Loans and receivables are measured at amortised cost using the effective interest rate method less any impairment Interest income is recognised by applying the effective interest rate except for short-term receivables when the recognition of interest would be immaterial

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible into cash and are subject to an insignificant risk of change in value

Financial assets are impaired where there is objective evidence that as a result of one or more events that have occurred after the initial recognition of the financial asset the estimated future cash flows have been impacted The carrying amount of a financial asset is reduced by the impairment directly with the exception of trade receivables which would be reduced through the use of an allowance account, unless it is considered that it is uncollectible

The Group de-recognises a financial asset only when the contractual rights to receive the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 **ACCOUNTING POLICIES (continued)**

Financial liabilities

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into Financial liabilities, including borrowings are initially measured at fair value net of transaction costs and are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis The Group de-recognises its financial liabilities when the Groups obligations are discharged, cancelled or they expire

The effective interest rate method is a method of calculating amortised costs of the financial liability and allocating interest expense over the relevant period The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability

Investments in subsidiary undertakings are stated at cost less provision for impairment The carrying values of these investments are reviewed annually by the Directors to determine whether there has been any impairment to their values Current asset investments are stated at amortised cost with interest receivable being recognised at a constant rate over the life of the investment

c) Turnover

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

d) Finance debtor

The Group 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 the Newcastle Upon Tyne Hospitals NHS Foundation Trust The underlying asset is therefore not a fixed asset of the Group under FRS5 Application Note F and SSAP 21

e) Finance debtor and income recognition

During the construction phase of the project, all attributable expenditure including finance costs are 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

f) Operating costs

Operating costs are added to amounts recoverable on contract during the construction period Following commissioning, regular operating 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 FRS19 '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 Company'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) 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

j) Debt

The Group originally secured bond debt with Royal Bank of Canada and a loan with the European Investment Bank "EIB" Both the loan and the bond are index linked 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 13 on an accruals basis

Secured subordinated debt is initially stated at the amount of the net proceeds after deduction of related issue costs The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in that period

k) Debtors

Debtors are stated at their nominal values as reduced by appropriate allowances for estimated irrecoverable amounts

l) Cash

Cash comprise cash at bank and in hand and short term deposits with original maturity of less than three months

Notes to the financial statements for the year ended 31 December 2012 (continued)

2 FINANCIAL INSTRUMENTS

The Group's financial instruments are shown in the table below It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments be undertaken The Group has not entered into derivatives transactions The main risks arising from the company's financial instruments are credit risk, interest rate risk, liquidity risk and inflation risk The Board reviews and agrees policies for managing each of these risks and they are summarised below These policies have remained unchanged throughout the year The Group has no significant foreign currency transactions All the Group's borrowings are denominated in sterling

Categories of financial instruments

	2012		
	Book Value		Fair Value
	Loans and receivables at amortised cost including cash and short-term deposits	Financial liabilities at amortised cost	
	£	£	£
Financial assets			
Trade and other receivables	997,854	-	997,854
Cash and short-term deposits	33,779,293	-	33,779,293
FRS 5 finance debtor	316,823,379	-	372,741,712
	351,600,526	-	407,518,859
Interest income in the year	22,791,796		
Financial liabilities			
Index-linked secured bonds	-	374,112,899	350,901,533
Secured subordinated loan stock	-	24,236,236	32,170,890
Trade and other payables	-	8,382,710	8,382,710
	-	406,731,844	391,455,133
Interest expense in the year	21,311,497		
Fee expense in the year	486,518		

	2011		
	Book Value		Fair Value
	Loans and receivables at amortised cost including cash and short-term deposits	Financial liabilities at amortised cost	
	£	£	£
Financial assets			
Trade and other receivables	557,009	-	557,009
Cash and short-term deposits	33,989,514	-	33,989,514
FRS 5 finance debtor	320,447 513	-	334,398,235
	354,994,036	-	368,944,758
Interest income in the year	31,002,347		
Financial liabilities			
Index-linked secured bonds	-	373,116,219	413,903 730
Secured subordinated loan stock - commitment and letter of credit fees	-	24,337,179	32,880,003
Trade and other payables	-	6,099 566	6,099 566
	-	403,552,964	452,883,299
Interest expense in the year	27,319,018		
Fee expense in the year	488,400		

Notes to the financial statements for the year ended 31 December 2012 (continued)

2 **FINANCIAL INSTRUMENTS (continued)**

Fair values
As the index linked bonds are not traded the fair value of the index linked bond has been calculated by discounting the expected future cash flows at prevailing interest rates Expected future cash flows have been calculated assuming that future increases in the Retail Price Index are constant at 2 5% (2011 -2 5%) The UK gilt yield curve and an assumed credit spread consistent with that of the index linked bond have been used in calculating an appropriate discount rate

In the opinion of the Directors the fair values of the trade and other receivables, trade and other payables and cash and short-term deposits each equal their respective book values

Credit Risk
The Group's principal financial assets are cash and short-term deposits trade and other receivables and investments The Group's credit risk is primarily attributable to its current asset investments, for which only independently rated counterparties with a minimum long-term senior debt rating of at least AA- from Standard & Poor's and Aa3 from Moody' s are acceptable

For cash and short-term deposits only independently rated counterparties with a minimum medium-term senior debt rating of at least A from Standard & Poor's and A1 from Moody's are accepted

Should the ratings of existing counterparties fall below these levels the Company and its senior lenders each have the right to require that an acceptable replacement counterparty be appointed Given the current market conditions and reduction to the credit rating of Lloyds TSB plc a waiver was obtained from the the Majority Creditors to continue to use Lloyds TSB plc as Account Bank and for holding of Authorised Investments

The receivables arise from the Group s client, the Newcastle Upon Tyne Hospitals NHS Foundation Trust The credit and cash flow risks are not considered significant as the client is a quasi-governmental organisation

Interest rate risk/inflation risk
All borrowings are at fixed rates other than index-linking, and therefore no interest rate risk arises on them Interest rate risk arises on the Group s cash and short-term deposits

The majority of the Group's borrowings comprise an index linked secured bond Repayment of these bonds and meeting operational expenditure commitments will be made from income which is itself subject to indexation The Group thereby mitigates any exposure to movements in the RPI

A 1% increase in the annual rate of inflation would increase interest attributable to the index linked secured bond There would have been £3 825 522 (2011 - £3 809 613) increase in the interest expense for the year

A 1% increase in the annual rate of inflation would also increase income for the year by £307,873 (2011 - £289,519)

Liquidity risk
The Group's policy has throughout the period been that, to ensure continuity of funding the majority of its borrowings should mature in more than five years

Financial liabilities gross maturity
The following table details the Group's remaining contractual maturities for its financial liabilities The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay The table includes both interest and principal cash flows

The gross maturity profile of the Group's non-derivative financial liabilities at 31 December was as follows

	2012			
	Borrowings	**Other financial liabilities**	**Total non-derivative financial liabilities**	**Carrying value**
	£	**£**	**£**	**£**
Due on demand or within one year	**16,000,995**	**3,260,600**	**19,261,595**	**19,261,595**
Due within one to two years	**12,526,030**	**-**	**12,526,030**	**12,526,030**
Due within two to five years	**39,888,610**	**-**	**39,888,610**	**39,888,610**
Due after more than five years	**334,309,120**	**-**	**334,309,120**	**334,309,120**
	402,724,755	**3,260,600**	**405,985,355**	**405,985,355**

	2011			
	Borrowings	Other financial liabilities	Total non-derivative financial liabilities	Carrying value
	£	£	£	£
Due on demand or within one year	14,543,790	3 122,529	17,666 319	17,666,319
Due within one to two years	11,805,744	-	11,805 744	11,805 744
Due within two to five years	38 451,333	-	38 451,333	38 451 333
Due after more than five years	335 359 259	-	335,359 259	335,359 259
	400,160,126	3,122,529	403,282,655	403,282,655

Capital risk management
The Company manages its capital to ensure it is able to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital The capital structure of the Company comprises equity attributable to equity holders consisting of ordinary share capital, reserves and retained earnings as disclosed in Notes 14 and 15 and cash and cash equivalents and borrowings as disclosed in Note 19 In March 2010 Equion Health (Newcastle) Limited and Interserve PFI 2003 Limited injected £19,685 600 and £4,921,400 of subordinated debt respectively During the year Interserve PFI 2005 Limited acquired the shareholding of Interserve PFI 2003 Limited in Healthcare Support (Newcastle) Holdings Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

3 TURNOVER

	Group 2012	Group 2011
Turnover in the year is analysed as follows	£	£
Construction revenue	474,295	7,086,764
Concession unitary income	7,959,855	7,178,347
Other revenue	4,650,634	3,998,135
	13,084,784	18,263,246

4 OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST

	Group 2012	Group 2011
	£	£
Operating profit on ordinary activities before interest is stated after charging		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	12,668	12,753
Fees payable to the Company's auditor for the audit of Healthcare Support (Newcastle) Finance plc's annual accounts	3,297	3,297
Fees payable to the Company's auditor for the audit of Equion Health (Newcastle) Limited's annual accounts	2,575	2,574
Construction costs	3,556,208	7,086,764
Operating and maintenance costs	9,316,861	8,904,516
Other overhead costs (excl audit)	247,628	30,559

5 DIRECTORS' REMUNERATION

No Directors received any remuneration for services to the Company during the current or prior year The Company's subsidiary is managed under a Management Services Agreement by Laing Investments Management Services Limited

6 STAFF NUMBERS

The Company had no employees during the year (2011 - nil)

7 NET INTEREST (PAYABLE) / RECEIVABLE

	Group 2012	Group 2011
	£	£
Interest receivable and similar income		
Interest receivable on bank deposits	453,473	491,222
Interest receivable on finance debtor	22,342,268	30,519,579
Interest receivable capitalised	(3,945)	(4,274)
	22,791,796	31,006,527
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	(21,311,498)	(27,319,018)
Interest payable to parent undertakings	(2,892,854)	(2,930,880)
Amortised debt issue costs	(486,518)	(488,400)
Capitalised interest	185,410	237,323
	(24,505,460)	(30,500,975)
Net interest (payable) / receivable	(1,713,664)	505,552

Notes to the financial statements for the year ended 31 December 2012 (continued)

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax charge for the year	Group 2012 £	Group 2011 £
Current tax		
UK corporation tax	(438,161)	(722,996)
Adjustments in respect of previous periods	408,417	(9,042)
Total current tax	(29,744)	(732,038)
Deferred tax		
B/f tax losses from 2010	-	(408,947)
Total deferred tax	-	(408,947)
Total tax charge on profit on ordinary activities	(29,744)	(1,140,985)

Factors affecting tax charge for the current year

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

	Group 2012 £	Group 2011 £
Profit on ordinary activities before taxation	1,788,414	2,728,286
Profit on ordinary activities multiplied by the blended rate of corporation tax in the UK of 24 5% (2011 - 26 5%)	(438,161)	(722,996)
Effects of		
Adjustments in respect of previous years	408,417	(9,042)
Total current tax charge for the year	(29,744)	(732,038)

As at 31 December 2012 there is a deferred tax asset £nil (2011 - £nil)

9 DIVIDENDS

	Group 2012 £	Group 2011 £
Equity shares		
Total dividends paid of £24 60p (2011 - £25 46p) per share	1,254,352	1,298,561

10 INVESTMENTS

	Shares in group undertaking £
Cost	
At 1 January 2012	51,000
At 31 December 2012	51,000
Net book value	
At 31 December 2012	51,000
At 31 December 2011	51,000

The Company's principal subsidiary undertakings are listed on page 20

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

Notes to the financial statements for the year ended 31 December 2012 (continued)

11 DEBTORS

	Group		Company	
	2012	2011	**2012**	2011
Due within one year	**£**	£	**£**	£
Finance debtor	**29,644,796**	26,151,653	**-**	-
Trade debtors	**997,854**	557,009	**-**	-
Amounts recoverable on contracts	**33,490,002**	29,846,121	**-**	-
Amounts owed by Parent undertaking	**-**	207,943	**-**	207,943
Corporation tax	**261,596**	-	**-**	-
Financial assets	**23,156,294**	26,896,709	**-**	-
Prepayments and accrued income	**15,340,809**	11,901,432	**-**	-
	102,891,351	95,560,867	**-**	207,943
Due after more than one year				
Finance debtor	**287,178,583**	294,295,860	**-**	-
Amounts recoverable on contracts	**-**	59,812	**-**	-
Amounts owed from Parent undertakings	**24,236,236**	24,129,236	**24,236,236**	24,129,236
	311,414,819	318,484,908	**24,236,236**	**24,129,236**

The amounts recoverable on contracts includes cumulative net interest capitalised of £211,155 (2011 - £237,323) Finance debtor includes cumulative net interest capitalised of £7,860,057 (2011 - £7,860,057)

12 CREDITORS

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Amounts falling due within one year				
Bank loans (note 13)	**11,625,374**	11,629,120	**-**	-
Less unamortised debt issue costs	**(487,052)**	(490,718)	**-**	-
Amounts owed to parent undertaking	**-**	207,943	**-**	207,943
Amounts owed to group undertakings	**-**	207,943	**-**	-
Trade creditors	**1,638,117**	837,713	**-**	-
Interest payable	**4,375,621**	2,914,670	**-**	-
Corporation tax	**-**	282,107	**-**	-
Other taxation and social security	**746,489**	270,309	**-**	-
Contractor retentions	**1,016,360**	789,192	**-**	-
Accruals and deferred income	**606,122**	1,287,681	**-**	-
	19,521,031	17,935,960	**-**	207,943
Amounts falling due after more than one year				
Bank loans (note 13)	**362,487,524**	361,487,099	**-**	-
Less unamortised debt issue costs	**(9,288,030)**	(9,774,805)	**-**	-
Amounts owed to parent undertaking	**24,236,236**	24,129,236	**24,236,236**	24,129,236
Amounts owed to group undertakings	**24,236,236**	24,129,236	**-**	-
	401,671,966	399,970,766	**24,236,236**	24,129,236
Analysis of debt				
Debt can be analysed as falling due				
In one year or less	**11,625,374**	11,837,062	**-**	207,943
Between one and two years	**12,526,030**	11,805,744	**468,081**	113,419
Between two and five years	**39,888,610**	38,451,333	**942,256**	1,009,145
In five years or more	**334,310,064**	335,359,259	**22,825,899**	23,006,672
	398,350,078	397,453,398	**24,236,236**	**24,337,179**
Less unamortised debt issue costs	**(9,775,082)**	(10,265,523)	**-**	-
	388,574,996	387,187,875	**24,236,236**	**24,337,179**

The bank loan is secured by a charge over the shares of the Company

Notes to the financial statements for the year ended 31 December 2012 (continued)

13 LOANS

The Group originally had a publicly offered bond from Royal Bank of Canada for £197 8 million and a loan with European Investment Bank of £115 million The other debt is repayable in instalments based on an agreed percentage amount of the total facilities per annum over the next 26 - 29 years (the EIB loan having the shorter maturity) The loans are secured under the security document by a charge over all the assets of the Company

Interest on the public bond is fixed at 2 187% per annum and interest on the EIB loan is fixed at 2 1492% per annum (coupon of 1 9592% and margin of 0 19%) Both the public bond and EIB loan are index linked

Subordinated debt of £24,607,000 was injected by the then shareholders in March 2010 with a coupon rate of 12% per

14 CALLED UP SHARE CAPITAL

	Group / Company	
	2012	2011
	£	£
Allotted, called up and fully paid		
51,000 ordinary shares of £1 each	**51,000**	51,000

15 MOVEMENT IN RESERVES

	Group Profit and loss account
	£
At 1 January 2012	**3,180,854**
Profit for the financial year	**1,758,670**
Dividends paid on equity shares (note 9)	**(1,254,352)**
At 31 December 2012	**3,685,172**

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Profit for the financial year	**1,758,670**	1,587,301	**1,350,254**	1,587,301
Dividends paid on equity shares (note 9)	**(1,254,352)**	(1,298,561)	**(1,254,353)**	(1,298,561)
Net addition to shareholder's funds	**504,318**	288,740	**95,901**	288,740
Opening shareholder's funds	**3,231,854**	2,943,114	**3,231,854**	2,943,114
Closing shareholder's funds	**3,736,172**	3,231,854	**3,327,755**	3,231,854

Notes to the financial statements for the year ended 31 December 2012 (continued)

17 TRANSACTIONS WITH RELATED PARTIES

There were related party transactions between the Group and the following parties

	2012 £	2011 £
Details of payments made to John Laing plc and subsidiaries are as follows		
Laing Investments Management Services Limited - management fees	307,104	890,100
John Laing Social Infrastructure Limited - subordinated debt principal repayment	15,141	27,760
John Laing Social Infrastructure Limited - subordinated debt interest	219,747	551,582
John Laing Social Infrastructure Limited - dividends	188,153	194,784
	730,145	1,664,226
Details of payments made to Interserve Investments Limited and subsidiaries are as follows		
Facilities and lifecyle management fees	5,070,274	4,244,164
Interserve PFI 2005 Limited - subordinated debt principal repayment	20,189	37,014
Interserve PFI 2005 Limited - subordinated debt interest	292,997	735,443
Interserve PFI 2005 Limited - dividends	250,871	259,712
	5,634,331	5,276,333
Details of payments made to Innisfree PFI Secondary Fund and subsidiaries are as follows		
Innisfree PFI Secondary Fund - subordinated debt principal repayment	65,613	148,054
Innisfree PFI Secondary Fund - subordinated debt interest	761,791	2,390,189
Innisfree PFI Secondary Fund - dividends	815,329	844,064
	1,642,733	3,382,307
Total Costs	8,007,209	10,322,866
Balance payable at 31 December		
Laing Investments Management Services Limited	-	149,229
John Laing Social Infrastructure Limited	-	110,228
Palio (No 15) Limited	328,818	-
Interserve PFI 2005 Limited	438,423	146,971
Interserve FM Limited	9,207	118,993
Innisfree PFI Secondary Fund	1,424,876	477,655

Innisfree PFI Secondary Fund, Interserve Investments Plc and John Laing Infrastructure Fund Limited are the ultimate shareholders of Healthcare Support (Newcastle) Holdings Limited Palio (No 15) Limited is a wholly owned subsidiary of John Laing Infrastructure Fund Limited

18 RECONCILIATION OF OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 £	2011 £
Operating profit on ordinary activities before interest	3,502,078	2,222,734
Decrease in debtors	2,482,156	5,152,754
Increase in creditors	20,598,993	12,833,534
Net cash inflow from operating activities	26,583,227	20,209,022

Notes to the financial statements for the year ended 31 December 2012 (continued)

19 RECONCILIATION OF MOVEMENT IN NET DEBT

	At 1 January 2012 £	Cash flow £	Other non-cash changes £	At 31 December 2012 £
Cash in hand and at bank	7,092,805	3,530,192	-	**10,622,997**
Debt due within one year	(10,632,955)	211,689	(3,666)	**(10,424,932)**
Debt due after one year	(376,554,820)	-	(486,775)	**(377,041,595)**
Net debt	(380,094,970)	3,741,881	(490,441)	(376,843,530)

20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2012 £
Cash in hand and at bank	**3,530,192**
Cash outflow from increase in debt	**211,689**
Other non cash movements	**(490,441)**
Decrease in net debt	**3,251,440**
Net debt at 1 January 2012	(380,094,970)
Net debt at 31 December 2012	**(376,843,530)**

21 ULTIMATE PARENT UNDERTAKING

The Company is a joint venture between Equion Health (Newcastle) Limited (80%) and Interserve PFI 2005 Limited (20%) Both of these companies are incorporated in Great Britain and registered in England and Wales

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 Healthcare Support (Newcastle) Limited	Great Britain
Healthcare Support (Newcastle) Limited	100% of ordinary shares	The construction of RVI and Freeman hospitals for Newcastle Upon Tyne Hospitals NHS Foundation Trust	Great Britain