Company Registration No. 04420880 (England and Wales)

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Mr A Watson	
	Ms H O' Gorman	
	Mrs G Birley-Smith	
	Mr J S Gordon	(Appointed 30 April 2019)
Secretary	HCP Social Infrastructure (UK) Limited	
Company number	04420880	
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG	
Auditor	KPMG LLP 66 Queen Square Bristol BS1 4BE	

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

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HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018.

Healthcare Support (Newcastle) Holdings Limited is the owner of Healthcare Support (Newcastle) Limited and Healthcare Support (Newcastle) Finance Plc. These three companies constitute the Healthcare Support (Newcastle) group of companies ('the group').

Business Review
The company has 100% shareholdings in Healthcare Support (Newcastle) Limited and Healthcare Support (Newcastle) Finance Plc, together the "Group". The principal activity of the Group is to design, develop and finance the construction of new extensions to the Royal Victoria Infirmary and Freeman Hospital, together with providing the ongoing maintenance and lifecycle services to these extensions, on behalf of the Newcastle Upon Tyne Hospitals NHS Foundation Trust (the "Trust"). Financial close was achieved on 4 May 2005. The concession period is 38 years.

John Laing Investments Limited (since transferred to John Laing Infrastructure Fund Limited), Interserve PFI 2003 Limited and Innisfree Nominees Limited invested £1,000 share capital in the company. John Laing Investments Limited (since transferred to 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 subordinated debt on 8 March 2010.

John Laing Infrastructure Fund Limited was acquired on 28 September 2018 by Jura Acquisition Limited, a subsidiary of Jura Holdings Limited owned by a consortium jointly led by a fund managed by Dalmore Capital Limited and Equitix Investment Management Limited. On 12 October 2018 John Laing Infrastructure Fund Limited was renamed Jura Infrastructure Limited.

As discussed in more detail in Note 1, during 2017 and 2018, the level of service provided by the principal subcontractor of Healthcare Support (Newcastle) Limited to the Trust was below that required and as a result the Company notified its lenders (the "Lenders") on 27 November 2017 that sufficient Service Failure Points ("SFP"s) had been awarded against Healthcare Support (Newcastle) Limited that Events of Default had occurred under the terms of the Company's finance documents which govern the lending arrangement in respect of the Company's bond and bank loan (the "Finance Documents").

In addition, on 15 March 2019 the parent company of the Interserve (Facilities Management) Limited (the "FM Subcontractor"), Interserve PLC, went into administration with the lenders taking control of a newly formed parent company, Interserve Group Limited ("IGL"). Under the Finance Documents the administration of Interserve PLC triggered an Event of Default.

The implications of an Event of Default are that the Lenders have a number of rights/remedies available to them which include requiring that the amounts owing under the Finance Documents are immediately repaid in full. The Directors have discussed the current levels of service and the administration of Interserve PLC with the Lenders and received assurances that the Lenders do not currently intend to exercise their rights following the Events of Default to require repayment of the outstanding borrowings immediately.

As at the balance sheet date there were Events of Default that had not been waived or formally deemed remedied by the Lenders. Consequently, the Group's bond and bank loans have been classified as due within 1 year in the balance sheet.

The Directors have sought legal advice and prepared, with the support of an external specialist, a plan of remedial actions (the "Plan") which they would undertake in order to improve service levels and to reduce the levels of SFPs so that further Events of Default would not occur. The Plan was presented to the Lenders on 29 January 2018 and accepted by them. Since the implementation of the plan the levels of service have been improved which is demonstrated by a reduction in the level of agreed SFPs incurred in the financial year. Notwithstanding the disputed SFPS on several specific areas, the Trust have acknowledged the improved performance of the Subcontractor. The Directors remain focused on resolving the specific areas of alleged service failures with the Trust. Good progress is being made in monthly Liaison Committee meetings between the Trust, Healthcare Support (Newcastle) Limited and Interserve (Facilities Management) Limited.

Business Review

The Directors have modelled the forecast financial performance of the Group, and taking into consideration reasonably possible changes to operations including the potential consequences of revenue deductions for service delivery failures and also associated costs for further remedial activity, they consider that the Group will remain in operational existence for the foreseeable future and will be able to make repayments of the Group's financing obligations which would be due in the event that the Lenders do not accelerate the repayments of principal as set out above.

The Directors have therefore concluded that until the Events of Default have been waived or deemed remedied by the Lenders these issues represent a material uncertainty that cast significant doubt on the Group's ability to continue as a going concern and that therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after considering the uncertainties described above, the Directors have a reasonable expectation that the Group will continue in operational existence for the foreseeable future. For these reasons, the Directors consider that it is appropriate to prepare the accounts on a going concern basis.

Principal Risks and Uncertainties
The Group has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the Group's performance. The directors have policies for managing each of these risks and they are summarised below:

Lifecycle

A risk borne by the Group is that lifecycle costs exceed those forecast in the financial model agreed at financial close. This risk is mitigated by future estimates of lifecycle expenditure being prepared by maintenance experts on an asset by asset basis and by the periodic technical evaluations of the physical condition of the facilities. In addition, comparisons of actual expenditure are compared to the lifecycle forecast.

Availability

Investment in the project is funded primarily by the Loan, Bond and subordinated unsecured loan stock. During the operational phase the principal source of funds available to meet its liabilities under the Loan and Bond is the unitary charge received from the Trust under the Project Agreement. Failure to achieve the forecast levels of availability would result in lower than forecast revenues and this may adversely affect the Group's ability to make payments to the lenders. Deductions of £1,490,571 (2017: £490,000) were incurred in the year, £1,308,090 of these were recovered from subcontractors, resulting in a net cash outflow of £182,481 (2017: £21,000 cash inflow). The Group disputes the level of deductions levied by the Trust and discussions remain ongoing regarding the agreed level of SFPs. However, to protect the financial stability of the Group, deductions are passed down to subcontractors to the fullest extent possible in line with the contractual framework.

Service performance

Financial risk under the Project Agreement and related contracts is substantially passed on to the service providers. However, poor performance may result in the Trust having the right to terminate the Project Agreement due to the level of SFPs being above the thresholds stated in the Project Agreement. Agreed SFPs are below the level required for the Project Agreement to be terminated. The remedial plan implemented in January 2018 has assisted in reducing agreed SFPs to below the termination threshold. Subcontractor performance continues to improve and SFPs are expected to reduce further in the course of 2019.

Service provider failure

The likelihood of this risk is assessed through the review of service provider financial statements and through discussions with the service providers. On 15 March 2019 the parent company of the FM Subcontractor, Interserve PLC, went into administration with its lenders taking control of a newly formed parent company, Interserve Group Limited ("IGL"). There has been no impact to date on the direct ownership of the FM Subcontractor nor on its day-to-day operations. Although IGL has yet to provide comprehensive information on its financial position, the Directors believe that with the exchange of debt for equity and injection of additional cash, that IGL's financial position is more robust than that of Interserve PLC prior to it entering administration. However, a new PCG from IGL has yet to be put in place. The parties remain in discussions regarding a replacement PCG with a solution expected to be found in 2019. Substantial resources have been invested by IGL in improving service performance of the Subcontractor and the Group considers the likelihood of a failure of the Subcontractor to be low. However, as continuity of service delivery is of paramount importance, the company has a Business Continuity Plan which details how the Group would deal with a service provider failure. Sufficient cash reserves are maintained within the Group to enable it to take appropriate action should the need arise.

Brexit

The risks from Brexit are a result of the risk it poses to the sub-contracted service provider, rather than the group itself. This is therefore linked to the service performance and service provider failure risks discussed above. The group is insulated from these risks because non-performance will result in deductions being passed down to the service provider, however there remains a risk that in extreme circumstances non-performance may result in the Trust having the right to terminate the Project Agreement.

The service provider has performed a review of its exposure to Brexit. The relevant concerns relate to spare parts, materials and EU labour, with primary concerns revolving around delays in delivery and increased transportation costs of those supplies which come from the EU.

While there will likely be some disruption, the service provider has a strategy in place to keep this to a minimum. This will result in higher costs to the service provider, however this will not impact the group itself. The group is comfortable that the increased costs and disruption will not threaten the service provider to such an extent as to put the project at risk.

Development and performance

Turnover in the year decreased to £13,980,000 (2017: £16,710,000) largely due to a reduction in utilities pass through income and financial deductions being applied by the Trust against the monthly service fee..

Interest receivable and similar income, which is largely the interest earned on the finance debtor balance, decreased to £22,358,000 (2017: £23,196,000) due to a slight decrease in indexation and the annual amortisation of the outstanding balance.

Loan and bond interest payable, which is also index-linked, has decreased to £19,849,000 (2017: £20,413,000) due to a slight decrease in indexation. Interest payable on the subordinated loan has increased to £3,288,000 (2017: £2,959,000). Previously unpaid interest had been added to the outstanding balance, therefore increasing the interest payable in the current year.

The impact of these movements has resulted in a profit before taxation of £4,678,000 (2017: £4,956,000).

At 31 December 2018, the Group had net assets of £7,857,000 (2017: £4,060,000).

The finance debtor is being amortised over the life of the concession and the carrying value is is £317,939,000 (2017: £323,608,000). The finance debtor amortisation during the year was £5,669,000 (2017: £5,344,000). The directors believe the finance debtor to be recoverable over the term of the Project Agreement.

As explained above, the bond and the bank loan and the subordinated loan were classified in the year ended 31 December 3018 as due within one year. As a result, £328,445,000 (2017: £331,373,000) of bond and bank loan, and £24,337,000 (2017: £24,337,000) of subordinated loan, which would otherwise be classified as Creditors: Amounts due after more than one year have been included in Creditors: Amounts due within one year.

During the year the Group has not repaid any of the shareholder loan stock as scheduled repayments do not commence until 2043.

The Group has not declared any dividends to shareholders in the year ended 31 December 2018.

Key Performance Indicators
Financial penalties and SFPs are levied by the Trust in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The level of deductions and SFPs currently being levied by the Trust are disputed by the Group and discussions remain ongoing between both parties to resolve the issue.

Despite the level of deductions and SFPs being in dispute the quantum is an indication of unsatisfactory performance. Deductions are passed down to subcontractors to the fullest extent possible in line with the contractual framework. Deductions of £1,490,571 (2017: £490,000) were incurred in the year. £1,308,090 of these were recovered from subcontractors, resulting in a net cash outflow of £182,481 (2017: £21,000 cash inflow) to the Group.

The directors have modelled the anticipated financial outcome of the project across the term of the contract up to the end of the concession. The directors monitor actual performance against this anticipated performance. As discussed above the Group's performance as at 31 December 2018 against this measure is considered satisfactory.

The Group is providing a full range of facilities management services as required under the Project Agreement.

On behalf of the board

Alastair C. Watson

Mr A Watson
Director
27 June 2019

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

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

Mr R Marsden	(Resigned 14 January 2019)
Mr A Watson	
Ms H O' Gorman	
Mrs G Birley-Smith	
Mr J C Heath	(Resigned 30 April 2018)
Mr D Bradbury	(Appointed 30 April 2018 and resigned 30 April 2019)
Mr J S Gordon	(Appointed 30 April 2019)

Results and dividends
The results for the year are set out on page 11.

No ordinary dividends were paid (2017: £3,799,000). The directors do not recommend payment of a further dividend.

Qualifying third party indemnity provisions
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 risk management objectives and policies

Treasury operations and financial instruments
The group's financial instruments result in the group's exposure to liquidity, credit and interest rate risks. Further information on the financial instruments employed by the group can be seen below.

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

Interest Rate Risk
The group has external loan and bond debt 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 Trust, thereby mitigating inflationary risk.

Credit Risk
The group's principal financial assets are cash, financial assets and trade and other receivables. The group's 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 underwritten by the Department of Health.

Financial reporting risk and internal control

The group has outsourced the financial reporting function to HCP Social Infrastructure (UK) Limited ("HCP"). Authorities remain vested in the Board members of the group. HCP reports regularly to the Board of the group. The Board receives monthly reports from HCP which specifically summarise and address the financial, contractual and commercial risks that the group is exposed to, and are pertinent to the industry in which the group operates. The Board also receives monthly management accounts with explanations of variances from annual budgets and forecasts, which are in turn compared to the Financial Model, which represents the long term business plan of the group and outlines its ability to comply with its debt obligations and covenants. Material deviations from the business plan are investigated and reported on. Supporting this process, HCP evaluates its performance under the framework of an Internal Audit and Assessment programme which sits within its own Corporate Governance framework. This process ensures that the project remains robust and viable throughout the life of the contract.

Future developments

Details of future developments and events that have occurred after the balance sheet date can be found in the strategic report on page 1 and form part of this report by cross-reference.

Auditor

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

Mr A Watson
Director
27 June 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 *the financial reporting standard applicable in the UK and the Republic of Ireland.*

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 their or for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

Opinion

We have audited the financial statements of Healthcare Support (Newcastle) Holdings Limited ("the company") for the year ended 31 December 2018 which comprise the Group Statement of Comprehensive Income, Group and Company Balance Sheets, Group Statement of Cash Flows, Group and Company Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1.2 to the financial statements which indicates that there is a material uncertainty relating to the group and parent company's ability to continue as a going concern. Under the group and parent company's financing agreements events of default occurred prior to the balance sheet date and subsequently which have not been waived or deemed remedied. These events and conditions, along with the other matters explained in note 1.2, constitute a material uncertainty that may cast significant doubt on the group and parent company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our work and to whom we owe our responsibilities
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.

Huw Brown (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

27 June 2019

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £000	2017 £000
Turnover	3	13,980	16,710
Cost of sales		(8,100)	(11,147)
Gross profit		5,880	5,563
Interest receivable and similar income	7	22,358	23,196
Interest payable and similar expenses	8	(23,560)	(23,803)
Profit before taxation		4,678	4,956
Tax on profit	9	(881)	(949)
Profit for the financial year		3,797	4,007

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

The Group Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £000	2018 £000	2017 £000	2017 £000
Current assets					
Debtors falling due after more than one year	**13**	311,924		317,939	
Debtors falling due within one year	**13**	59,148		50,231	
Cash at bank and in hand		16,452		12,842	
		387,524		381,012	
Creditors: amounts falling due within one year	**14**	(379,667)		(376,952)	
Net current assets			7,857		4,060
Capital and reserves					
Called up share capital	**16**		51		51
Profit and loss reserves			7,806		4,009
Total equity			7,857		4,060

The financial statements were approved by the board of directors and authorised for issue on 27 June 2019 and are signed on its behalf by:

Mr A Watson
Director

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2018

		2018		2017	
	Notes	£000	£000	£000	£000
Fixed assets					
Investments	11		51		51
Current assets					
Debtors falling due after more than one year	13	24,337		24,337	
Debtors falling due within one year	13	5,555		2,267	
		29,892		26,604	
Creditors: amounts falling due within one year	14	(29,892)		(26,604)	
Net current assets			-		-
Total assets less current liabilities			51		51
Capital and reserves					
Called up share capital	16		51		51

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 (2017: £3,799,000).

The financial statements were approved by the board of directors and authorised for issue on 27 June 2019 and are signed on its behalf by:

Alastair C Watson

Mr A Watson
Director

Company Registration No. 04420880

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £000	Profit and loss reserves £000	Total £000
Balance at 1 January 2017		51	3,801	3,852
Year ended 31 December 2017:				
Profit and total comprehensive income for the year		-	4,007	4,007
Dividends	10	-	(3,799)	(3,799)
Balance at 31 December 2017		51	4,009	4,060
Year ended 31 December 2018:				
Profit and total comprehensive income for the year		-	3,797	3,797
Balance at 31 December 2018		51	7,806	7,857

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £000	Profit and loss reserves £000	Total £000
Balance at 1 January 2017		51	-	51
Year ended 31 December 2017:				
Profit and total comprehensive income for the year		-	3,799	3,799
Dividends	**10**	-	(3,799)	(3,799)
Balance at 31 December 2017		51	-	51
Year ended 31 December 2018:				
Profit and total comprehensive income for the year		-	-	-
Balance at 31 December 2018		51	-	51

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

		2018		2017	
	Notes	**£000**	**£000**	**£000**	**£000**
Cash flows from operating activities					
Cash generated from operations	**19**		27,613		28,663
Income taxes paid			(837)		(367)
Net cash inflow from operating activities			26,776		28,296
Investing activities					
Interest received		133		114	
Movement in other financial assets		(1,264)		(809)	
Net cash used in investing activities			(1,131)		(695)
Financing activities					
Interest paid		(8,254)		(16,581)	
Repayment of bank loans		(13,781)		(13,154)	
Dividends paid to equity shareholders		-		(3,799)	
Net cash used in financing activities			(22,035)		(33,534)
Net increase/(decrease) in cash and cash equivalents			3,610		(5,933)
Cash and cash equivalents at beginning of year			12,842		18,775
Cash and cash equivalents at end of year			16,452		12,842

1 Accounting policies

Company information

Healthcare Support (Newcastle) Holdings Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

The group consists of Healthcare Support (Newcastle) Holdings Limited and all of its subsidiaries.

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.

In these financial statements, the parent company is considered a qualifying entity (for the purpose of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of number of shares outstanding from the beginning to the end of the period;
- Cash flow statement and related notes; and
- Key management personnel compensation.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

1.2 Going concern

During the years ended 31 December 2017 and 2018, the level of service provided by Interserve (Facilities Management) Limited (the "Subcontractor"), who is the principal subcontractor of the Group, was below that required under the agreements between the SPV and The Newcastle upon Tyne NHS Foundation Trust (the "Trust") and also that is required under the finance documents governing the lending arrangement in respect of the Company's bond and bank loan (the "Finance Documents").

The financial impact of the service level breach on the agreement with the Trust (the "Project Agreement") is that financial penalties of £830,500 (2017: £490,000) were incurred as a deduction from the revenues due under the Project Agreement in the year ended 31 December 2018. These were passed on in full to the Subcontractor. In addition, deductions of £600,071 were incurred in relation to unavailability caused by fire rectification works, £538,416 of these deductions were passed down to the Subcontractor and Laing O'Rourke (the "Building Contractor".) Healthcare Support (Newcastle) Limited disputes the level of deductions levied by the Trust and discussions remain ongoing regarding the level of deductions. However, to protect the financial stability of the Group all deductions are passed down to subcontractors to the fullest extent possible in line with the contractual framework.

There were under the terms of the Project Agreement service failure points ("SFPs") awarded against the Group. Under the terms of the Finance Documents, the level of points awarded was sufficient to trigger Events of Default as defined in the Finance Documents. This was notified to the Group's lenders (the "Lenders") on 27 November 2017.

1 Accounting policies **(Continued)**

Since May 2018 the agreed level of SFPs has been below the threshold of an Event of Default under the Finance Documents. However, there are several alleged service failure issues in relation to which the Trust has claimed a level of SFPs and financial deductions that Healthcare Support (Newcastle) Limited does not accept. The parties are committed to resolving these differences with regular meetings between senior management of both sides being held. The impact of these disputed deductions is mostly cash and profit neutral as they have been passed down to the Subcontractor and Building Contractor to the fullest extent possible.

On 15 March 2019 the parent company of the Subcontractor, Interserve PLC, went into administration with its lenders taking control of a newly formed parent company, Interserve Group Limited ("IGL"). Under the Finance Documents the administration of Interserve PLC triggered an Event of Default. The Lenders were notified of the situation on 29 March 2019. Once the parties are satisfied as to IGL's financial position, a parent company guarantee ("PCG") from IGL will be obtained and remedy the Event of Default. The parties remain in discussions regarding a replacement PCG with a solution expected to be found in 2019.

Substantial resources have been invested by IGL in improving service performance of the Subcontractor and the Group considers the likelihood of a failure of the Subcontractor to be low. However, as continuity of service delivery is of paramount importance, the Group has a Business Continuity Plan which details how the Group would deal with a service provider failure. Sufficient cash reserves are maintained within the Group to enable it to take the appropriate action should the need arise.

The above Events of Default have not been waived or deemed remedied by the Lenders. The implications of an Event of Default are that the Lenders have a number of rights/remedies available to them which include requiring that the amounts owing under the Finance Documents are immediately repaid in full.

The impact of this on the balance sheets at 31 December 2018 and 2017 is to classify the outstanding amounts of the bond and the bank loan and associated amounts of interest payable as a current liability as the Group does not have an unconditional right to avoid repayment for at least 12 months at the balance sheet date. As a result, £329,035,000 (2017: £331,373,000) of bond and bank loan which would otherwise be classified as Creditors: Amounts due after more than one year have been included in Creditors: Amounts due within one year.

In addition, under the terms of the shareholder loan agreement, as a result of the Events of Default, the shareholder loan notes also become repayable on demand and hence this balance of £24,337,000 (20017: £24,337,000) has been classified as current at 31 December 2018 and 2017.

As a result of the Events of Default, the Directors have sought legal advice and prepared, with the support of an external specialist, a plan of remedial actions (the "Plan") which they would undertake along with the Subcontractor in order to improve service levels and to reduce the levels of SFPs so that further Events of Default would not occur. The Plan was presented to the Lenders on 29 January 2018 and accepted by them. The Lenders have appointed a third party to monitor the implementation of the Plan and to report the level of SFPs arising. Since the implementation of the Plan the levels of service have improved which is demonstrated by a reduction in the level of agreed SFPs incurred in the financial year. Notwithstanding the disputed SFPs on several specific areas, the Trust has acknowledged the improved performance of the Subcontractor. The Directors remain focused on resolving the specific areas of alleged service failures wit the Trust. Good progress is being made in monthly Liaison Committee meetings between the trust, Healthcare Support (Newcastle) Limited and Interserve (Facilities Management) Limited.

The Directors have discussed the current levels of service and the administration of Interserve PLC with the Lenders and received assurances in June 2019 that the Lenders do not currently intend to exercise their rights following an Event of Default to require repayment of the outstanding borrowings immediately.

1 Accounting policies **(Continued)**

In addition, there are contained within the Finance Documents covenants with regard to financial performance. The Directors have modelled the forecast financial performance of the Group, and taking into consideration reasonably possible changes to operations including the potential consequences of revenue deductions for service delivery failures and also associated costs for further remedial activity or service provider failure, they consider that the Group will remain in operational existence for the foreseeable future and will be able to pay the interest on its borrowings and the principal amounts of bond and bank loans which would be due in the event that the Lenders do not accelerate the repayments of principal as set out above. The Group has not declared any dividends in the year ended 31 December 2018 and retains a robust balance sheet to ensure it is able to deliver on its obligations.

The Directors have concluded that until the Events of Default have been waived or deemed remedied by the Lenders these issues represent a material uncertainty that cast significant doubt on the Group's ability to continue as a going concern and that therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after considering the uncertainties described above, the Directors have a reasonable expectation that the Group will continue in operational existence for the foreseeable future. For these reasons, the Directors consider that it is appropriate to prepare the accounts on a going concern basis.

1.3 Turnover

Turnover in relation to service revenue is recognised in accordance with the service concession contract accounting policy. Turnover in relation to pass-through revenue and variation income is recognised when the services are performed.

1.4 Fixed asset investments

In the separate financial statements of the company, investments in subsidiaries are carried at cost less impairment.

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 balance sheet 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 debtors 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.

1 Accounting policies **(Continued)**

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Restricted cash

The group is obligated to keep separate cash reserves in respect of requirements in the group's funding agreements. This restricted cash balance amounts to £24,847,000 at the year end (2017: £23,820,000). The restricted balances within the "cash at bank and in hand" balance are £44,000 (2017: £281,000), and within debtors as "other financial assets" are £24,803,000 (2017: £23,539,000).

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. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal 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 are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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 creditors, Bonds and subordinated loans, 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.

1 Accounting policies **(Continued)**

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Other financial liabilities

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.6 Equity instruments

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

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 Accounting policies **(Continued)**

1.8 Service Concession Accounting

The group is an operator of a Public Finance Initiative ("PFI") contract. As the group entered into the contract prior to the date of transition to FRS102, the group has taken advantage of the exemption in section 35.10 (i) of FRS102 which permit it to continue to account for the service concession arrangements under the accounting policies adopted under old UK GAAP. In particular, the underlying asset is not deemed to be an asset of the group under old UK GAAP, because the risks and rewards of ownership as set out in that standard are deemed to lie principally with the Trust.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The group recognises revenue in respect of the services provided, including lifecycle services, as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

1.9 Interest receivable and payable

Interest payable and similar charges include interest payable on borrowings and associated ongoing financing fees.

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.

2 Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. 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 if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting estimates in applying the group's accounting policies are described below:

Critical estimates

Service concession agreement

Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the service concession contract. Lifecycle costs are a significant proportion of future expenditure. Given the length of the group's service concession contract, the forecast of lifecycle costs is subject to significant estimation uncertainty and changes in the amount and timing of expenditure could have material impacts. As a result, there is a significant level of judgement applied in estimating future lifecycle costs. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis and periodic technical evaluations of the physical condition of the facilities are undertaken. In addition, comparisons of actual expenditure are compared to the lifecycle forecast. If lifecycle costs cumulatively over the remainder of the concession increase by 5% the impact on revenue and profit in the year would be a decrease in revenue of £241,000 and a decrease in profit before tax of £241,000.

3 Turnover and other revenue

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

	2018 £000	2017 £000
Turnover		
Service fee income	14,756	13,122
Pass through income	(1,120)	3,018
Variation income	104	338
Rental income	240	232
	13,980	16,710

Within Pass through income there is a credit of £1,232,000 that relates to the reversal of prior year utilities revenue.

4 Auditor's remuneration

Fees payable to the company's auditor and associates:	2018 £000	2017 £000
For audit services		
Audit of the financial statements of the group and company	37	26

The fees payable of £37,000 (2017: £26,000) to the group's auditor for the audit of the company and the group's financial statements is borne by Healthcare Support (Newcastle) Limited, who will not seek reimbursement.

5 Employees

The company had no employees during the year (2017: nil).

6 Directors' remuneration

	2018 £000	2017 £000
Sums paid to related parties for directors' services	45	207

7 Interest receivable and similar income

	2018 £000	2017 £000
Interest income		
Interest on bank deposits	133	113
Interest on finance debtor	22,225	23,083
	22,358	23,196

8 Interest payable and similar expenses

	2018	2017
	£000	£000
Interest on bond and loans	20,273	20,844
Subordinated debt interest payable	3,287	2,959
	23,560	23,803

9 Taxation

	2018	2017
	£000	£000
Current tax		
UK corporation tax on profits for the current period	888	476
Adjustments in respect of prior periods	(7)	(3)
Total current tax	881	473
Deferred tax		
Changes in tax rates	-	(2)
Tax losses utilised	-	478
Total deferred tax	-	476
Total tax charge	881	949

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2018	2017
	£000	£000
Profit before taxation	4,678	4,956
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	888	954
Adjustments in respect of prior years	(7)	(3)
Effect of change in corporation tax rate	-	(2)
Taxation charge	881	949

A reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future tax accordingly.

10 Dividends

	2018	2017
	£000	£000
Interim paid (2017: £74.49 per share)	-	3,799

11 Fixed asset investments

		Group		Company	
		2018	2017	2018	2017
	Notes	£000	£000	£000	£000
Investments in subsidiaries	12	-	-	51	51

Movements in fixed asset investments
Company

	Shares in group undertakings
	£000
Cost or valuation	
At 1 January 2018 and 31 December 2018	51
Carrying amount	
At 31 December 2018	51
At 31 December 2017	51

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Healthcare Support (Newcastle) Limited	UK*	To design, build, finance and operate a PFI hospital project involved in developing the Royal Victoria Infirmary and Freeman Hospital in Newcastle Upon Tyne	Ordinary shares	100.00
Healthcare Support (Newcastle) Finance Plc	UK*	To finance a PFI hospital project involved in developing the Royal Victoria Infirmary and Freeman Hospital in Newcastle Upon Tyne	Ordinary shares	100.00

12 Subsidiaries **(Continued)**

The aggregate capital and reserves and the profit for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£000	£000
Healthcare Support (Newcastle) Limited	3,765	7,396
Healthcare Support (Newcastle) Finance Plc	32	461

* The full registered office is the same as that disclosed in the company information.

13 Debtors

	Group		Company	
	2018	2017	2018	2017
Amounts falling due within one year:	£000	£000	£000	£000
Trade debtors	1,535	1	-	-
Amounts owed by group undertakings	-	-	5,555	2,267
Finance debtor	6,015	5,669	-	-
Other financial assets	24,803	23,539	-	-
Other debtors	986	962	-	-
Prepayments and accrued income	25,809	20,060	-	-
	59,148	50,231	5,555	2,267
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	24,337	24,337
Finance debtor	311,924	317,939	-	-
	311,924	317,939	24,337	24,337
Total debtors	371,072	368,170	29,892	26,604

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

All financial assets above are held at amortised cost.

14 Creditors: amounts falling due within one year

		Group		Company	
		2018	2017	2018	2017
	Notes	£000	£000	£000	£000
Bank loans and bonds	15	342,749	344,497	-	-
Trade creditors		1,165	176	-	-
Amounts due to shareholders		29,892	26,604	29,892	26,604
Corporation tax payable		172	127	-	-
Other taxation and social security		1,096	843	-	-
Bond and loan accrued interest		2,056	2,072		
Accruals and deferred income		2,537	2,632	-	-
		379,667	376,951	29,892	26,604

As at the balance sheet date there were Events of Default subsisting pursuant to the group's finance documents and the group's lenders had not formally waived or deemed remedied those Events of Default. Consequently, the group's bank loan and bond amounts due to shareholders loan are classified as due within one year in the balance sheet. Upon remediation of the Events of Default and receipt of a waiver from the group's lenders amounts falling due within one year of £329,035,000 (2017: £331,773,000) and £24,337,000 (2017: £24,337,000) respectively would be transferred to Creditors: amounts falling due after more than one year.

All financial liabilities above are held at amortised cost.

15 Loans and borrowings

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Bank loans and bonds	342,749	344,497	-	-
Loans from shareholders	24,337	24,337	24,337	24,337
Payable within one year	367,086	368,834	24,337	24,337

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 20 - 23 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.

In addition, the group was provided with a credit facility of £24,658,000 from its shareholders, drawn down in March 2010. This facility accrues interest at an agreed rate of 12% per annum.

16 Share capital

	Group and company	
	2018	2017
Ordinary share capital	£000	£000
Issued and fully paid		
51,000 Ordinary shares of £1 each	51	51

17 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2018	2017
	£000	£000
Directors' services	45	207

Transactions with related parties

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

	Facilities and lifecycle management fees	
	2018	2017
	£000	£000
Group		
Interserve Facilities Management Limited	4,880	4,695

	Sub-ordinated debt interest	
	2018	2017
	£000	£000
Group		
Equion Health (Newcastle) Limited	2,630	2,367
Interserve PFI 2005 Limited	657	592

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2018	2017
	£000	£000
Group		
Interserve Facilities Management Limited	837	103
Interserve PFI 2005 Limited	5,979	5,320
Equion Health (Newcastle) Limited	23,914	21,284
	30,730	26,707

17 Related party transactions **(Continued)**

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 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.

19 Cash generated from group operations

	2018 £000	2017 £000
Profit for the year after tax	3,797	4,007
Adjustments for:		
Taxation charged	881	949
Interest payable and similar expenses	23,560	23,803
Interst receivable and similar income	(22,358)	(23,196)
Decrease in provisions	-	(178)
Movements in working capital:		
Decrease in debtors	20,586	21,040
Increase in creditors	1,147	2,238
Cash generated from operations	27,613	28,663