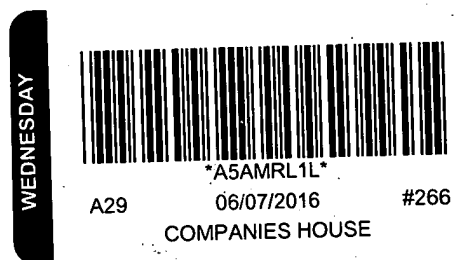


Company Registration No. 4420880 (England and Wales)

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015



HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

COMPANY INFORMATION

Directors	R Marsden J Linney N Crowther A Watson H O'Gorman	(Appointed 23 May 2016) (Appointed 23 May 2016)
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Secretary	P Naylor
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Company number	4420880
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Registered office	1 Kingsway London United Kingdom WC2B 6AN
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Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor London United Kingdom
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Solicitors	Herbert Smith Freehills Exchange House Primrose Street London EC2A 2EG
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HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

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HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present the strategic report and financial statements for the year ended 31 December 2015.

Business Review

The principal activity of the Group is to design, develop and fund the construction of new extensions to the Royal Victoria Infirmary and Freeman Hospital, together with the ongoing maintenance and lifecycle services to these extensions, 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.

Healthcare Support (Newcastle) Limited ("HSN"), has been in discussions with the Newcastle Upon Tyne Hospitals NHS foundation Trust (the "Trust") and Laing O'Rourke Construction Limited ("LOR") to resolve a long standing dispute over the completion of Phase 8 of the project being the penultimate phase of the construction works. Phase 1 to 7 of the project are clinical facilities which have been complete for some time. Phase 8 represents 6% of the construction costs and is an administration building to house clinicians and their support staff.

In addition to the Phase 8 dispute there are a series of further disputes between the parties which commenced in 2015 where the Trust has sought to levy significant levels of financial deductions and Service Failure Points.

The parties have now signed a Heads of Terms, whilst not legally binding the content of the document has been reflected in a Settlement Agreement expected to be signed by the end of July 2016. Under the draft Settlement Agreement HSN will hand back the clinical office block to the Trust to manage and pay for the operation and maintenance of the clinical office block. As part of this draft agreement any remaining external ground works and demolition as part of phase 9 of the construction works, will now be completed by the Trust. In addition all Service Failure Points and financial deductions that have not been formally agreed will be withdrawn by the Trust on execution of the Settlement Agreement.

The terms of this draft agreement results in a reduction in the annual unitary charge to the Trust of 2.18%, and a contribution of £1.1 million as a one off lump sum payment to be made by HSN to the Trust. This is included as a provision in the 2015 Group accounts.

The Directors have sought legal advice and appointed a QC to deal with these matters. The Directors have concluded that the various disputes which could potentially result in the Trust seeking to exercise any right it may have to terminate the Project Agreement represents a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern as the Company's only business is to act as the parent to Healthcare Support (Newcastle) Limited. Therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquires and considering the uncertainties described above, the Directors have a reasonable expectation that the Company has resource to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial accounts. More information is provided in note 1 to the financial statements.

Principle Risks and Uncertainties

The Group's activities expose it to a number of financial risks including liquidity risk, interest rate risk and credit risk. These risks are further explained in the Directors' Report.

Future Developments

The directors are not aware, at the date of this report, of any major changes in the Group's activities in the next year.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

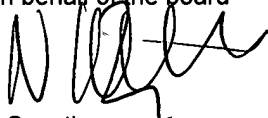
STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Key Performance Indicators

The key performance indicator for the Group is the level of performance and unavailability deductions levied by the client, since this reflects the quality of the service being provided.

On behalf of the board



N Crowther

Director

30 June 2016

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their annual report and financial statements for the year ended 31 December 2015.

Principal activities

The principal activity of the Group is to design, develop and fund the consideration of new extensions to the Royal Victoria Infirmary and Freeman Hospital, together with the ongoing maintenance and lifecycle services to these extensions, on behalf of the Newcastle Upon Tyne Hospitals NHS Foundation Trust.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

R Marsden	
J Harris	(Resigned 30 October 2015)
J Graham	(Resigned 29 April 2016)
J Linney	
N Crowther	
J McDonagh	(Appointed 1 November 2015 and resigned 23 May 2016)
A Watson	(Appointed 23 May 2016)
H O'Gorman	(Appointed 23 May 2016)

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors' insurance

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Financial instruments

Liquidity Risk

The Group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business. At the start of the PFI contract, the Company negotiated debt facilities with an external party to ensure that the Group has sufficient funds over the life of the PFI concession.

Credit Risk

The Groups principal financial assets are cash, financial assets and trade and other receivables. The Groups credit risk is primarily attributable to its trade receivables which are with one counterparty, although in the opinion of the board of Directors this risk is limited as the receivables are with Newcastle Upon Tyne Hospitals NHS Foundation Trust and guaranteed by the Department of Health.

Interest Rate Risk

The Group has an intercompany loan with Healthcare Support (Newcastle) Finance plc which is index linked to RPI (all items). The Group mitigates this RPI risk by having an index linked unitary contract with the Newcastle Upon Tyne Hospitals NHS Foundation Trust, thereby mitigating inflationary risk.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Auditor

The auditor, Deloitte LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

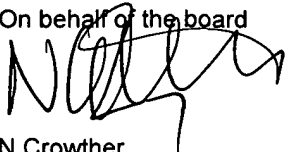
Statement of disclosure to auditor

Each of the directors in office at the date of approval of this annual report confirms that:

- so 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 / she ought to have taken as a director in order to make himself / herself 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 provisions of Section 418 of the Companies Act 2006.

On behalf of the board



N Crowther

Director

30 June 2016

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

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 group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent 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 Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

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 2015 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. 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), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and 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 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 the 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 with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 the parent company's affairs as at 31 December 2015 and of its loss 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.

Emphasis of matter - Ongoing dispute with The Newcastle Upon Tyne Hospitals Foundation Trust and Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern due to the ongoing dispute with The Newcastle Upon Tyne Hospitals Foundation Trust. This condition, along with the other matters explained in note 1 to the financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED


INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

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

5 July 2016

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £000	2014 £000
Turnover	3	14,247	10,969
Cost of sales		(12,979)	(9,913)
Gross profit		<u>1,268</u>	<u>1,056</u>
Interest receivable and similar income	7	14,059	19,015
Interest payable and similar charges	8	(16,402)	(21,991)
Loss on ordinary activities before taxation		<u>(1,075)</u>	<u>(1,920)</u>
Taxation	9	186	413
Loss for the financial year		<u>(889)</u>	<u>(1,507)</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

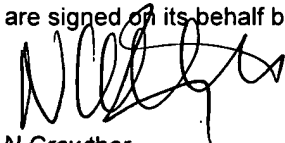
HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2015

	Notes	2015 £000	2014 £000
Current assets			
Debtors falling due after one year	11	328,998	283,219
Debtors falling due within one year	11	48,679	99,213
Cash at bank and in hand		25,371	25,676
		<u>403,048</u>	<u>408,108</u>
Creditors: falling due within one year	13	<u>(30,558)</u>	<u>(30,454)</u>
Net current assets		372,490	377,654
Creditors: amounts falling due after more than one year	14	(368,242)	(373,617)
Provisions for liabilities	15	(1,100)	-
Net assets		<u>3,148</u>	<u>4,037</u>
Capital and reserves			
Called up share capital	17	51	51
Profit and loss reserves	17	3,097	3,986
Total equity		<u>3,148</u>	<u>4,037</u>

The financial statements were approved by the board of directors and authorised for issue on 30 June 2016 and are signed on its behalf by:



N Crowther
Director

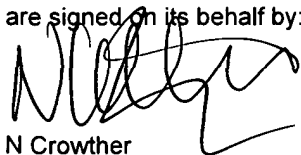
HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Investments		51	51
Current assets			
Debtors falling due after one year	11	24,337	24,337
Debtors falling due within one year	11	14,681	10,535
		<u>39,018</u>	<u>34,872</u>
Creditors: falling due within one year	13	<u>(14,681)</u>	<u>(10,535)</u>
Net current assets		24,337	24,337
Total assets less current liabilities		24,388	24,388
Creditors: amounts falling due after more than one year	14	(24,337)	(24,337)
Net assets		<u>51</u>	<u>51</u>
Capital and reserves			
Called up share capital	17	<u>51</u>	<u>51</u>

The financial statements were approved by the board of directors and authorised for issue on 30 June 2016 and are signed on its behalf by:



N Crowther
Director

Company Registration No. 4420880

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital £000	Profit and loss reserves £000	Total £000
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2014	51	4,239	-
	<hr/>	<hr/>	<hr/>
Period ended 31 December 2014:			
Loss and total comprehensive income for the year	-	(1,507)	(1,507)
Dividends	-	1,254	1,254
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2014	51	3,986	4,037
	<hr/>	<hr/>	<hr/>
Period ended 31 December 2015:			
Loss and total comprehensive income for the year	-	(889)	(889)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	51	3,097	3,148
	<hr/>	<hr/>	<hr/>

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Profit and Loss Account	Total
	£000	£000	£000
Balance at 1 January 2014	51	-	-
	<hr/>	<hr/>	<hr/>
Period ended 31 December 2014:			
Loss and total comprehensive income for the year	-	(1,254)	(1,254)
Dividends	-	1,254	1,254
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2014	51	-	51
	<hr/>	<hr/>	<hr/>
Period ended 31 December 2015:			
Profit and total comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	51	-	51
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £000	2014 £000
Cash flows from operating activities			
Cash generated from operations	21	26,303	26,540
Income taxes refunded		18	363
Net cash inflow from operating activities		<u>26,321</u>	<u>26,903</u>
Investing activities			
Interest received		227	163
Movement in other financial assets		(1,842)	396
Net cash (used in)/generated from investing activities		<u>(1,615)</u>	<u>559</u>
Financing activities			
Interest paid		(15,922)	(16,097)
Shareholder loan injected		-	101
Repayment of bank loans		(9,089)	(2,959)
Dividends repaid		-	1,254
Net cash used in financing activities		<u>(25,011)</u>	<u>(17,701)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(305)</u>	<u>9,761</u>
Cash and cash equivalents at beginning of year		25,676	15,915
Cash and cash equivalents at end of year		<u><u>25,371</u></u>	<u><u>25,676</u></u>

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

Company information

Healthcare Support (Newcastle) Holdings Limited ("the Company") is a limited company domiciled and incorporated in England and Wales. The registered office is 1 Kingsway, London, United Kingdom, WC2B 6AN.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 December 2015 are the first financial statements of Healthcare Support (Newcastle) Holdings Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 January 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £nil (2014 - loss before tax £1,254,000).

1.2 Going concern

Healthcare Support (Newcastle) Holdings Limited via its subsidiary, Healthcare Support (Newcastle) Limited ("HSN" or the "Company"), has been in discussions with The Newcastle Upon Tyne Hospitals NHS Foundation Trust (the "Trust") and Laing O'Rourke Construction Limited ("LOR") to resolve a long standing dispute over the completion of phase 8 of the project being the penultimate phase of the construction works. Phases 1 to 7 of the project are clinical facilities which have been complete for some time. Phase 8 represents 6% of construction costs and is an administration building to house clinicians and their support staff. The parties have failed to reach a commercial settlement and the long stop dates for completion of the construction works have now passed under the Collateral Deed (28 July 2014) and the Project Agreement (28 October 2014). In addition to the Phase 8 dispute there are a series of further disputes between the parties which commenced in 2015 where the Trust has sought to levy significant levels of financial deductions and Service Failure Points. HSN continues to seek to resolve these disputes in consultation with the Majority Creditors (Syncora Guarantee Inc and the European Investment Bank).

A Heads of Terms document has been signed to take the matters above to a close, and whilst not legally binding, this document is the basis for a Settlement Agreement expected to be signed in July 2016.

The Directors have sought legal advice and appointed a QC to deal with these matters. The Directors have concluded that whilst a final Settlement Agreement is unsigned, these issues represent a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern and that, therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquires and considering the uncertainties described above, the Directors have a reasonable expectation that the Company has resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial accounts.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.3 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.5 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the obligation specified in the contract is discharged, cancelled, or expires.

Service Concession

The Group is a special purpose entity that has been established to provide services under certain private finance agreements with Newcastle Upon Tyne Hospitals NHS Foundation Trust (the Trust). Under the terms of these Agreements, the Trust controls the services to be provided by the Group over the contract term. Based on the contractual arrangements the Group has classified the project as a service concession arrangement, and has accounted for the principal assets of, and income streams from, the project in accordance with FRS 102, Section 34.12 Service Concession Arrangements.

The Group has chosen to adopt the transitional arrangements available within FRS 102, Section 35.10 (i) and as such the service concession arrangement has continued to be accounted for using the same accounting policies being applied at the date of transition to FRS 102 (1 January 2014). The nature of the asset has therefore not changed; however, there has been a change in the description from Finance Debtor to Financial Asset.

Under the terms of the arrangement, the Group has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor (the Trust), and as such the asset is accounted for as a financial asset. The financial asset has initially been recognised at the fair value of the consideration received, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

1.6 Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.7 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.8 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

Critical accounting judgement

The directors consider there to be no critical judgements, apart from those involving estimations which are dealt with separately below.

Service concession agreement

As disclosed in Note 1, the Company accounts for the project as a service concession arrangement. The directors use their judgement in selecting the appropriate financial asset rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the financial asset; and also the service margin that is used to recognise service revenue. The directors have also used their judgement in assessing the appropriateness of the future maintenance costs that are included in the Company's forecasts. The directors will continue to monitor the condition of the assets and undertake a regular review of maintenance spend.

Contingent Liability

As part of the Settlement Agreement mentioned in the Strategic Review, Healthcare Support (Newcastle) Limited subsidiary company Healthcare Support Newcastle Limited will potentially have to make a contribution towards the rectification of the chilled water pipes within the facility. At the time of signing the accounts the Board have concluded that the maximum possible contribution is £500,000, but the requirement to make this payment is considered possible rather than probable.

3 Turnover and other revenue

An analysis of the Group's turnover is as follows:

	2015 £000	2014 £000
Turnover		
Service Fee Income	9,941	8,994
Pass-through Income	3,178	249
Variation Income	905	1,501
Rental Income	220	220
Other Income	3	5
	<u>14,247</u>	<u>10,969</u>
 Other significant revenue		
Interest income	<u>14,059</u>	<u>19,015</u>

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

3 Turnover and other revenue (Continued)

Turnover analysed by geographical market

	2015 £000	2014 £000
United Kingdom	14,247	10,969

4 Auditors' remuneration

	2015 £000	2014 £000
Fees payable to the Company's auditor and its associates:		
For audit services		
Audit of the financial statements of the Group and Company	23	20

5 Employees

The Group had no employees during the current or prior year.

6 Directors' remuneration

No directors received any remuneration for services to the Group during the current or prior year. The Group is managed by secondees from the shareholders under a management services contract.

7 Interest receivable and similar income

	2015 £000	2014 £000
Interest income		
Interest on bank deposits	227	165
Other interest income	13,832	18,850
Total income	14,059	19,015

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	227	165
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8 Interest payable and similar charges

	2015 £000	2014 £000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	12,256	18,226
Interest payable to related parties	4,146	3,765
Total interest expense	16,402	21,991

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

9 Taxation

	2015 £000	2014 £000
Deferred tax		
Tax losses carried forward	(217)	(413)
Changes in tax rate	31	-
Total deferred tax	(186)	(413)
Total tax credit	(186)	(413)

For the year ended 31 December 2015, the blended UK rate of 20.25% is applied due to the change in the UK corporation tax rate from 21% to 20% with effect from 1 April 2015.

In the Summer Finance Bill 2015, which was substantively enacted on 26 October 2015, it was announced that the main rate of corporation tax for UK companies would reduce to 19% from 1 April 2017, and then reduce further to 18% from 1 April 2020. The reduced rate of 20% has been reflected in the calculation of deferred tax at the balance sheet date on the basis that it is anticipated that the tax losses brought forward will be used in 2016.

The difference between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2015 £000	2014 £000
Loss before taxation	(1,075)	(1,920)
Expected tax charge based on a corporation tax rate of 20.25%	(217)	(413)
Effect of change in corporation tax rate	31	-
Tax expense for the year	(186)	(413)

10 Financial instruments

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Carrying amount of financial assets				
Debt instruments measured at amortised cost	388,001	359,361	39,018	34,872
Equity instruments measured at cost less impairment	-	-	51	51
	388,001	359,361	39,069	34,923
Carrying amount of financial liabilities				
Measured at amortised cost	398,800	403,201	14,681	10,535

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

10 Financial instruments

(Continued)

Amounts relating to cash flow hedges
reclassified from equity to profit or loss in the
period

-	-	-	-
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11 Debtors

	Group 2015 £000	2014 £000	Company 2015 £000	2014 £000
Amounts falling due within one year:				
Trade debtors	4,618	2,272	-	-
Gross amounts due from contract customers	-	30,312	-	-
Amounts due from subsidiary undertakings	-	-	14,681	10,535
Financial asset	5,037	25,800	-	-
Other financial assets	24,077	22,236	-	-
Other debtors	1,254	79	-	-
Prepayments and accrued income	13,094	18,101	-	-
	48,080	98,800	14,681	10,535
Deferred tax asset (note 16)	599	413	-	-
	48,679	99,213	14,681	10,535
Amounts falling due after one year:				
Amounts due from subsidiary undertakings	-	-	24,337	24,337
Financial asset	328,998	283,219	-	-
	377,677	382,432	39,018	34,872

Other financial assets include amounts held within deposit accounts with a maturity of not less than 3 months from the initial deposit.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

12 Loans and overdrafts

	Group 2015 £000	2014 £000	Company 2015 £000	2014 £000
Bank loans	352,662	361,272	-	-
Loans from related parties	24,337	24,337	24,337	24,337
	<u>376,999</u>	<u>385,609</u>	<u>24,337</u>	<u>24,337</u>
Payable within one year	8,757	11,992	-	-
Payable after one year	368,242	373,617	24,337	24,337
	<u>376,999</u>	<u>385,609</u>	<u>24,337</u>	<u>24,337</u>
Amounts included above which fall due after five years:				
Payable by instalments	307,828	295,710	-	-
Payable other than by instalments	24,337	24,337	-	-
	<u>332,165</u>	<u>320,047</u>	<u>-</u>	<u>-</u>

The Group originally had a publicly offered bond from Royal Bank of Canada for £197.8 million and a loan with European Investment Bank (EIB) of £115 million. On 7 April 2014, the Principal Paying Agency Agreement novated from the Royal Bank of Canada to the Bank of New York Mellon, London Branch. The 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. This finance is lent to the Company from Healthcare Support (Newcastle) Finance Plc on the same terms plus an agreed margin of 0.5%.

In addition, the Group was provided with a credit facility of £24,658,000 from Healthcare Support (Newcastle) Finance plc, drawn down in March 2010. This facility accrues interest at an agreed rate not exceeding 12% per annum.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

13 Creditors: falling due within one year

		Group		Company	
	Notes	2015	2014	2015	2014
		£000	£000	£000	£000
Loans and overdrafts	12	8,757	11,992	-	-
Other taxation and social security		-	870	-	-
Trade creditors		3,719	2,966	-	-
Gross amounts due to contract customers		876	876	-	-
Amount due to related parties		14,681	10,535	14,681	10,535
Other creditors		1,738	2,160	-	-
Accruals and deferred income		787	1,055	-	-
		<u>30,558</u>	<u>30,454</u>	<u>14,681</u>	<u>10,535</u>

14 Creditors: amounts falling due after more than one year

		Group		Company	
	Notes	2015	2014	2015	2014
		£000	£000	£000	£000
Loans and overdrafts	12	368,242	373,617	24,337	24,337

15 Provisions for liabilities

		Group		Company	
		2015	2014	2015	2014
		£000	£000	£000	£000
Settlement of Phase 8		1,100	-	-	-

Movements on provisions:

Group	Settlement of Phase 8 £000
Additional provisions in the year	1,100

The provision for £1.1 million represents Healthcare Support (Newcastle) Limited contribution to Newcastle Upon Tyne Hospitals NHS Foundation Trust to the settlement of all disputes as outlined in the business review of the Strategic Report. The sum payable is due to the Trust no later than 90 business days of the effective date of the Settlement Agreement

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

16 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2015 £000	Assets 2014 £000
Group		
Tax losses	599	413
	<u>599</u>	<u>413</u>
	Group	Company
	2015	2015
	£000	£000
Movements in the year:		
(Asset) at 1 January 2015	(413)	-
Charge to profit or loss	(217)	-
Effect of change in tax rate - profit or loss	31	-
	<u>(599)</u>	<u>-</u>
(Asset) at 31 December 2015	(599)	-

17 Share capital and other reserves

	Group and company 2015 £000	2014 £000
Ordinary share capital		
Issued and fully paid		
51,000 ordinary shares of £1 each	51	51
	<u>51</u>	<u>51</u>
Other Reserves		
The Group's other reserves are as follows:		

The profit and loss reserve represents cumulative profits or losses.

18 Related party transactions

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

18 Related party transactions

(Continued)

Transactions with related parties

During the year the Group entered into the following transactions with related parties:

	2015 £000	2014 £000
Group		
Palio (No 15) Limited		
Sub-ordinated debt repayment	-	(15)
Sub-ordinated debt interest	-	(220)
Dividends	-	(188)
	<u>-</u>	<u>(423)</u>
	<u>-</u>	<u>-</u>
Interserve PFI 2005 Limited		
Sub-ordinated debt repayment	-	(20)
Sub-ordinated debt interest	-	(293)
Dividends	-	(251)
	<u>-</u>	<u>(564)</u>
	<u>-</u>	<u>-</u>
Innisfree PFI Secondary Fund		
Sub-ordinated debt repayment	-	(66)
Sub-ordinated debt interest	-	(762)
Dividends	-	(815)
	<u>-</u>	<u>(1,643)</u>
	<u>-</u>	<u>-</u>
Interserve Facilities Management Limited		
Facilities and lifecycle management fees	6,600	6,207
	<u>6,600</u>	<u>6,207</u>

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.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

18 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2015 £000	2014 £000
Group		
Palio (No 15) Limited	2,231	1,580
Interserve PFI 2005 Limited	2,974	2,107
Interserve FM Limited	532	423
Innisfree PFI Secondary Fund	9,476	6,848
	<u>15,213</u>	<u>10,958</u>

No guarantees have been given or received.

19 Controlling party

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

20 Subsidiaries

Details of the Company's subsidiaries at 31 December 2015 are as follows:

Name of undertaking	Country of incorporation or residency	Class of shareholding	% Held Direct
Healthcare Support (Newcastle) Finance Plc	United Kingdom	Ordinary Shares	100.00
Healthcare Support (Newcastle) Limited	United Kingdom	Ordinary Shares	100.00

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

21	Cash generated from operations	2015 £000	2014 £000
	Loss for the year	(889)	(1,507)
	Adjustments for:		
	Income tax expense recognised in profit or loss	(186)	(413)
	Finance costs recognised in profit or loss	16,402	21,991
	Investment income recognised in profit or loss	(14,059)	(19,015)
	Increase in provisions	1,100	-
	Movements in working capital:		
	Decrease in debtors	4,584	2,763
	Increase in creditors	19,351	22,721
	Cash generated from operations	<u>26,303</u>	<u>26,540</u>