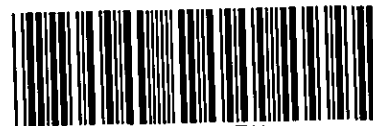


HEALTHCARE SUPPORT (NEWCASTLE) FINANCE PLC

**DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2008**

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Registered Number: 5314236

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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DIRECTORS AND ADVISORS

Directors

D Asteraki (appointed 22 September 2008, resigned 26 November 2008)
P Cuttance (resigned 22 September 2008)
J Eldridge
J Linney
R Marsden
G Pearce (appointed 12 December 2008)
I Wells

Company secretary and registered office

R K Miller
Allington House
150 Victoria Street
London SW1E 5LB

Auditors

Deloitte LLP
Chartered Accountants
London

Principal bankers

Bank of Scotland
38 Threadneedle Street
London
EC2P 2EH

DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements for the year ended 31 December 2008.

The Company is a wholly owned subsidiary of Healthcare Support (Newcastle) Holdings Limited, which in turn is owned and jointly controlled by Equion Health (Newcastle) Limited and Interserve PFI 2003 Limited.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company is principally engaged to provide bond debt to Healthcare Support (Newcastle) Limited for the construction of the Royal Victoria Infirmary and Freeman's Hospital, Newcastle Upon Tyne.

The Company continues to hold £115 million in index linked loan with European Investment Bank, and hold £198 million in index linked bond debt with Royal Bank of Canada. The Company continues to lend this debt to Healthcare Support (Newcastle) Limited to fund their construction and operational expenditure.

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

FUTURE DEVELOPMENTS

The Directors of the Company are not aware of any circumstances by which the principal activity of the Company would alter or cease.

RESULTS AND DIVIDENDS

The profit for the period before taxation amounted to £38,261 (2007 - £36,299). After taxation of £8,320 (2007 - £3,286), profit for the year was £29,941 (2007 - £33,013).

The Directors do not recommend the payment of a dividend (2007 - £nil).

FINANCIAL RISK MANAGEMENT

The Company has issued a public bond and has a bank loan, both of which are subject to indexation in line with RPI (all items). The Company mitigates this RPI risk by having an inter-company loan with Healthcare Support (Newcastle) Limited, a fellow group undertaking, therefore all inflationary risk is transferred.

DIRECTORS

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors at the date of approval of this report confirms that:

- as far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

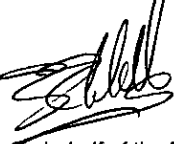
This confirmation is given and should be interpreted in accordance with the provision of S234ZA of the Companies Act 1985.

EMPLOYEES

Details of the number of employees and related costs can be found in note 3 to the financial statements on page 8

AUDITORS

Pursuant to s386 Companies Act 1985, an elective resolution was passed on 23 May 2007 dispensing with the requirement to appoint auditors annually. This election was in force immediately before 1 October 2008. Therefore, Deloitte LLP are deemed to continue as auditors.



On behalf of the Board
I J Wells
15 April 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEALTHCARE SUPPORT (NEWCASTLE) FINANCE PLC

We have audited the financial statements of Healthcare Support (Newcastle) Finance plc for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
15 April 2009

PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 £	2007 £
Net interest receivable	4	38,261	36,299
Profit on ordinary activities before taxation		38,261	36,299
Tax on profit on ordinary activities	5	(8,320)	(3,286)
Profit for the financial year	10	29,941	33,013

A reconciliation of movement in shareholders' funds is given in note 11.

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

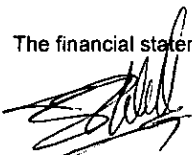
There is no material difference between the results stated in the profit and loss account and their historical cost equivalents.

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

BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	2008 £	2007 £
Current assets			
Debtors		358,010,384	343,538,925
- due within one year	6	2,067,348	1,898,133
- due after more than one year	6	355,943,036	341,640,792
		<u>358,010,384</u>	<u>343,538,925</u>
Current liabilities			
Creditors: amounts falling due within one year	7	(1,964,008)	(1,824,734)
Net current assets		<u>356,046,376</u>	<u>341,714,191</u>
Total assets less current liabilities		<u>356,046,376</u>	<u>341,714,191</u>
Creditors: amounts falling due after more than one year	7	(355,893,036)	(341,590,792)
Net assets		<u>153,340</u>	<u>123,399</u>
Capital and reserves			
Called up share capital	9	50,000	50,000
Profit and loss account	10	103,340	73,399
Shareholders' funds	11	<u>153,340</u>	<u>123,399</u>

The financial statements were approved by the Board of Directors on 15 April 2009 and were signed on its behalf by:



On behalf of the Board
I J Wells
15 April 2009

Notes to the financial statements for the year ended 31 December 2008

1 ACCOUNTING POLICIES

a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. A summary of the principal accounting policies adopted by the Directors, which have been applied consistently in the current and prior period, is shown below.

The Company is a wholly owned subsidiary undertaking of Healthcare Support (Newcastle) Holdings Limited and as such is exempt under FRS1 (revised 1996) from the requirement to prepare its own cash flow statement.

The current economic conditions create some uncertainty, including with respect to:

- (a) the ability of key sub-contractors to continue to meet contractual commitments;
- (b) the ability of the debt provider to continue to meet its contractual commitments; and
- (c) the ability of the SWAP provider to continue to meet their commitments.

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

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

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

b) Taxation

Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

In accordance with FRS19 'Deferred Tax', deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are not discounted.

c) Debt

The Company secured bond debt with Royal Bank of Canada and a loan with European Investment Bank "EIB". Both the loan and the bond are index linked and subject to calculations based on RPI (all items) tables published by the Office of National Statistics. Interest is payable bi-annually at an interest rate stated in note 8 on an accruals basis. The Company charges the interest onto Healthcare Support (Newcastle) Limited at a 0.5% markup on the same terms as it is charged by EIB and Royal Bank of Canada.

Notes to the financial statements for the year ended 31 December 2008 (continued)

2 DIRECTORS' REMUNERATION

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

3 STAFF NUMBERS

The Company had no employees during the year (2007 - nil).

4 NET INTEREST RECEIVABLE

	2008 £	2007 £
Interest receivable and similar income		
Interest receivable on inter company loans	<u>7,690,551</u>	<u>7,296,178</u>
	7,690,551	7,296,178
Interest payable and similar charges		
Interest payable on bond debt	<u>(7,652,290)</u>	<u>(7,259,879)</u>
	(7,652,290)	(7,259,879)
Net interest receivable	<u>38,261</u>	<u>36,299</u>

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £	2007 £
<u>Analysis of charge for the year</u>		
Current tax		
UK corporation tax	(7,939)	(7,169)
Prior Year adjustments	(381)	3,883
Total tax on profit on ordinary activities	<u>(8,320)</u>	<u>(3,286)</u>

Factors affecting the tax charge for the current period

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

	2008 £	2007 £
Profit on ordinary activities before tax	<u>38,261</u>	<u>36,299</u>
Profit on ordinary activities multiplied by the applicable rate of corporation tax in the UK of 20.75% (2007 - small companies rate of 19.75%)	(7,939)	(7,169)
Total current tax charge for the year	<u>(7,939)</u>	<u>(7,169)</u>

For the year ended 31 December 2008, the blended UK small companies corporation tax rate of 20.75% is applied to the Company due to the change in the UK small companies corporation tax rate from 20% to 21% with effect from 1 April 2008.

Notes to the financial statements for the year ended 31 December 2008 (continued)

6 DEBTORS

	2008 £	2007 £
<u>Due within one year:</u>		
Amounts owed by fellow subsidiary undertakings	2,067,348	1,898,133
	<u>2,067,348</u>	<u>1,898,133</u>
<u>Due after more than one year:</u>		
Amounts owed by fellow subsidiary undertakings	355,943,036	341,640,792
	<u>355,943,036</u>	<u>341,640,792</u>

7 CREDITORS

	2008 £	2007 £
Amounts falling due within one year		
Corporation tax	7,939	3,286
Interest payable	1,956,069	1,821,448
	<u>1,964,008</u>	<u>1,824,734</u>
Amounts falling due after more than one year		
Bank loans and overdrafts (note 8)	355,893,036	341,590,792
	<u>355,893,036</u>	<u>341,590,792</u>
Analysis of debt:		
Debt can be analysed as falling due:		
In five years or more	355,893,036	341,590,792
	<u>355,893,036</u>	<u>341,590,792</u>

8 LOANS

The Company has a publicly offered bond from Royal Bank of Canada for £197.5 million and a loan with European Investment Bank, "EIB", of £115 million. The public bond and loan debt is repayable in installments based on an agreed percentage amount of the total facilities per annum over the next 32 years.

Interest on the public bond is fixed at 2%, interest on the EIB loan is fixed at 2%. Both the public bond and EIB loan are index-linked and so their balance increases by RPI (all items).

9 CALLED UP SHARE CAPITAL

	2008 No.	2007 No.
Authorised:		
Ordinary Shares at £1 each	50,000	50,000
	<u>£</u>	<u>£</u>
Allotted, called up and fully paid:		
50,000 Ordinary Shares at £1 each (2007 - 50,000)	50,000	50,000
	<u>£</u>	<u>£</u>

Notes to the financial statements for the year ended 31 December 2008 (continued)

10 MOVEMENT IN RESERVES

	Profit and loss account £
At 1 January 2008	73,399
Retained profit for the financial year	29,941
At 31 December 2008	<u>103,340</u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
Profit for the financial year	29,941	33,013
Opening shareholders' funds	123,399	90,386
Closing shareholders' funds	<u>153,340</u>	<u>123,399</u>

12 RELATED PARTY TRANSACTIONS

As a greater than 90% subsidiary of Healthcare Support (Newcastle) Holdings Limited, the Company has taken advantage of the exemption under Financial Reporting Standard 8 not to provide information on related party transactions with other undertakings within the Healthcare Support (Newcastle) Holdings Limited group. Note 13 gives details of how to obtain a copy of the published financial statements of Healthcare Support (Newcastle) Holdings Limited.

13 ULTIMATE PARENT UNDERTAKING

The Company's ultimate and immediate parent company and controlling entity, and the largest and smallest group in which its results are consolidated, is Healthcare Support (Newcastle) Holdings Limited, a company incorporated in Great Britain and registered in England and Wales, whose registered office is Allington House, 150 Victoria Street, London SW1E 5LB.