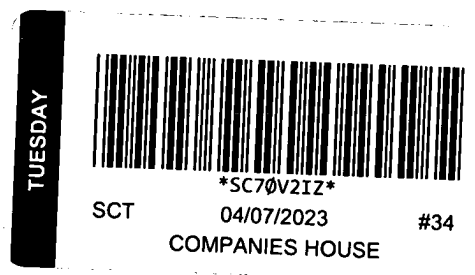


Company registration number 04420880 (England and Wales)

**HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**



# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## COMPANY INFORMATION

---

**Directors**  
Mr A J Watson  
Mrs G Birley-Smith  
Mr J S Gordon  
Mr J McDonagh

**Secretary** Resolis Limited

**Company number** 04420880

**Registered office**  
1 Park Row  
Leeds  
United Kingdom  
LS1 5AB

**Auditor**  
BDO LLP  
55 Baker Street  
London  
W1U 7EU

---

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## CONTENTS

---

	Page
Strategic report	1 - 7
Directors' report	8 - 9
Directors' responsibilities statement	10
Independent auditor's report	11 - 14
Group statement of comprehensive income	15
Group balance sheet	16
Company balance sheet	17
Group statement of changes in equity	18
Company statement of changes in equity	19
Group statement of cash flows	20
Notes to the Group financial statements	21 - 36

---

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

The directors present the strategic report for the year ended 31 December 2022.

### Principal Activities and Fair Review of Business

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.

### Going Concern

The financial statements are prepared on a going concern basis notwithstanding that, historically (during the years ending 31 December 2017 and 2018), the level of service provided by the principal subcontractor of the Group, Mitie FM Limited ("Mitie") (previously named Interserve (Facilities Management) Limited) (the "Service Provider") to the Trust was below that required and as a result the Group notified its lenders (the "Majority Creditors") on 27 November 2017 that sufficient Service Failure Points ("SFPs") had been awarded against the Group that Events of Default had occurred under the terms of the Group's finance documents which govern the lending arrangement in respect of the Group's bond and bank loan (the "Finance Documents"). Further Events of Default occurred in October 2021 and December 2022, this was due to a fall in service performance, but related to a specific set of circumstances that are currently being addressed by the Group.

In addition, on 15 March 2019 the former parent company of the Service Provider, 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. On 1 December 2020 Mitie PLC acquired the Support Services division of IGL, including the Service Provider. Discussions to finalise a replacement parent company guarantee ("PCG") from Mitie Plc are ongoing between the Majority Creditors and Mitie Plc. The directors expect this replacement PCG to be obtained, but this is outside of the directors' control. Once a new PCG is in place, the directors expect the Majority Creditors will deem this Event of Default to have been remedied under the Finance Documents.

The implications of an Event of Default are that the Majority Creditors 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, the ongoing negotiations to reach a settlement agreement and the requirement to obtain a parent company guarantee with the Majority Creditors and received assurances that the Majority Creditors do not currently intend to exercise their rights following the Events of Default to require repayment of the outstanding borrowings immediately. However, these had not been formally waived or deemed remedied by the Majority Creditors. Consequently, the Group's borrowings have been classified as due within 1 year on the balance sheet.

As a result, in conjunction with the Service Provider and with the consent of the Majority Creditors, the Group put in place a service performance improvement plan, which has now been substantially delivered. The Trust has recognised the improvement in service delivery by the Service Provider. Other than the isolated event that gave rise to the Events of Default in October 2021 and December 2022, the agreed declared level of SFPs have remained below the thresholds for an Event of Default under the Finance Documents since May 2018. However, there are several alleged service failure issues (outside of the fire rectification works discussed below) in relation to which the Trust has claimed a level of SFPs and financial deductions over 2018 to 2023 that the Group does not accept. The quantum of these SFPs under dispute, if agreed in the Trust's favour, would lead to a further Event of Default under the Finance Documents.

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

### Going Concern (continued)

Fire rectification works being undertaken by the Building Contractor were scheduled to be complete in February 2020 (claimed by the Trust to be the "Longstop Date"). However, due to repeated restrictions of access to certain areas of the hospital these works are still continuing. In relation to these fire rectification works; the Trust has claimed a level of SFPs and financial deductions over 2023, 2022 and 2021 that the Group does not accept. The Dispute Avoidance Committee ("DAC"), set up under the Project Agreement, had ruled in March 2021 that there is no valid Longstop Date as there was no valid Notice of Fireworks Programme Approval. Under this ruling, the Trust was not, and is not, entitled to levy deductions and SFPs for any failure to rectify fire deficiencies by this date. The Trust exercised their right to appeal the decision of the DAC and the matter was taken to Adjudication. The outcome of the Adjudication also ruled in favour of the company, in that there is no valid Longstop date. The Trust do have a further right to refer the matter to court. However, the Board consider this and the probability that the Trust would be successful to be a low risk and not plausible.

The parties are committed to resolving all service performance SFPs, and financial deductions, and negotiations are ongoing to reach a settlement agreement on all these disputed service performance items. The Majority Creditors have indicated that a settlement agreement that achieved these objectives would remedy all the service performance related Events of Default referred to above under the Finance Documents. In relation to the fire rectification works, the parties are committed to concluding these works and discussions are ongoing to agree a revised programme to complete them.

The Directors have prepared cash flow and covenant compliance forecasts for the Group and Company covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downside scenarios, including the potential consequences of financial deductions in respect of fire defect works and also the potential costs of failure of the Building Contractor, the Group and Company will have sufficient funds to meet its liabilities as they fall due for that period and there are no forecast covenant breaches. This assumes the Majority Creditors do not accelerate the repayments of principal. The failure of the building contractor would be a further Event of Default if this were to occur.

As at 31 December 2022, the principle terms of the Settlement Agreement, details of which are outlined in the Going Concern note 1.3, have been substantially agreed upon and include the possible transfer of some obligations for remedial works from the Trust to the Group. The possible transfer of the obligations would not take place until all terms of this settlement agreement has been agreed and executed and may result in additional costs to the Group. The directors believe that the entity has no obligation under terms of the Project Agreement and therefore no provision for any liability has been made in these financial statements.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern and that it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. See note 1.3 for further details.

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

---

### Principal Risks and Uncertainties (continued)

#### **Lifecycle**

A risk borne by the Group is that lifecycle costs exceed those forecast in the financial model. 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 which have been on-lent to the Company from Healthcare Support (Newcastle) Finance Plc. 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 Healthcare Support (Newcastle) Finance Plc, who then in turn pays the Majority Creditors. Deductions of £2,324,000 (2021: £2,126,000) were incurred in the year, of which £2,324,000 (2021: £2,122,000) was recovered from the Service Provider and the Building Contractor, resulting in a net cash outflow of £0 (2021: £4,000). The Group disputes the level of financial deductions levied by the Trust. However, to protect the financial stability of the Company, deductions are passed down to the Service Provider and the Building Contractor as appropriate and 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 Provider and the Building Contractor. 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. The remedial plan agreed in January 2018 and subsequently implemented has assisted in reducing agreed SFPs to below the termination threshold. Service Provider performance in particular continues to improve and agreed SFPs were below the termination threshold throughout the majority of 2021 and 2022, with a specific set of circumstances taking the SFPs above the threshold in October 2021.

#### **Service Provider failure**

The likelihood of this risk is assessed through the review of the Service Provider financial statements and through discussions with the Service Provider. On 15th March 2019 the parent company of the Service Provider, Interserve PLC, went into administration with its lenders taking control of a newly formed parent company, Interserve Group Limited ("IGL"). On 1 December 2020 Mitie Plc acquired Interserve Support Services and services are now being provided by Mitie FM Limited ("Mitie"). There has been no disruption in the services provided since the acquisition. Discussions to finalise a parent company guarantee ("PCG") from Mitie Plc are in advanced stages. Once a new PCG is in place the related Event of Default will be remedied under the finance documents. Substantial resources have been invested in improving service performance of the Service Provider by Mitie and the Group currently considers the likelihood of a failure of the Service Provider to be low. However, as continuity of service delivery is of paramount importance, the Group has a Business Continuity Plan which details how it 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.

#### **COVID-19 risk**

The Group is exposed to the COVID-19 risk as a result of the inherent uncertainty around the impact of the pandemic on UK society and economy. Whilst the Group itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the ability to continue to perform required services. Performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. There has been no adverse impact on the Group to date as an impact of Covid-19, therefore the directors are comfortable that COVID-19 will not affect the ability of the Group to continue as a going concern.

#### **Interest rate risk**

The Group is exposed to interest rate risk on bank balances with floating interest rates, however the directors do not consider this exposure to be significant. The guaranteed secured loan and bond, and the unsecured subordinated loan notes, all have fixed rates until 2038, 2041 and 2043 respectively, thus there is no interest rate risk associated with these financial liabilities (senior debt is index linked) therefore directors are comfortable this does not affect the ability of the Group to continue as a going concern.

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### Principle risks and uncertainties (continued)

##### ***Inflation Risk***

The Group has senior debt borrowings which are index linked to RPI (all items). The Group partially mitigates this RPI risk by having an index linked unitary contract with the Newcastle Upon Tyne Hospitals NHS Foundation Trust, thereby partially mitigating inflationary risk therefore the directors are comfortable inflation risk will not affect the Group's ability to continue as a going concern.

##### **Financial performance and position**

The Group made a pre-tax loss of £196,000 (2021: pre-tax profit of £4,196,000) for the year on a turnover of £18,732,000 (2021: £18,029,000). The decrease in profits was largely due to a large provision being made in 2021 for bad debt in relation to SA2 and in 2022 higher sub debt interest was payable resulting from compounded interest on the unpaid accrued sub debt interest balance.

Turnover has increased by 1% during the year due to both an increase in income from variations carried out in the year and an increase in costs on which service margin is recognised. Operating profit increased to £7,147,000 (2021: £6,326,000). Included within cost of sales on the Statement of Comprehensive Income is lifecycle expenditure of £1,181,000 for the year ended 31 December 2022 (2021: £1,142,000).

Interest receivable and similar income, which is largely comprised of interest earned on the finance debtor balance, increased to £41,971,000 (2021: £19,548,000), despite the annual repayment of the outstanding finance debtor balance, due to an increase in indexation.

Loan and bond interest payable, which is also index-linked, has increased to £44,071,000 (2021: £17,654,000), despite the continuing repayment of the Group's borrowings, due to an increase in indexation. Interest payable on the subordinated loan has increased to £5,243,000 (2021: £4,024,000) due to the impact of compounded interest unpaid from previous years.

At 31 December 2022 the Group had net assets of £15,284,000 (2021: £15,443,000).

Cash balances at 31 December 2022 were £62,860,000 (2021: £54,721,000). Restricted cash balances were £29,418,000 (2021: £28,517,000), the increase largely due to lower lifecycle expenditure in the year increasing the amount of future lifecycle expenditure needing to be reserved. Of the restricted cash balances, £9,989,000 (2021: £9,867,000) is held within the Lifecycle Reserve Account (one of the reserve accounts mandated by senior lenders under the company's finance arrangements, from which future lifecycle expenditure is funded). There were also balances of £318,000 (2021: £395,000) within Trade creditors, relating to payments for lifecycle at 31 December 2022.

During the year the Group has not repaid any of the subordinated unsecured 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 2022 (2021: £nil).

Cash generated from group operations increased to £31,998,000 (2021: £27,890,000). Tax paid decreased slightly to £270,000 (2021: £674,000). Overall, net cash inflow from operating activities increased to £31,728,000 (2021: £27,216,000).

Cash used in financing activities increased to £23,605,000 (2021: £22,865,000).

The net increase in cash and cash equivalents was £8,139,000 (2021: £4,351,000).

##### ***Company***

At 31 December 2022 the Company had net assets of £51,000 (2021: £51,000). The increase in Debtors: amounts falling due within one year of £5,243,000 (2021: £4,024,000), and the corresponding increase in Creditors: amounts falling due within one year, is due to accrued interest on the subordinated debt.

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### Section 172 Companies Act 2006 Statement

The directors have a duty to promote the success of the Group and the Company for the benefit of the shareholders as a whole and to describe how this duty has been performed with regard to those matters set out in section 172 of the Companies act 2006 ("section 172").

The directors have identified the Group's main stakeholders as the following:

i. The Group's shareholders, bondholders and credit provider

Principal considerations of the board are whether the investment objective of the Group is meeting shareholder and bondholder expectations and how the manager implements the objective. These are discussed at all board meetings, which are held regularly throughout the year. The board also attends regular shareholder and bondholder briefing meetings to ensure that shareholder and bondholder engagement is optimized.

ii. The client

The board recognises the importance of working in partnership with its public sector client to successfully deliver a key public infrastructure asset. On behalf of the Group, the manager fosters this partnership through regular meetings with the client representative and other key managers. The manager provides regular monthly reporting to the public sector client on the performance of its obligations under the PFI arrangement. Periodically the directors will also meet with the public sector client to discuss key service delivery matters.

iii. The service provider

On behalf of the Group, the manager seeks to maintain a constructive relationship with the service provider by meeting regularly. The service provider reports provided to the Group contain relevant information about the performance of the PFI contract. These reports are reviewed by both the manager and the board. Periodically the directors will also meet with the service provider to discuss key service delivery matters.

iv. The manager

The delivery by the manager of its services is fundamental to the long-term success of the Group. The board seeks to engage regularly with the manager through a number of forums, including at board meetings, portfolio briefings and through engagement with the manager's senior leadership team. Regular reporting is provided to the board by the manager, which will alert the board to changes to regulation or market practice, which will inform the board's decision making.



# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### Section 172 Companies Act 2006 Statement (continued)

Throughout the year the board has made due consideration during its discussions and decision-making of the matters set out in section 172 and below is a description of how the directors have had regards to these matters when performing their duties:

(a) The likely consequences of any decision in the long term

The Group has outsourced the management of the Group to Resolis Limited ("Resolis"), the manager. Resolis took over the management services contract of the Group from Vercity Social Infrastructure (UK) Limited on 1 July 2022. The delivery by the manager of its services is fundamental to the long-term success of the Group. The board seeks to engage regularly with the manager through a number of forums, including at board meetings, portfolio briefings and through engagement with the manager's senior leadership team. Regular reporting is provided to the board by the manager, which will alert the board to changes to regulation or market practice, which will inform the board's decision making. Given the Event of Default that occurred in the year described further in note 1.3, the Board have made decisions regarding the management of Mitie and the inclusion of this EoD into the ongoing negotiations to reach a settlement agreement.

(b) The interests of the Group's employees

As an externally managed Group, the Group's activities are all outsourced and therefore it does not have any employees. The Group does however, pay due regard to the interests and safety of all those engaged by contractors to the Group to perform services on its behalf.

(c) The need to foster the Group's business relationships with suppliers, customers and others

The Group is committed to upholding the underlying principle of PFI of working in partnerships with all parties to the arrangement. As noted above, the Group has policies and procedures to ensure regular communication is maintained between the parties.

(d) The impact of the Group's operations on the community and the environment

The Group has very limited direct impact on the environment. Notwithstanding that the Group is committed to minimizing environmental disruption from its activities. The board upholds the Group's environmental policy in all its activities and requires all parties to the arrangement to do the same.

The board recognises that the Group is a key partner in the delivery of public infrastructure and encourages its partners in considering and delivering Environmental, Social and Governance (ESG) values and initiatives to achieve socially responsible investing.

(e) The desirability of the Group maintaining a reputation for high standards of business conduct

The Group is committed, in its day to day operations and dealings with all affiliates to uphold the highest standard of business conduct and integrity. The directors are not responsible for setting a "business culture" in the traditional sense, but are committed to understanding the culture of the manager and service providers and raise any concerns in this regard if necessary.

(f) The need to act fairly between members of the Group and company

The members of the Group and company are represented at board meetings by their appointed director(s). Conflicts on matters to be discussed are identified at each meeting of the board. Directors representing a member with a conflict of interest may therefore be excluded from any discussion or vote in regards to it.

## HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

### STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

#### Section 172 Companies Act 2006 Statement (continued)

The directors are cognisant of their duty under s172 in their deliberation as a board on all matters. Decisions made by the board take into account the interests of all the Group's key stakeholders and reflect the board's belief that the long-term sustainable success of the Group is linked directly to its key stakeholders.

On behalf of the board



Mr A J Watson  
Director

30 June 2023

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2022

---

The directors present their annual report and financial statements for the year ended 31 December 2022.

#### Principal activities

The principal activity of the Company and Group continued to be 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").

#### Results and dividends

The results for the year are set out on page 15.

No ordinary dividends were paid (2021: nil). The directors do not recommend payment of a further dividend.

#### Directors

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

Mr A J Watson

Ms H O'Gorman

Mrs G Birley-Smith

Mr J S Gordon

J McDonagh

(Resigned 26 April 2023)

(Appointed 26 April 2023)

#### Directors' interests

There are no directors' interests requiring disclosure under the Companies Act 2006.

#### Supplier payment policy

The Group's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The Group's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the Group's contractual and other legal obligations.

#### Financial risk management objectives and policies

##### *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.

##### *Inflation Risk*

The Group has senior debt borrowings which are index linked to RPI (all items). The Group partially mitigates this RPI risk by having an index linked unitary contract with the Newcastle Upon Tyne Hospitals NHS Foundation Trust, thereby partially mitigating inflationary risk.

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

---

### *Interest Rate Risk*

The Group is exposed to interest rate risk on bank balances with floating interest rates, however the directors do not consider this exposure to be significant.

The guaranteed secured loan and bond, and the unsecured subordinated loan notes, all have fixed rates until 2038, 2041 and 2043 respectively, thus there is no interest rate risk associated with these financial liabilities (senior debt is index linked).

### *Credit Risk*

The Company's principal financial assets are cash, finance debtor and trade and other receivables. The Company'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 and underwritten by the Department of Health.

### *Lifecycle risk*

Lifecycle expenditure is the main risk to the business. The risk being that the allowance for lifecycle costs factored into the financial model is insufficient to cover future lifecycle expenditure, thus resulting in lower profitability and reduced distributions. This is mitigated by regular lifecycle reviews undertaken by the management services provider and a detailed lifecycle review performed every five years.

### *Events during year*

The Company has no post reporting date events to report.

### *Future developments*

Details of future developments and the directors' statement can be found in the strategic report on page 1 to 5 and form part of this report by cross-reference.

### *Auditor*

BDO LLP were appointed as auditor to the Group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

### *Energy and carbon report*

As the Group has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

### *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 Group 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 Group is aware of that information.

On behalf of the board



Mr A J Watson  
Director

30 June 2023

# **HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2022***

---

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and 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 and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 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

---

#### Opinion on the financial statements

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 2022 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Healthcare Support (Newcastle) Holdings Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2022 which comprise Group Statement of Comprehensive Income, Group and Company Balance Sheet, Group and Company Statement of Changes in Equity, Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Material uncertainty related to going concern

We draw attention to note 1.3 in the financial statements concerning the Group's and Parent Company's ability to continue as a going concern. This states that the Group has been notified of an Event of Default and that as a result liabilities of approximately £334 million have been reclassified as falling due within one year. The directors have concluded that until the Event of Default has been formally waived or deemed remedied by the Credit Providers, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

---

#### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of our audit:

- 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; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

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.

#### Responsibilities of directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the 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 the Directors 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 for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 these financial statements.

## HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

### INDEPENDENT AUDITOR'S REPORT (CONTINUED)

#### TO THE MEMBERS OF HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

---

##### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

##### *Non-compliance with laws and regulations*

Based on our understanding of the Group and industry, we identified the principal risk of non-compliance with laws and regulations that might have a material effect on the financial statements and direct impact on the preparation of the financial statements, to be the Companies Act 2006 and the applicable accounting framework.

Based on our understanding of the Company and the industry in which it operates, discussion with management and those charged with governance and obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations, we considered the significant laws and regulations to be the applicable accounting framework and the Companies Act 2006.

##### *Our procedures in respect of the above included:*

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations; and
- Agreement of the financial statement disclosures to underlying supporting documentation.

##### *Irregularities including fraud*

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud;
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud; and
- Discussion among the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management bias in accounting estimates and posting inappropriate journal entries to manipulate the fair value of the Company's assets (management override of controls).

##### *Our procedures in respect of the above included:*

- Challenging assumptions and judgements made by management in areas involving significant estimates, with the key source of estimation identified; and
- We tested journal entries based on identified characteristics the audit team considered could be indicative of fraud, as well as large and unusual transactions based upon our knowledge of the business by agreeing to supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.



# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED


---

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org/auditorsresponsibilities>. This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
6EEEEF00CF07B4FA...

Cassie Forman-Kotsapa  
(Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK  
30 June 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

### GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £000	2021 £000
Turnover	3	18,732	18,029
Cost of sales		(7,155)	(5,769)
Gross profit		11,577	12,260
Administrative expenses		(4,430)	(5,934)
Operating profit		7,147	6,326
Interest receivable and similar income	6	41,971	19,548
Interest payable and similar expenses	7	(49,314)	(21,678)
(Loss)/profit before taxation		(196)	4,196
Tax credit/(charge)	8	37	(797)
(Loss)/profit and total comprehensive income for the financial year		(159)	3,399

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 2022

		2022		2021	
	Notes	£000	£000	£000	£000
<b>Current assets</b>					
Debtors falling due after more than one year	11	342,969		324,496	
Debtors falling due within one year	11	16,585		10,504	
Cash at bank and in hand	12	62,860		54,721	
		422,414		389,721	
Creditors: amounts falling due within one year	13	(407,130)		(374,278)	
<b>Net current assets</b>			<b>15,284</b>		<b>15,443</b>
<b>Capital and reserves</b>					
Called up share capital	16		51		51
Profit and loss account			15,233		15,392
<b>Total shareholders' funds</b>			<b>15,284</b>		<b>15,443</b>

The financial statements were approved by the board of directors and authorised for issue on 30 June 2023 and are signed on its behalf by:



Mr A J Watson  
Director

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2022

		2022		2021	
	Notes	£000	£000	£000	£000
<b>Fixed assets</b>					
Investments	9		51		51
<b>Current assets</b>					
Debtors falling due after more than one year	11	24,337		24,337	
Debtors falling due within one year	11	22,082		16,839	
		<u>46,419</u>		<u>41,176</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(46,419)</u>		<u>(41,176)</u>	
<b>Net current assets</b>			-		-
<b>Net assets</b>			<u>51</u>		<u>51</u>
<b>Capital and reserves</b>					
Called up share capital	16		<u>51</u>		<u>51</u>

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 (2021: £nil).

The financial statements were approved by the board of directors and authorised for issue on 30 June 2023 and are signed on its behalf by:



Mr A J Watson  
Director

Company registration number 04420880 (England and Wales)

## HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

### GROUP STATEMENT OF CHANGES IN EQUITY

*FOR THE YEAR ENDED 31 DECEMBER 2022*

---

	Share capital	Profit and loss reserves	Total
	£000	£000	£000
Balance at 1 January 2021	51	11,993	12,044
Year ended 31 December 2021:			
Profit and total comprehensive income for the financial year	-	3,399	3,399
Balance at 31 December 2021	51	15,392	15,443
Year ended 31 December 2022:			
Loss and total comprehensive income for the financial year	-	(159)	(159)
Balance at 31 December 2022	51	15,233	15,284

---

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY

*FOR THE YEAR ENDED 31 DECEMBER 2022*

---

	Share capital £000
Balance at 1 January 2021	51
	<hr/>
Year ended 31 December 2021:	
Profit and total comprehensive income for the financial year	-
	<hr/>
Balance at 31 December 2021	51
	<hr/>
Year ended 31 December 2022:	
Profit and total comprehensive income for the financial year	-
	<hr/>
Balance at 31 December 2022	51
	<hr/> <hr/>

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000	2021 £000
<b>Cash flows from operating activities</b>			
Cash generated from operations	19	31,998	27,890
Income taxes paid		(270)	(674)
<b>Net cash inflow from operating activities</b>		<b>31,728</b>	<b>27,216</b>
<b>Investing activities</b>			
Interest received		16	-
<b>Net cash generated from/(used in) investing activities</b>		<b>16</b>	<b>-</b>
<b>Financing activities</b>			
Interest paid		(8,042)	(7,810)
Repayment of bank loans		(15,563)	(15,055)
<b>Net cash used in financing activities</b>		<b>(23,605)</b>	<b>(22,865)</b>
<b>Net increase in cash and cash equivalents</b>		<b>8,139</b>	<b>4,351</b>
Cash and cash equivalents at beginning of year		54,721	50,370
<b>Cash and cash equivalents at end of year</b>		<b>62,860</b>	<b>54,721</b>

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

---

### 1 Accounting policies

#### Company information

Healthcare Support (Newcastle) Holdings Limited ("the Company") is a private company limited by shares incorporated in England and Wales. The registered office is 1 Park Row, Leeds, United Kingdom, LS1 5AB.

#### 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 pound sterling, which is the functional and presentational currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £000.

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

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

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 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Healthcare Support (Newcastle) Holdings Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.



# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 1 Accounting policies

(Continued)

##### 1.3 Going concern

The financial statements are prepared on a going concern basis notwithstanding that the Group has unremedied historical Events of Default at the date of approval of these financial statements in relation to its borrowings arising from historical service performance issues and due to a replacement parent company guarantee not yet being obtained in relation to the Group's principal subcontractor, Mitie FM Limited (previously named Interserve (Facilities Management) Limited) (the "Service Provider").

Historically (during the years ended 31 December 2017 and 2018), the level of service provided by the Service Provider, gave rise to declared Service Failure Points ("SFPs") that exceeded threshold levels within various contract documents. This led to warning notices from the Newcastle Upon Tyne Hospitals NHS Foundation Trust (the "Trust") to the Group, and warning notices issued in turn from the Group to the Service Provider as well as triggering Events of Default in the finance documents governing the lending arrangement in respect of the Group's bond and bank loan facilities (the "Finance Documents"). Although the level of SFPs since 2018 has been relatively low further Events of Default occurred in October 2021 and December 2022, this was due to the service levels delivered, but related to a specific set of circumstances.

As a result, in conjunction with the Service Provider and with the consent of the bond and bank loan lenders (the "Majority Creditors"), the Group put in place a service performance improvement plan, which has now been substantially delivered. The Trust has recognised the improvement in service delivery by the Service Provider. Other than the specific set of circumstances event that gave rise to the Events of Default in October 2021 and December 2022, the agreed declared level of SFPs have remained below the thresholds for an Event of Default under the Finance Documents since May 2018. However, there are several alleged service failure issues (outside of the fire rectification works discussed below) in relation to which the Trust has claimed a level of SFPs and financial deductions over 2018 to 2023 that the Group does not accept. The quantum of these SFPs under dispute, if agreed in the Trust's favour, would lead to a further Event of Default under the Finance Documents.

The financial impact of shortfalls in service performance was that the Trust claimed entitlement to deductions of £1,563,000 (2021: £1,258,000) from the revenues due under the agreement with the Trust (the "Project Agreement") in the year ended 31 December 2022. These were passed on in full to the Service Provider. In addition, deductions of £761,000 (2021: £868,000) were incurred in relation to unavailability caused by fire rectification works; £761,000 (2020: £868,000) of these deductions were passed down to the Service Provider and Laing O'Rourke (the "Building Contractor"). The Group disputes the level of deductions levied by the Trust, 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.

Fire rectification works are being undertaken by the Building Contractor, these were scheduled to complete in February 2020 (claimed by the Trust to represent the "Longstop Date"). However, due to repeated restrictions of access to certain areas of the hospital these works are still continuing. In relation to these fire rectification works, the Trust has claimed a level of SFPs and financial deductions over 2023, 2022 and 2021 that the Group does not accept. The Dispute Avoidance Committee ("DAC"), set up under the Project Agreement, has ruled in March 2021 that there is no valid Longstop Date as there was no valid Notice of Fireworks Programme Approval. Under this ruling, the Trust was not, and is not, entitled to levy deductions and SFPs for any failure to rectify fire deficiencies by this date. The Trust exercised their right to appeal the decision of the DAC and the matter was taken to Adjudication. The outcome of the Adjudication also ruled in favour of the Group, in that there is no valid Longstop date. The Trust do have a further right to refer the matter to court. However, the Board consider this and the probability that the Trust would be successful to be a low risk and not plausible and given the fact that this has not happened to date.

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 1 Accounting policies

(Continued)

##### Going concern (continued)

The parties are committed to resolving all disputed service performance SFPs and financial deductions, and negotiations are ongoing to reach a settlement agreement on all these disputed service performance items. The Majority Creditors have indicated that a settlement agreement that achieved these objectives would remedy all the service performance related Events of Default referred to above under the Finance Documents. In relation to the fire rectification works, the parties are committed to concluding these works and discussions are ongoing to agree a revised programme to complete them.

In addition, on 15 March 2019, the former parent company of the Service Provider, 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 Majority Creditors were notified of the situation on 29 March 2019. On 1 December 2020 Mitie Plc purchased the Service Provider. To date there has been no change to the operating structure or delivery of the service by the Service Provider. Discussions to finalise a replacement parent company guarantee ("PCG") from Mitie Plc are ongoing between the Majority Creditors and Mitie Plc, and the directors expect this replacement PCG to be obtained, but this is outside of the directors' control. Once a new PCG is in place, the directors expect the Majority Creditors will deem this Event of Default to have been remedied under the Finance Documents.

The Events of Default described above have not been formally waived or deemed remedied by the Majority Creditors at the date of signing these financial statements. The implications of an Event of Default are that the Majority Creditors 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 the above circumstances on the balance sheets at 31 December 2022 and 2021 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, £329,899,000 (2021: £310,239,000) 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, as a result of the Events of Default, the Group's and Company's loans from shareholders also become repayable on demand and hence this balance of £24,337,000 (2020: £24,337,000) has been classified as current at 31 December 2022 and 2021. The counterparty would only be able to recall this debt on demand if the Majority Creditors were to exercise their rights of requiring immediate repayment. These payables are subordinate to the amounts due to the Majority Creditors.

The Directors have discussed the current levels of service, the ongoing negotiations to reach a settlement agreement, and the requirement to obtain a parent company guarantee with the Majority Creditors and received assurances that the Majority Creditors do not currently intend to exercise their rights following an Event of Default to require repayment of the outstanding borrowings immediately. The Majority Creditors are provided with monthly updates from the Directors to ensure that they are kept informed of the Group's progress in remedying all outstanding Events of Default.

In addition, the Finance Documents contain covenants with regard to financial performance. The Directors have prepared cash flow and covenant compliance forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downside scenarios, the Group and Company will have sufficient funds to meet their liabilities as they fall due for that period and there are no forecasted covenant breaches, except for the ongoing Events of Default as set above.

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### 1 Accounting policies

(Continued)

##### Going concern (continued)

Both the base case and the severe but plausible downside scenarios incorporate estimates of cash outflows in relation to the finalisation of the settlement agreement and assume that the Majority Creditors will not accelerate the repayments of principal as a result of the ongoing Events of Default as set out above. As at the signing date there is a contingent liability in relation to the estimate of cost outflows the Group will incur in relation to the finalisation of the future settlement agreement and remedial works to be completed. These estimated future cost outflows have been incorporated into the forecast scenarios as set out above.

In all scenarios performed, the forecasts show that the Group will have sufficient funds to meet its liabilities as they fall due for that period and there are no forecasted covenant breaches, except for the ongoing Events of as set above.

As at 31 December 2022, the principle terms of the Settlement Agreement, details of which are outlined in this note, have been substantially agreed upon and include the possible transfer of some obligations for remedial works from the Trust to the Group. The possible transfer of the obligations would not take place until all terms of this settlement agreement has been agreed and executed and may result in additional costs to the Group. The directors believe that the entity has no obligation under terms of the Project Agreement and therefore no provision for any liability has been made in these financial statements.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern and that they may therefore be unable to realise their assets and discharge their liabilities in the normal course of business.

The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### 1.4 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.

Income received in respect of the service concession is allocated between revenue and capital repayment of, and interest income on, the PFI financial asset using the effective interest rate method. Service revenue is recognised as a margin on non-pass-through operating and maintenance costs.

Pass through income represents the direct pass through of recoverable costs, as specified in the Project Agreement.

Variation income relates to the recharge of costs incurred for the alteration of the facilities or the services provided, requested by the Authority.

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.

#### 1.5 Fixed asset investments

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

#### 1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and 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.

Cash and cash equivalents include £29,418,000 (2021: £28,517,000) restricted for use in the business, being held in the Group's reserve accounts in line with the Group's contractual obligations.

#### 1.7 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 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. Financial assets classified as receivable within one year are not amortised.

##### **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 those investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Accrued service concession income**

Accrued service concession income relates to future periods' income for services already performed.

##### **Loan and receivables**

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### 1 Accounting policies

(Continued)

##### *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*

Basic financial liabilities, including creditors, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

##### *Derecognition of financial liabilities*

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

#### 1.8 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.

#### 1.9 Taxation

The tax expense represents tax currently payable.

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### 1 Accounting policies

(Continued)

##### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income 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.

#### 1.10 Service Concession

The Company is an operator of a Private Finance Initiative ("PFI") contract. As the Company entered into the contract prior to the date of transition to FRS102, the Company 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 Company 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 Company 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.

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 2 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

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

##### Service concession accounting

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.

##### Lifecycle

A risk borne by the Company is that lifecycle costs exceed those forecast in the financial model. 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.

#### 3 Turnover

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

	2022 £000	2021 £000
<b>Turnover analysed by class of business</b>		
Service fee income	17,593	16,028
Pass through income	-	41
Variation income	866	1,704
Rental income	273	256
	<u>18,732</u>	<u>18,029</u>
	2022 £000	2021 £000
<b>Turnover analysed by geographical market</b>		
United Kingdom	<u>18,732</u>	<u>18,029</u>

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 4 Auditor remuneration

	2022	2021
	£000	£000
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the financial statements of the Group and Company	48	32

The fees payable of £48,000 (2021: £32,000) 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. Within the Group fee is £2,000 (2021: £2,000) for the audit of the Company.

### 5 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
Total	-	-	-	-

### 7 Interest receivable and similar income

	2022	2021
	£000	£000
Interest income		
Interest on bank deposits	16	-
Other interest income	41,955	19,548
	41,971	19,548

### Interest payable and similar expenses

	2022	2021
	£000	£000
Interest on bank loans	44,071	17,654
Interest payable to parent undertaking	5,243	4,024
	49,314	21,678

### 8 Taxation

	2022	2021
	£000	£000
Current tax		
UK corporation tax (credit)/charge for the financial year	(37)	797



# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 8 Taxation

(Continued)

For the year ended 31 December 2022, the UK corporation tax rate of 19% is applied.

The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate to from 19% to 25% with effect from 1 April 2023. This had no impact on the results of the Group in the period.

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

	2022 £000	2021 £000
(Loss)/profit before taxation	(196)	4,196
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(37)	797
Taxation (credit)/charge in the financial statements	(37)	797

#### 9 Fixed asset investments

	Note	Group 2022 £000	2021 £000	Company 2022 £000	2021 £000
Investments in subsidiaries	10	-	-	51	51

#### Movements in fixed asset investments Company

##### Cost or valuation

At 1 January 2022 and 31 December 2022

Shares in  
subsidiaries  
£000

51

##### Carrying amount

At 31 December 2021 and 31 December 2022

51

#### 10 Subsidiaries

Details of the Company's subsidiaries at 31 December 2022 are as follows:

## HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

#### 10 Subsidiaries (Continued)

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
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
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

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

Name of undertaking	Capital and Reserves £000	Profit/(Loss) £000
Healthcare Support (Newcastle) Finance Plc	581	30
Healthcare Support (Newcastle) Limited	14,703	(189)

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

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 11 Debtors

	Group 2022	2021	Company 2022	2021
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	6,369	2,049	-	-
Corporation tax recoverable	347	23	-	-
Amounts owed from subsidiary undertakings	-	-	22,082	16,839
Other debtors	9,386	7,995	-	-
Prepayments and accrued income	483	437	-	-
	<u>16,585</u>	<u>10,504</u>	<u>22,082</u>	<u>16,839</u>
Amounts falling due after more than one year:				
Gross amounts owed by contract customers	59,006	32,911	-	-
Amounts owed from subsidiary undertakings	-	-	24,337	24,337
Finance debtor	283,963	291,585	-	-
	<u>342,969</u>	<u>324,496</u>	<u>24,337</u>	<u>24,337</u>
Total debtors	<u>359,554</u>	<u>335,000</u>	<u>46,419</u>	<u>41,176</u>

### 12 Cash and cash equivalents

	2022 £000	2021 £000
Restricted cash	29,418	28,517
Cash at bank and in hand	33,442	26,204
	<u>62,860</u>	<u>54,721</u>

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 13 Creditors: amounts falling due within one year

	Note	Group 2022 £000	2021 £000	Company 2022 £000	2021 £000
Bank loans and bonds	14	345,327	324,855	-	-
Trade creditors		4,407	1,318	-	-
Amounts owed to parent undertakings		46,419	41,176	46,419	41,176
Corporation tax payable		17	-	-	-
Other taxation		1,139	1,048	-	-
Bank loan accrued interest		1,963	1,957	-	-
Accruals and deferred income		7,858	3,925	-	-
		<u>407,130</u>	<u>374,278</u>	<u>46,419</u>	<u>41,176</u>

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, bond and amounts owed to parent undertakings 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 £329,899,000 (2021: £310,239,000) and £24,337,000 (2021: £24,337,000) respectively would be transferred to Creditors: amounts falling due after more than one year.

Included within amounts owed to parent undertakings is £24,337,000 (2021: £24,337,000) of principal borrowing (see note 15) and £22,082,000 (2021: £16,839,000) of accrued interest.

All financial liabilities above are held at amortised cost.

#### 14 Loans and overdrafts

	Group 2022 £000	2021 £000	Company 2022 £000	2021 £000
Bank loans and bonds	345,327	324,855	-	-
Loans from parent undertakings	24,337	24,337	24,337	24,337
	<u>369,664</u>	<u>349,192</u>	<u>24,337</u>	<u>24,337</u>
Payable within one year	369,664	349,192	24,337	24,337
	<u>369,664</u>	<u>349,192</u>	<u>24,337</u>	<u>24,337</u>

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 14 Loans and overdrafts

(Continued)

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 16 - 19 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 Group.

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 £24,607,000 from its shareholders, drawn down in March 2010. This facility accrues interest at an agreed rate of 12% per annum. This facility is subordinate to the bond and bank loan facilities. Accrued at the balance sheet date and included within amounts owed to parent undertakings in respect of this is £24,337,000 (2021: £24,337,000) of principal borrowing and £22,082,000 (2021: £16,839,000) of accrued interest (see note 14).

### 15 Contingent liability

As at 31 December 2022, the principle terms of the Settlement Agreement, details of which are outlined in the Going Concern note 1.3, have been substantially agreed upon and include the possible transfer of some obligations for remedial works from the Trust to the Group. The possible transfer of the obligations would not take place until all terms of this settlement agreement has been agreed and executed and may result in additional costs to the Group. The directors believe that the entity has no obligation under terms of the Project Agreement and therefore no provision for any liability has been made in these financial statements.

### 16 Share capital

Group and Company	2022	2021	2022	2021
Ordinary share capital	Number	Number	£000	£000
Issued and fully paid				
Ordinary shares of £1 each	51,000	51,000	51	51

### 17 Related party transactions

#### Transactions with related parties

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

	Management fees	
	2022	2021
	£000	£000
Company		
Vercity Social Infrastructure (UK) Limited	75	503
Resolis Limited	752	-

## HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

#### 17 Related party transactions

(Continued)

Company	Sub-ordinated debt interest	
	2022	2021
	£000	£000
Equion Health (Newcastle) Limited	4,194	3,219
Newcastle (Healthcare Support) Limited	1,049	805

The following amounts were outstanding at the reporting end date:

Company	Amounts due to related parties	
	2022	2021
	£000	£000
Vercity Social Infrastructure (UK) Limited	-	1
Equion Health (Newcastle) Limited	37,136	32,941
Newcastle (Healthcare Support) Limited	9,284	8,235

#### Other information

Vercity Social Infrastructure (UK) Limited and Innisfree PFI Secondary Partners LLP are under common control. Innisfree PFI Secondary Fund is an ultimate shareholder of Healthcare Support (Newcastle) Holdings Limited.

Resolis Limited and Healthcare Support (Newcastle) Holdings Limited are under common control. Healthcare Support (Newcastle) Holdings Limited is a minority shareholder of Healthcare Support (Newcastle) Holdings Limited.

The directors consider there to be no ultimate controlling party.

#### 18 Controlling party

The Company is a joint venture between Equion Health (Newcastle) Limited (80%) and Newcastle (Healthcare Support) Limited (20%). Both of these companies are incorporated in the United Kingdom and registered in England and Wales. The Directors consider there to be no ultimate controlling party or ultimate parent company.

# HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 19 Cash generated from group operations

	2022 £000	2021 £000
(Loss)/profit for the year after tax	(159)	3,399
<b>Adjustments for:</b>		
Taxation (credited)/charged	(37)	797
Interest payable and similar expenses	49,314	21,678
Interest receivable and similar income	(41,971)	(19,548)
<b>Movements in working capital:</b>		
Decrease in debtors	24,906	19,545
(Decrease)/increase in creditors	(55)	2,019
<b>Cash generated from operations</b>	<b>31,998</b>	<b>27,890</b>

### 20 Analysis of changes in net debt - group

	1 January 2022 £000	Cash flows £000	Other non- cash changes £000	31 December 2022 £000
Cash at bank and in hand	54,721	8,139	-	62,860
Borrowings	(349,192)	15,564	(36,036)	(369,664)
	<u>(294,471)</u>	<u>23,703</u>	<u>(36,036)</u>	<u>(306,804)</u>