

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

**DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2009**

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Registered Number 4420880

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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DIRECTORS AND ADVISORS

Directors

J Eldridge (resigned 16 November 2009)
J Graham (appointed 16 November 2009)
I Hudson (appointed 16 November 2009)
J Linney
R Marsden
G Pearce (resigned 16 November 2009)
M Watson (appointed 30 June 2009, resigned 20 January 2010)
I Wells (resigned 30 June 2009)

Company secretary and registered office

R Miller
Allington House
150 Victoria Street
London SW1E 5LB

Auditors

Deloitte 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 2009

The company is owned and jointly controlled by Equion Health (Newcastle) Limited and Interserve PFI 2003 Limited

On 16 November 2009 Innisfree Nominees Limited acquired 20,400 £1 Ordinary Shares in Equion Health (Newcastle) Limited from Newcastle Investment Company Limited. On 20 January 2010 Innisfree Nominees Limited acquired a further 12,750 £1 Ordinary Shares in Equion Health (Newcastle) Limited from John Laing Social Infrastructure Limited. Equion Health (Newcastle) Limited is now jointly owned and controlled by John Laing Social Infrastructure Limited and Innisfree Nominees Limited.

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.

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 Company's relationships with its shareholders. More information is provided in note 1 to the financial statements.

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.

KEY PERFORMANCE INDICATORS

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

The Company receives income from Newcastle Upon Tyne NHS Trust primarily depending on the availability of the operational facilities; the Company suffered deductions through unavailability and performance failures during the year, which were then passed onto the construction contractor.

RESULTS AND DIVIDENDS

The profit for the year before taxation amounted to £10,002,416 (2008 - loss of £121,348), after taxation charge of £2,790,049 (2008 - charge of £2,949) the profit for the year was £7,212,367 (2008 - loss of £124,297).

The Directors do not recommend the payment of a dividend (2008 - £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 total deductions in 2009 were £176,614 (2008 - nil).

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 inflationary risk is transferred outside the Group.

DIRECTORS' REPORT (continued)

DIRECTORS

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO 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 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 section 418 of the Companies Act 2006

EMPLOYEES


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

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 15 (2008 - 21) days of average supplies for the year

AUDITORS

Pursuant to section 386 Companies Act 1985, an elective resolution was passed on 23 May 2007 dispensing with the requirement to appoint auditors annually. This election was in force immediately before 1 October 2007. Therefore, Deloitte LLP are deemed to continue as auditors


J Linney
Director
28 June 2010

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 period. 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, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping 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 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 2009 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 19 and the principal subsidiaries. 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 section 495 and 496 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, 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 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 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.

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's Company's affairs as at 31 December 2009 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, 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.



Ross Howard (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

28 June 2010

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	2009 £	2008 £
Turnover	3	18,647,110	75,441,019
Cost of sales		(16,547,231)	(74,632,292)
Operating profit	4	<u>2,099,879</u>	<u>808,727</u>
Net interest receivable/(payable)	8	7,902,537	(930,075)
Profit/(loss) on ordinary activities before taxation		<u>10,002,416</u>	<u>(121,348)</u>
Tax on result on ordinary activities	9	(2,790,049)	(2,949)
Profit/(loss) for the financial year	14	<u><u>7,212,367</u></u>	<u><u>(124,297)</u></u>

A reconciliation of movements in shareholders' funds is given in note 15

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

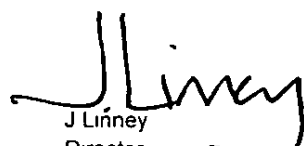
All gains and losses are recognised in the profit and loss account in the current year, and therefore no separate statement of total recognised gains and losses has been presented

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2009

	Notes	2009 £	2008 £
Current assets			
Debtors		327,091,108	321,552,576
- due within one year	10	3,338,896	4,526,188
- due after more than one year	10	323,752,212	317,026,388
Cash at bank and in hand		51,422,490	46,614,206
		378,513,598	368,166,782
Current liabilities			
Creditors amounts falling due within one year	11	(34,938,507)	(8,684,405)
Net current assets		343,575,091	359,482,377
Total assets less current liabilities		343,575,091	359,482,377
Creditors amounts falling due after more than one year	11	(336,051,810)	(359,171,463)
Net assets		7,523,281	310,914
Capital and reserves			
Called up share capital	13	51,000	51,000
Profit and loss account	14	7,472,281	259,914
Shareholders' funds	15	7,523,281	310,914

The financial statements of Healthcare Support (Newcastle) Holdings Limited, registered number 4420880, were approved by the Board of Directors and authorised for issue on ²⁸June 2010 and were signed on its behalf by

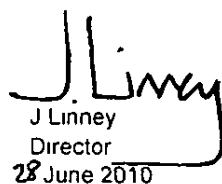

 J Linney
 Director
 28 June 2010

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2009

	Notes	2009 £	2008 £
Fixed assets			
Investments	7	51,000	51,000
Net assets		<u>51,000</u>	<u>51,000</u>
Capital and reserves			
Called up share capital	13	51,000	51,000
Shareholders' funds		<u>51,000</u>	<u>51,000</u>

The financial statements of Healthcare Support (Newcastle) Holdings Limited, registered number 4420880, were approved by the Board of Directors and authorised for issue on 28 June 2010 and were signed on its behalf by


J Linney
Director
28 June 2010

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 £	2008 £
Net cash inflow/(outflow) from operating activities	16	13,697,634	(50,320,487)
Returns on investment and servicing of finance			
Interest received		974,243	3,417,990
Interest paid		<u>(8,284,955)</u>	<u>(7,581,302)</u>
Net cash outflow from returns on investments and servicing of finance		(7,310,712)	(4,163,312)
Net cash inflow/(outflow) before use of liquid resources and financing		6,386,923	(54,483,799)
Taxation paid		(1,578,639)	(7,717)
Increase/(decrease) in cash in the year	17	4,808,283	(54,491,516)
Balance as at 1 January		46,614,206	101,105,721
Balance as at 31 December		<u>51,422,490</u>	<u>46,614,206</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2009 £'	2008 £'
Increase/(decrease) in cash in the year	4,808,283	(54,491,516)
Decrease in unamortised debt issue cost	(483,236)	(471,014)
Decrease/(increase) in bond value due to inflation	<u>4,157,629</u>	<u>(14,302,243)</u>
Decrease/(increase) in net debt	8,482,676	(69,264,773)
Net debt at 1 January	(306,043,616)	(236,778,843)
Net debt at 31 December	<u>(297,560,940)</u>	<u>(306,043,616)</u>

Notes to the financial statements for the year ended 31 December 2009

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.

The Company did not trade during the year and has made neither profit nor loss, nor any other recognised gain or loss section 400 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company. A reconciliation of movements in shareholders' funds is given in note 14.

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,
- (b) the ability of the debt provider to continue to meet its contractual commitments, and
- (c) the ability of the SWAP provider to continue to meet their commitments

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

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

After making enquiries, the Directors have a reasonable expectation that the subsidiary 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.

b) FRS 25 Financial Instruments: Disclosure and Presentation, FRS 26 Financial Instruments: Measurement and FRS 29 Financial Instruments: Disclosure Requirements

In the current year, the Group has adopted FRS 25 Financial Instruments: Disclosures and Presentation, FRS 26 Financial Instruments: Measurement and FRS 29 Financial Instruments: Disclosures. The impact of adoption of FRS 29 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital. The parent company has not applied FRS 29 as they have taken advantage of the exemptions permitted by FRS 29.

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

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 derecognises 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 2009 (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 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 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 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.

f) 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.

g) 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.

h) 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.

i) 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.

j) 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.

k) Debtors

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

Notes to the financial statements for the year ended 31 December 2009 (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

	2009	
	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	22,806	22,806
Cash and short-term deposits	51,422,490	51,422,490
FRS 5 finance debtor	312,468,065	320,129,590
	<u>363,913,361</u>	<u>371,574,886</u>
Interest income in the year	11,099,817	
Financial liabilities		
Index-linked secured bonds	347,999,465	345,183,159
Secured subordinated loan stock - commitment and letter of credit fees	8,500,000	8,568,813
Trade and other payables	12,511,205	12,511,205
	<u>-</u>	<u>366,263,177</u>
Interest expense in the year	4,864,317	
Fee expense in the year	483,236	
	2008	
	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	349,114	349,114
Cash and short-term deposits	46,614,206	46,614,206
FRS 5 finance debtor	129,855,758	129,858,758
	<u>176,819,078</u>	<u>176,822,078</u>
Interest income in the year	8,561,053	
Financial liabilities		
Index-linked secured bonds	350,455,701	363,747,635
Secured subordinated loan stock - commitment and letter of credit fees	8,500,000	8,827,690
Trade and other payables	8,900,167	8,900,167
	<u>-</u>	<u>381,475,492</u>
Interest expense in the year	23,295,768	
Fee expense in the year	471,014	

Notes to the financial statements for the year ended 31 December 2009 (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% (2008 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 AA- from Standard & Poor's and Aa3 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.

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

The maximum exposure to credit risk is the carrying value of the financial assets in the table above.

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 retail price index.

A 1% increase in the annual rate of inflation would increase interest attributable to the index linked secured bond. There would have been £961,000 (2008 £163,000) increase in the interest expense for the year as 20% (2008 76%) of such interest was added to long-term work in progress.

A 1% increase in the annual rate of inflation would also increase in income for the year by £1,808,000 (2008 £92,000), which would be attributable to interest income £2,757,000 (2008 £296,000) recognised in respect of the FRS 5 finance debtor. This impact was calculated by modelling the effect of a 1% increase in inflation on the future cash flows associated with the FRS 5 finance debtor and hence the sensitivity in income recognised in the year.

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:

2009				
Borrowings	Other financial liabilities	Total non-derivative financial liabilities	Total discount	Carrying value
£	£	£	£	£
Due on demand or within one year	20,459,549	32,970,754		32,970,754
Due within one to two years	10,479,072	10,479,072		10,479,072
Due within two to five years	33,033,615	33,033,615		33,033,615
Due after more than five years	292,527,229	292,527,229		292,527,229
	356,499,465	369,010,670	-	369,010,670
2008				
Borrowings	Other financial liabilities	Total non-derivative financial liabilities	Total discount	Carrying value
£	£	£	£	£
Due on demand or within one year	2,091,569	10,991,736		10,991,736
Due within one to two years	5,203,891	5,203,891		5,203,891
Due within two to five years	34,054,025	34,054,025		34,054,025
Due after more than five years	317,606,216	317,606,216		317,606,216
	358,955,701	367,855,868	-	367,855,868

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 17.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

Notes to the financial statements for the year ended 31 December 2009 (continued)

3 TURNOVER

	2009 £	2008 £
Turnover in the period is analysed as follows		
Construction income	10,078,031	69,862,144
Concession unitary income	6,320,585	2,395,391
Other	2,248,494	3,183,484
	<u>18,647,110</u>	<u>75,441,019</u>

4 OPERATING PROFIT

The Company did not trade during the year and has made neither profit nor loss, nor any other recognised gain or loss As

	2009 £	2008 £
Operating profit is stated after charging		
Fee payable for the audit of the Company's annual accounts	2,416	2,416
Fee payable for the audit of the Healthcare Support (Newcastle) Limited	11,969	11,969
Fee payable for the audit of the Healthcare Support (Newcastle) Finance plc	3,094	3,094
Fees payable to the Group auditors for the audit of the Group's annual		

5 DIRECTORS' REMUNERATION

No Directors received any remuneration for services to the Company during the current year (2008 - £nil) The Company is managed by secondees from the shareholders under a management services contract

6 STAFF NUMBERS

The Company had no employees during the period (2008 - nil)

7 INVESTMENTS

	Shares in group undertaking £
Cost and net book value	
At 1 January 2009	51,000
Additions	-
At 31 December 2009	<u>51,000</u>

The Company's principal subsidiary undertakings are listed on page 18

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

8 NET INTEREST RECEIVABLE/(PAYABLE)

	2009 £	2008 £
Interest receivable and similar income		
Interest receivable on bank deposits	974,243	3,417,990
Interest receivable on finance debtor	10,125,574	5,143,063
Interest receivable capitalised	<u>(974,243)</u>	<u>(3,417,990)</u>
	10,125,574	5,143,063
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	(4,864,317)	(23,295,768)
Amortised debt issue costs	(483,236)	(471,014)
Interest payable capitalised	<u>3,124,516</u>	<u>17,693,644</u>
	<u>(2,223,037)</u>	<u>(6,073,138)</u>
Net interest receivable/(payable)	<u>7,902,537</u>	<u>(930,075)</u>

Notes to the financial statements for the year ended 31 December 2009 (continued)

9 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2009 £	2008 £
<u>Analysis of charge for the period</u>		
Current tax		
UK corporation tax	(2,797,988)	(7 940)
Prior year adjustments	7,939	4 991
Total tax (charge)/credit on profit/(loss) on ordinary activities	(2,790,049)	(2,949)

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 corporate the profit before tax are as follows

	2009 £	2008 £
Profit/(loss) on ordinary activities before tax	10,002,416	(121 348)
Profit/(loss) on ordinary activities multiplied by the applicable rate of corporation tax in the UK of 28% (2008 - 28.5%)	(2,800,676)	34,584
Subsidiary taxed at small companies rate of 21% (2008 - 20.75%)	2,688	2,965
Subsidiary tax losses not recognised for deferred tax purposes	-	(45 489)
Total current tax charge for the year	(2,797,988)	(7 940)

For the year ended 31 December 2008 the blended UK rate of 28.5% is applied due to the change in the UK corporation tax rate from

As at 31 December 2009 there is a deferred tax asset not recognised of £nil (2008 £159,609)

10 DEBTORS

	2009 £	2008 £
Due within one year		
Finance debtor	2,938,150	2,073,061
Amounts recoverable on contract	135,002	541,633
Trade debtors	22,806	349,114
VAT debtor	-	320,446
Corporation tax	-	18 536
Prepayments and accrued income	242,938	1,223 398
	3,338,896	4 526 188
Due after more than one year		
Finance debtor	309,529,915	127 782 697
Amounts recoverable on contract	14,222,297	189 243 691
	323,752,212	317,026 388

The amounts recoverable on contracts/finance debtor includes cumulative net interest capitalised of £1 364 162 (2008 -credit £786 111)

11 CREDITORS

	2009 £	2008 £
Amounts falling due within one year		
Loan and sub debt	13,437,086	-
Less unamortised debt issue costs	(493,573)	-
Trade creditors	689,843	8,706
Amounts owed to fellow subsidiary undertakings	312,546	-
Corporation tax	1,192,874	-
VAT	786,773	-
Contractor retentions	3,716,656	3 275,219
Other creditors	144,176	245,087
Accruals and deferred income	7,636,090	3,063,824
Interest payable	7,516,036	2,091,569
	34,938,507	8,684,405
Amounts falling due after more than one year		
Interest payable	-	4,206 310
Contractor retentions	11,894	2,307,331
Bank loans and overdrafts (note 12)	346,798,321	364 393 036
Less unamortised debt issue costs	(10,758,405)	(11 735 214)
	336,051,810	359 171 463
Analysis of debt		
Debt can be analysed as falling due		
In less than one year	13,437,086	-
Between one and two years	10,479,072	5,203,891
Between two and five years	33,033,615	34,054,025
In five years or more	303,285,634	325 135 120
	360,235,407	364,393,036
Less unamortised debt issue costs	(11,251,978)	(11 735,214)
	348,983,429	352,657,822

Notes to the financial statements for the year ended 31 December 2009 (continued)

12 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 was repaid at the end of construction of Phase 7 (RVI Clinical) in March 2010, the other debt is repayable in installments based on an agreed percentage amount of the total facilities per annum over the next 31 years. 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%, interest on the EIB loan is fixed at 2% and interest on the surety bond is fixed at 9%. Both the public bond and EIB loan are index-linked.

13 CALLED UP SHARE CAPITAL	2009 £	2008 £
Allotted, called up and fully paid Ordinary Shares at £1 each	<u>51,000</u>	<u>51,000</u>

14 MOVEMENT IN RESERVES

	Profit and loss account £
At 1 January 2009	259,914
Retained profit for the financial year	7,212,367
At 31 December 2009	<u>7,472,281</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2009 £	2008 £
Profit/(loss) for the financial period	7,212,367	(124,297)
Other recognised gains and losses relating to the year (net)	-	-
Profit/(loss) for the financial year	<u>7,212,367</u>	<u>(124,297)</u>
Opening shareholders' funds	310,914	435,211
Closing shareholders' funds	<u>7,523,281</u>	<u>310,914</u>

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16 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2009 £	2008 £
Operating profit	2,099,879	808,727
Increase in debtors	(3,506,951)	(63,071,677)
Increase in creditors	15,104,707	11,942,464
Net cash inflow/(outflow) from operating activities	<u>13,697,634</u>	<u>(50,320,487)</u>

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

Notes to the financial statements for the year ended 31 December 2009 (continued)

17 ANALYSIS OF NET DEBT

	At 1 January 2009 £	Cashflow £	Non cash items £	At 31 December 2009 £
Cash in hand and at bank	46 614,206	4,808,283	-	51,422,489
Debt within 1 year	-	-	(12,943,513)	(12,943,513)
Debt due more than 1 year	(352 657,822)	-	16,617,906	(336,039,916)
NET GROUP DEBT	(306,043,616)	4,808,283	3,674,393	(297,560,940)

18 TRANSACTIONS WITH RELATED PARTIES

Company name	Service provided	Cost £	Outstanding amount £
Laing Investment Management Services Limited	Management services	933,465	
		<u>933,465</u>	<u>94,718</u>
John Laing Social Infrastructure Limited	Letter of credit charges	220,000	-
Interserve FM Limited	Facilities management	2,921,128	190,328
Interserve Investments Limited	Letter of credit charges	110,000	27,500
Total transactions with related parties		<u>4,184,593</u>	<u>312,546</u>

Innisfree Secondary Fund LP Interserve Investments Plc and Henderson Infrastructure Holdco (Jersey) Limited 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) Limited

19 ULTIMATE PARENT COMPANY

At 31 December 2009 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

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

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