

**NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

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# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr N Crowther Mr D Brooking
<b>Secretary</b>	HCP Social Infrastructure (UK) Limited
<b>Company number</b>	05603625
<b>Registered office</b>	8 White Oak Square London Road Swanley Kent BR8 7AG
<b>Auditor</b>	KPMG LLP 66 Queen Square Bristol BS1 4BE

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# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

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# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 MARCH 2017**

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The directors present the strategic report for the year ended 31 March 2017.

### **Business Review**

NewHospitals (St Helens & Knowsley) Holdings Limited is a holding company for a Group of Companies whose principal activities are the financing, design, construction and maintenance of two new hospital facilities at the Whiston and St Helens sites, together with the operation of certain non-clinical services within the existing and new hospital facilities, as part of the strategic redevelopment scheme for the St Helens and Knowsley Teaching Hospitals NHS Trust (the "Trust"), under the Government's Private Finance Initiative ("PFI"). was incorporated on 26 October 2005 and commenced trading on 7 June 2006.

On 7 June 2006, NewHospitals (St Helens and Knowsley) Finance Plc, a fellow subsidiary undertaking of NewHospitals (St Helens & Knowsley) Holdings Limited, authorised the creation of £178,300,000 of 1.7774% Index-Linked Guaranteed Secured Bonds due 2047 of which £153,000,000 were issued. It also entered into a loan agreement with the European Investment Bank (the "EIB") under which the EIB granted it £149,186,000 of a 1.743% index-linked guaranteed secured bank loan due 2038. The proceeds from both the bond issue and bank loan were onward loaned to the Company with identical terms for payment of interest and principal. The bonds and bank loan have the benefit of an unconditional and irrevocable financial guarantee as to all payments of interest and principal issued by the monoline insurer Assured Guaranty (Europe) Limited (formerly Financial Security Assurance (UK) Limited).

On 20 March 2008, £6,800,000 of the remaining £25,300,000 Index-Linked Guaranteed Secured Bonds created but not issued, the "Committed Variation Bonds", were cancelled as they expired on 31 December 2007 in accordance with the Terms of the Bond Trust Deed and Collateral Deed.

On 26 May 2009 the shareholders of the Company's immediate parent company commenced subscription for tranches of unsecured 11.96% fixed interest subordinated loan stock created, constituted and issued by NewHospitals (St Helens and Knowsley) Finance Plc, a fellow subsidiary undertaking, on 7 June 2006. This subordinated loan stock totalled £29,490,000 and was fully subscribed as at 31 March 2011. During the year to 31 March 2017 two loan stock redemptions were paid to the Company's shareholders leaving a balance of subordinated loan stock as at 31 March 2017 totalling £20,228,000.

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

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### Principal risks and uncertainties

The risk management policy of the Company is designed to identify and manage risk at the earliest possible point. The Company maintains a detailed risk register which is formally reviewed by the Board on a quarterly basis. The Company recognises that effective risk management is fundamental to achieving its business objectives in order to meet its commitments in fulfilling the PFI contract and in delivering a safe and efficient service. Risk management contributes to the success of the business by identifying opportunities and anticipating risks in order to improve business performance and fulfil the Company's contractual obligations.

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation under the contract giving rise to the financial instrument.

The Group's long term exposure to credit risk, which exists predominantly until the end of the Project Agreement, is principally dependent on the creditworthiness of three major European banks which hold the group's cash balances. These banks must hold a minimum short term debt rating of A-1 (or better) issued by Standard & Poor's Financial Services LLC and P-1 (or better) issued by Moody's Investors Services Inc. Should the ratings of existing counterparties fall below these levels, the Company and its senior lenders each have the right to require that an acceptable replacement counterparty be appointed.

The Group actively monitors the credit ratings of its counterparty banks and reports are issued to the Board on a monthly basis. The Group's maximum credit risk exposure relating to its financial assets is represented by their carrying value at the balance sheet date.

The Group's other long term exposure to credit risk is principally dependent on the creditworthiness of the Trust as the Group's sole client. The risk associated with this is mitigated as the cash flows are secured under the Project Agreement, which is a long term contract with the Trust, whose obligations and liabilities are effectively underwritten by the Government.

#### *Interest rate risk/inflation risk*

All borrowings are at fixed rate other than index-linking, and therefore no interest rate risk arises on them. Interest rate risk arises on the Company's cash and short-term deposits.

The majority of the Company's borrowings comprise an index-linked secured bond and an index-linked secured loan. Repayment of these loans, and meeting operational expenditure commitments, will be made from income which is itself subject to indexation. The Company thereby mitigates any non-operating exposure to movements in the UK All Items Retail Prices Index.

#### *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with its financial liabilities. The Group's liquidity risk is principally managed through financing the Group by means of long term borrowings which are tailored to match the expected cash flows arising from the Trust. In addition the Group maintains a debt service reserve bank account to provide short term liquidity against future debt service requirements.

#### *Contractual relationships*

The Company operates within a contractual relationship with its primary client, the Trust. Failure to perform obligations under this contract could have a direct and detrimental effect on the Company's result and could result in termination of the concession. To manage this risk the Company has regular meetings with the Trust including discussions on performance, project progress, future plans and customer requirements.

The Group's price risk is principally managed through a 41 year Project Agreement with the Trust providing for payments that are fixed, subject to performance and movements in the UK All Items Retail Prices Index (the "UK RPI"), and through sub-contracts with suppliers that largely mirror the provisions of the Project Agreement. The PFI hospital concession assets produce revenues which are index-linked to movements in the UK RPI.

These revenues generate the cash flows with which the Group funds its operating costs, finance costs and repayments due on its financial liabilities. The Group is exposed to interest rate risk in relation to its index-linked debt through movements in the UK RPI. This risk is mitigated as the majority of the cash flows generated from the PFI hospital concession assets increase in line with movements in the UK RPI.

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

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### Key performance indicators

#### *Historical Performance*

The Group is obliged to meet the conditions laid down in the Bond Trust Deed and Collateral Deed with Assured Guaranty, European Investment Bank and Deutsche Trustee Company Limited. To the best of the Directors' knowledge the Group have met all of the obligations contained within these Deeds and there has been no Events of Default, Potential Events of Default or Trigger Events with regard to the Collateral Deed in the year to 31 March 2017.

#### *Financial performance and financial position*

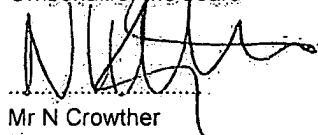
The profit for the year, after taxation, amounted to £217,000 (2016: loss of £1,788,000). The Directors are unable to recommend the payment of a dividend (2016: £nil). Financial penalties are levied by the St Helens & Knowsley Teaching Hospitals NHS Trust (the "Trust") in the event of performance standards not being achieved in accordance with the detailed criteria as set out in the Project Agreement. All deductions are passed on to the contracted service providers and the quantum of the penalties is an indication of the level of performance. During the year ended 31 March 2017 service performance deductions totalling £21,345 were levied for both Steady State services (2016: £38,683). This represents 0.12% (2016: 0.19%) of the total revenues from the service providers for the provision of the services.

The Group had net liabilities of £36,682,000 as at 31 March 2017 (2016: £36,899,000). Finance debtor amortisation in the year amounted to £678,000 (2016: £683,000).

Cash balances of £19,890,000 (2016: £21,274,000) included reserve account balances of £17,763,000 (2016: £18,873,000), in line with contractual requirements.

The Directors have modelled the anticipated financial outcome of the Project over the 41 year concession term and this has shown the project to be profitable and cash generative. The Directors monitor actual financial performance against this anticipated performance. Financial covenants have been met during the year and, having considered the anticipated future performance and position of the Company, the Directors are of the opinion that the covenants will continue to be met in the future, and the Company will therefore continue in business. Whilst the Company is currently in a cumulative loss making position the current financial model forecasts this will reverse in 2036 with profit and loss reserves then remaining positive overall until the end of the concession.

On behalf of the board



Mr N Crowther

Director

25 September 2017

# **NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2017**

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The directors present their annual report and financial statements for the year ended 31 March 2017.

#### **Principal activities**

The principal activity of the company continued to be that of a holding company for a Group of Companies whose principal activities are the financing, design, construction and maintenance of two new hospital facilities at the Whiston and St Helens sites, together with the operation of certain non-clinical services within the existing and new hospital facilities, as part of the strategic redevelopment scheme for the St Helens and Knowsley Teaching Hospitals NHS Trust (the "Trust"), under the Government's Private Finance Initiative ("PFI"). The directors do not foresee any change in the activities of the Group.

#### **Directors**

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

Mr N Crowther

Mr D Brooking

#### **Results and dividends**

The results for the year are set out on page 9.

#### **Qualifying third party indemnity provisions**

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

#### **Employee involvement**

The Company operates through sub-contracting services and does not directly employ any staff.

#### **Auditor**

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

#### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company and 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 company and group is aware of that information.

#### **Going concern**

The Directors have reviewed the Group's projected cashflows contained in the financial model covering accounting periods up to 31 March 2048. The Directors have also examined the current status of the Company's principal contracts and likely developments in the foreseeable future. Having reviewed the forecast cashflows and financial facilities available to the Company, the Directors consider the Company will be able to meet its loan covenant requirements and settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

#### **Registered office**

The Company's registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## DIRECTORS' REPORT

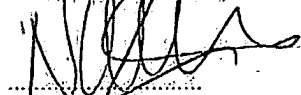
**FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)**

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### Financial reporting, risk and internal controls

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

On behalf of the board



Mr N Crowther

Director

25 September 2017



# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## DIRECTORS' RESPONSIBILITIES STATEMENT

**FOR THE YEAR ENDED 31 MARCH 2017**

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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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

## NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS

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We have audited the financial statements of NewHospitals (St Helens & Knowsley) Holdings for the year ended 31 March 2017 set out on pages 9 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on 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 March 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- In our opinion, those reports have been prepared in accordance with the Companies Act 2006.

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

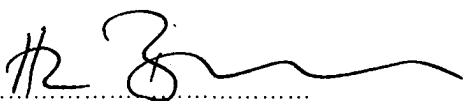
### NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS (CONTINUED)

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#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

*Chartered Accountants*

66 Queen Square

Bristol

BS1 4BE

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..... September 2017

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
Turnover	3	36,642	35,072
Cost of sales		(30,643)	(30,076)
<b>Gross profit</b>		<u>5,999</u>	<u>4,996</u>
Administrative expenses		(2,105)	(1,642)
<b>Operating profit</b>		<u>3,894</u>	<u>3,354</u>
Interest receivable and similar income	7	13,781	11,598
Interest payable and similar expenses	8	(16,914)	(16,214)
<b>Profit/(loss) before taxation</b>		<u>761</u>	<u>(1,262)</u>
Taxation	9	(544)	(526)
<b>Profit/(loss) for the financial year</b>		<u><u>217</u></u>	<u><u>(1,788)</u></u>

The group statement of comprehensive income has been prepared on the basis that all of the results relate to continuing operations.

There are no items of comprehensive income other than that shown above.

The notes on pages 15 to 33 form part of these financial statements.

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

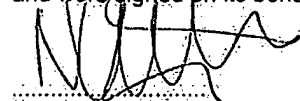
## GROUP BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
<b>Current assets</b>			
Debtors falling due after one year	12	294,125	300,185
Debtors falling due within one year	12	13,306	11,797
Cash at bank and in hand		19,890	21,274
		<u>327,321</u>	<u>333,256</u>
<b>Creditors: amounts falling due within one year</b>	14	(21,483)	(22,285)
<b>Net current assets</b>		305,838	310,971
<b>Creditors: amounts falling due after more than one year</b>			
Loans and overdrafts	15	339,618	344,707
Other creditors	15	2,902	3,163
		<u>(342,520)</u>	<u>(347,870)</u>
<b>Net liabilities</b>		<u>(36,682)</u>	<u>(36,899)</u>
<b>Capital and reserves</b>			
Called up share capital	17	60	60
Profit and loss reserves		(36,742)	(36,959)
<b>Total equity</b>		<u>(36,682)</u>	<u>(36,899)</u>

The notes on pages 15 to 33 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 25 September 2017 and were signed on its behalf by:



Mr N Crowther  
Director

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## COMPANY BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Investments	11	60	60
<b>Current assets</b>			
Debtors	12	146	146
<b>Creditors: amounts falling due within one year</b>	14	(146)	(146)
Net current assets			
<b>Total assets less current liabilities</b>		60	60
<b>Capital and reserves</b>			
Called up share capital	17	60	60

The notes on pages 15 to 33 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 25 September 2017, and were signed on its behalf by:



Mr N Crowther  
Director

Company Registration No. 05603625

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Share capital	Profit and loss reserves	Total
	£'000	£'000	£'000
Balance at 1 April 2015	60	(35,171)	(35,111)
Total comprehensive loss for the year	-	(1,788)	(1,788)
Balance at 31 March 2016	60	(36,959)	(36,899)
Balance at 1 April 2016	60	(36,959)	(36,899)
Total comprehensive income for the year	-	217	217
Balance at 31 March 2017	60	(36,742)	(36,682)

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

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	Share capital	Profit and loss reserves	Total
	£'000	£'000	£'000
Balance at 1 April 2015	60	-	60
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016 and 1 April 2016	60	-	60
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	60	-	60
	<hr/>	<hr/>	<hr/>



# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

		2017		2016	
	Notes	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	19		7,612		9,954
Income taxes paid			(36)		(11)
<b>Net cash outflow from operating activities</b>			7,576		9,943
<b>Investing activities</b>					
Interest received		13,852		11,583	
<b>Net cash generated from investing activities</b>			13,852		11,583
<b>Financing activities</b>					
Interest paid		(10,093)		(12,244)	
Repayment of borrowings		(687)		(1,576)	
Repayment of bank loans		(12,032)		(11,680)	
<b>Net cash used in financing activities</b>			(22,812)		(25,500)
<b>Net decrease in cash and cash equivalents</b>			(1,384)		(3,974)
Cash and cash equivalents at beginning of year			21,274		25,248
<b>Cash and cash equivalents at end of year</b>			19,890		21,274

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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### 1 Accounting policies

#### Company information

NewHospitals (St Helens & Knowsley) Holdings Limited ("the company") is a private limited company incorporated, domiciled and registered in England and Wales, in the UK. The registered office is 8 White Oak Square, London Road, Swanley, Kent BR8 7AG.

The group consists of NewHospitals (St Helens & Knowsley) Holdings Limited and all of its subsidiaries.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the requirements of the Companies Act 2006. There were no material departures either from FRS 102 or from the Companies Act.

The financial statements are prepared in sterling, which is the functional currency of the parent company and group. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

As permitted by section 408 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 (2016 £nil).

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

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Disclosure in respect of financial instruments;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

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

#### 1.2 Basis of consolidation

The group financial statements comprise a consolidation of the accounts of the company and its subsidiary for the year ended 31 March 2017. The results of companies acquired or disposed of, where applicable, are consolidated from the effective date of the acquisition or the effective date of disposal. The company has no associates or joint ventures.

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

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### 1 Accounting policies (Continued)

#### 1.3 Going concern

The directors have reviewed the cash flow forecast and taking into account reasonable possible risks in operations to the Group and the fact the obligations of the Group's sole customer are underwritten by the Secretary of State for Health they believe that the Group will be able to settle its liabilities as they fall due for the foreseeable future and therefore it is appropriate to prepare these financial statements on the going concern basis.

#### 1.4 Turnover

Revenue is recognised to the extent that the Group obtains the right to consideration in exchange for its performance. Revenue represents the value of services performed or goods sold entirely in the UK and is measured at the fair value of the consideration received, excluding discounts, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

*Facilities management services - operational phase following completion*

Revenue from the provision of the facilities management services to the new hospitals is recognised as contract activity progresses at a mark-up on related costs to reflect the fair value of work performed. Revenue from these services are recognised in accordance with the service concession contract accounting policy.

*Pass through income*

Revenue in relation to pass through is received monthly from the Trust and relates to volume based activities over and above the contractual services provided by both the hard and soft FM service providers. Corresponding pass through cost invoices are received monthly from both service providers.

*Interest receivable on finance debtor*

Revenue in relation to the finance debtor is recognised as finance income at a project specific rate commencing when each new hospital becomes operational.

*Medical equipment supplies income*

Revenue is received quarterly in advance from the Trust, both income from the Trust and expenditure from the MES supplier are recognised monthly in the financial statements in line with service delivery.

*Interest income*

Interest income is recognised as interest accrues using the effective interest method.

#### 1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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.

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

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#### 1 Accounting policies (Continued)

##### 1.6 Financial instruments

The Company has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments. Financial instruments are recognised in the Company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

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

##### **Basic Financial assets**

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### *Trade and other debtors*

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

##### *Cash and cash equivalents*

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

##### *Restricted cash*

Included within cash is £17,763,000 (2016: £18,873,000), the distribution of which is subject to restrictions in accordance with the Company's financing agreements.

##### *Finance debtor*

The finance debtor is classified as a debt instrument, which is initially measured at transaction price including transaction costs and subsequently carried at amortised cost. 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.

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

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#### 1 Accounting policies (Continued)

##### 1.6 Financial instruments (Continued)

###### **Other financial assets**

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

###### **Impairment of financial assets**

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 company 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 company after deducting all of its liabilities.

###### **Basic financial liabilities**

Basic financial liabilities, including trade and other creditors, bank loans and unsecured subordinated loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

###### **Trade and other creditors**

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

###### **Interest-bearing borrowings classified as basic financial instruments**

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

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

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#### 1 Accounting policies (Continued)

##### 1.6 Financial instruments (Continued)

###### **Other financial liabilities**

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

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 company after deducting all of its 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 company after deducting all of its liabilities.

###### **Derecognition of financial liabilities**

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

###### **Equity instruments**

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

##### 1.7 Interest Receivable and Payable

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

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

##### 1.8 Taxation

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

###### **Current tax**

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

###### **Deferred tax**

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

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

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

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#### 1 Accounting policies (Continued)

##### 1.9 Service Concession Contract Accounting

The company is an operator of a Public 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 permits it to continue to account for the service concession under the accounting policy applied 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 Authority.

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 income in respect of the services provided 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.

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

##### 1.10 Deferred revenue

Revenue received relating to the hospitals during the construction phase was deferred until the year ended 31 March 2010. During the year to 31 March 2011 this income started to be released on an annual basis over the remaining life of the contract as full occupation of the main Whiston hospital site occurred on 14 April 2010.

#### 2 Judgements and key sources of estimation uncertainty

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

Certain critical accounting judgements in applying the Group's accounting policies are described below:

##### Critical judgements

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

##### Finance debtor accounting

The company has elected to continue to apply its previous accounting treatment in respect of service concession arrangements entered into prior to the date of transition to FRS 102. This has resulted in the measurement of the finance debtor being different from that which would have resulted had the requirements of FRS 102 Section 34 been fully adopted. The accounting for service concession contracts and finance debtors requires estimation of service margins, finance debtor interest rates and associated amortisation profiles which are based on the forecast results of the PFI contracts over the respective concession length. See note 9 for the carrying value of the finance debtor.

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

#### 3 Turnover and other revenue

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

	2017 £'000	2016 £'000
<b>Turnover</b>		
Operating income	23,686	22,031
Medical equipment supplies income	3,368	3,328
Pass through income	9,588	9,713
	<u>36,642</u>	<u>35,072</u>

All turnover related to the provision of services rendered in the UK.

#### 4 Auditor's remuneration

	2017 £'000	2016 £'000
Fees payable to the company's auditor and its associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	1	1
Audit of the company's subsidiaries	17	16
Taxation services	-	9
	<u>18</u>	<u>26</u>

#### 5 Employees

The company had no employees during the year (2016: nil).

#### 6 Directors' remuneration

	2017 £'000	2016 £'000
Sums paid to related parties for directors' services	<u>132</u>	<u>130</u>

Apart from the fee paid to M Davis of £28,000 (2016: £28,000), the directors fees were paid to Innisfree Limited. M Davis is non-executive Chairman and Chair of the Audit Committee.

#### 7 Interest receivable and similar income

	2017 £'000	2016 £'000
<b>Interest income</b>		
Interest on bank deposits	188	182
Interest on finance debtor	13,593	11,416
	<u>13,781</u>	<u>11,598</u>



# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

#### 8 Interest payable and similar expenses

	2017 £'000	2016 £'000
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	6,053	4,763
Interest on bonds	6,526	5,106
Interest on subordinated loans	3,657	5,662
Amortisation of finance arrangement costs	678	683
	<u>16,914</u>	<u>16,214</u>

#### 9 Taxation

	2017 £'000	2016 £'000
<b>Current tax</b>		
UK corporation tax on profits for the current period	38	(252)
<b>Deferred tax</b>		
Changes in tax rates	506	778
<b>Total tax charge</b>	<u>544</u>	<u>526</u>

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

	2017 £'000	2016 £'000
Profit/(Loss) before taxation	761	(1,262)
Expected tax charge based on a corporation tax rate of 20% (2016 20%)	38	(252)
Effect of change in corporation tax rate	506	778
<b>Tax expense for the year</b>	<u>544</u>	<u>526</u>

#### Factors affecting the tax charge for the year

The current tax charge is higher than (2016: higher than) the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are detailed above.

#### Factors that may affect future tax charges

On 26 October 2015, the reduction in the UK rate of corporation tax to 19% from 1 April 2017 was substantively enacted. On 15 September 2016, a further reduction in corporation tax to 17% in April 2020 was enacted.

The total tax charge as stated above has been recorded in the group statement of comprehensive income.

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

#### 10 Financial instruments

	2017 £000	2016 £000
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	354,523	360,420
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	354,473	360,370

The Company's financial instruments comprise index-linked bonds, an index-linked bank loan, a fixed rate subordinated loan, and, a fixed rate intercompany debtor and an index-linked intercompany debtor, both due from NewHospitals (St Helens and Knowsley) Limited. NewHospitals (St Helens and Knowsley) Limited services these loans with cash flows generated under the Project Agreement.

The financial structure has been established to ensure that the cash flows from NewHospitals (St Helens and Knowsley) Limited's PFI hospital concession assets are sufficient to meet all interest and principal payments due on the index-linked and fixed rate debt. During the year, NewHospitals (St Helens and Knowsley) Limited met its debt service obligations to the Company. Based upon the projected future cashflows of NewHospitals (St Helens and Knowsley) Limited, the directors consider that it will be able to meet its obligations to the Company as they fall due for the foreseeable future.

The Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities. Board approval is required for the use of any new financial instrument, and the Company's ability to enter into any new transaction is constrained by covenants in its existing funding agreements. Exposure to market related interest rate risk, cash flow risk, credit risk, and liquidity risk arises in the normal course of the Company's business. The Company's exposure to, and the management of, these risks is described in further detail as follows:

#### Market related interest rate risk

The Company is exposed to market related interest rate risk in relation to its index-linked debt through movements in the UK RPI. This is mitigated as the onloans due from NewHospitals (St Helens and Knowsley) Limited are also index-linked through movements in the UK RPI. NewHospitals (St Helens and Knowsley) Limited can service these onloans as the majority of the cash flows generated from its PFI hospital concession assets increase in line with movements in the UK RPI.

#### Interest rate risk profile of financial assets and liabilities

The disclosures below set out the carrying amount, by maturity, of the Company's floating interest rate financial instruments that are exposed to interest rate risk.

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

#### 10 Financial instruments (Continued)

##### Floating Rate:

	Bond	Bank loan	Loan to NewHospitals (St Helens & Knowsley) Limited	Bond	Bank loan	Loans to NewHospitals (St Helens & Knowsley) Limited
	2017	2017	2017	2016	2016	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Within 1 year	(4,603)	(6,702)	11,305	(5,602)	(6,208)	11,810
1-2 years	(4,109)	(8,127)	12,236	(5,418)	(7,888)	13,306
2-3 years	(2,776)	(8,474)	11,250	(4,159)	(8,225)	12,384
3-4 years	(2,842)	(8,836)	11,678	(2,809)	(8,576)	11,385
4-5 years	(2,733)	(9,214)	11,947	(2,877)	(8,943)	11,820
Over 5 years	(161,501)	(125,235)	286,736	(221,350)	(187,687)	409,037
Unamortised transaction costs	8,138	4,980	(13,118)	8,426	5,345	(13,771)
Total	(170,427)	(161,608)	332,035	(233,789)	(222,182)	455,971

##### Floating rate

The floating rate financial liabilities comprise a 1.7774% Index-linked Guaranteed Secured Bond and a 1.743% Index-Linked Guaranteed Secured European Investment Bank Loan. The floating rate financial asset comprises an amount due from NewHospitals (St Helens and Knowsley) Limited. The return on the amount due from NewHospitals (St Helens and Knowsley) Limited exactly matches the interest and indexation payable on the Company's bond and bank loan. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year.

The disclosures below set out the carrying amount, by maturity, of the Company's fixed interest rate financial instruments.

##### Fixed Rate:

	Subordinated Loan Stock	Loan to NewHospitals (St Helens & Knowsley) Limited	Total	Subordinated Loan Stock	Loan to NewHospitals (St Helens & Knowsley) Limited	Total
	2017	2017	2017	2016	2016	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Over 5 years	(20,228)	20,228	-	(20,914)	20,914	-
Unamortised transaction costs	693	(693)	-	717	(717)	-
	(19,535)	19,535	-	(20,197)	20,197	-

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

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#### 10 Financial Instruments (Continued)

##### Fixed rate

The fixed rate financial liability comprises an 11.96% unsecured subordinated loan. The fixed rate financial asset comprises an amount due from NewHospitals (St Helens and Knowsley) Limited. The return on the amount due from NewHospitals (St Helens and Knowsley) Limited exactly matches the interest payable on the Company's subordinated loan stock. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The Company also has an amount due from NewHospitals (St Helens and Knowsley) Limited of £50,000 which is not included in the above table as it is non-interest bearing and not subject to interest rate risk.

A sensitivity analysis showing the effects of reasonably possible changes in the UK RPI on the Company's results is not disclosed as the financing costs of the bond and bank loan are matched exactly by the return on the amount due from NewHospitals (St Helens and Knowsley) Limited, whatever the prevailing rate of the UK RPI. Therefore the Company's results are unaffected by any changes in the UK RPI.

##### Cash flow risk

The Company is exposed to cash flow risk in relation to variability in long term cash inflows due under the onloan agreements with NewHospitals (St Helens and Knowsley) Limited. This is mitigated as the cash inflows due under the onloan agreements with NewHospitals (St Helens and Knowsley) Limited exactly match the cash outflows required to service the Company's financial liabilities. NewHospitals (St Helens and Knowsley) Limited's exposure to variability in long term cash inflows generated under the concession with the Trust is mitigated as performance and availability deductions are passed on to the relevant service providers and the majority of revenues and costs which the Company receives and pays are index-linked to movements in the UK RPI.

##### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation under the contract giving rise to the financial instrument. The Company's credit risk is concentrated as its cash inflows due under the onloan agreements are received from NewHospitals (St Helens and Knowsley) Limited. This concentration of risk is mitigated as the cash flows generated from the PFI hospital concession assets held by NewHospitals (St Helens and Knowsley) Limited are secured under contract with the Trust, whose obligations and liabilities under the Project Agreement are effectively underwritten by the UK Government.

##### Maximum exposure to credit risk

The maximum credit risk exposure relating to financial assets is represented by their carrying value at the balance sheet date.

The Company's risk management policies and contractual protections in place for monitoring and preserving the credit quality of the financial assets detailed above are disclosed in the directors' report and in this note 8 to the financial statements. None of the financial assets are past due or subject to any impairment as at the balance sheet date.

##### Liquidity risk

The Company's liquidity risk is principally managed through financing the Company by means of long term borrowings which are tailored to match the expected cash inflows due under the onloan agreements from NewHospitals (St Helens and Knowsley) Limited. NewHospitals (St Helens and Knowsley) Limited's liquidity risk is principally managed through financing by means of the onloan agreements which are tailored to match the expected cash flows arising from its PFI hospital concession assets. In addition NewHospitals (St Helens and Knowsley) Limited maintains a debt service reserve bank account to provide short term liquidity against future debt service requirements under the onloan agreements. The maturity profile of the anticipated undiscounted future cash flows including interest and inflation and based on the earliest date on which the Company can be required to pay its financial liabilities, is as follows:

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

#### 10 Financial Instruments (Continued)

	Bond*	Bank loan*	Subordinated Loan Stock	Bond*	Bank loan*	Subordinated Loan Stock
Interest rate	4.28%	4.24%	11.96%	4.28%	4.24%	11.96%
	2017	2017	2017	2016	2016	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Within 1 year	7,820	9,636	4,283	8,916	9,462	3,939
1-2 years	6,750	9,876	5,708	7,870	9,697	4,500
2-3 years	5,624	10,121	5,723	6,792	9,938	5,255
3-4 years	5,717	10,373	5,756	5,659	10,185	4,375
4-5 years	5,663	10,630	5,676	5,753	10,438	3,254
Over 5 years	363,625	213,517	56,708	371,622	225,565	69,602
	<u>395,198</u>	<u>264,153</u>	<u>83,854</u>	<u>406,612</u>	<u>275,285</u>	<u>90,925</u>

\*After 6 months following each period end date, this assumes a long run average of the future UK RPI of 2.5% per annum. This long term assumed rate, taken together with the fixed interest rate elements of the bond and bank loan as detailed in note 13, gives the assumed long term combined interest rate as disclosed above.

Set out below is a comparison of carrying amounts and fair values of all the Company's financial assets and liabilities.

	2017 Book value	2017 Fair value	2016 Book value	2016 Fair value
Bank loan	(161,608)	(315,657)	(164,561)	(227,527)
Bond	(170,427)	(338,350)	(172,449)	(242,215)
Subordinated loan stock	(19,535)	(53,947)	(23,361)	(54,856)
Loans to NewHospitals (St Helens & Knowsley) Limited	<u>351,570</u>	<u>707,954</u>	<u>360,371</u>	<u>524,598</u>

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

### 11 Fixed asset investments

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Investments in subsidiaries	-	-	60	60

The company owns 100% of the share capital of New Hospitals (St Helens & Knowsley) Limited, registered in England and Wales, which is a private finance initiative concessionaire. The registered office of New Hospitals (St Helens & Knowsley) Limited is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

The company owns 99.998% of the share capital of New Hospitals (St Helens & Knowsley) Finance PLC, registered in England and Wales, which is the funding company for a private finance initiative concessionaire. The remaining 0.002% of that company is owned indirectly through the company's ownership of New Hospitals (St Helens & Knowsley) Nominee Limited. The registered office of New Hospitals (St Helens & Knowsley) Finance Plc is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

The company owns 100% of the share capital of New Hospitals (St Helens & Knowsley) Nominee Limited, registered in England and Wales, which is an investment holding company, holding one share in New Hospitals (St Helens & Knowsley) Finance PLC. The registered office of New Hospitals (St Helens & Knowsley) Nominee Limited is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

### 12 Debtors

		Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
<b>Amounts falling due within one year:</b>					
Trade debtors		3	-	-	-
Other debtors		-	106	-	-
Finance debtor		5,858	3,650	-	-
Prepayments and accrued income		1,176	1,266	146	146
		<u>7,037</u>	<u>5,022</u>	<u>146</u>	<u>146</u>
Deferred tax asset	16	6,269	6,775	-	-
		<u>13,306</u>	<u>11,797</u>	<u>146</u>	<u>146</u>
<b>Amounts falling due after one year:</b>					
Finance debtor		272,579	280,216	-	-
Unitary charge control account		21,546	19,969	-	-
		<u>294,125</u>	<u>300,185</u>	<u>-</u>	<u>-</u>
Total debtors		<u>307,431</u>	<u>311,982</u>	<u>146</u>	<u>146</u>

The finance debtor and unitary charge control account balances reflect the value of the amount receivable under the PFI contract with the Trust, less the value of the services that have been delivered to date, in line with accounting policy 1.6. All financial assets are held at amortised cost.

### 13 Interest-bearing loans and borrowings

		Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
Bank loans and overdrafts		161,608	164,561	-	-
Bonds		170,427	172,449	-	-
Subordinated loans		19,535	20,197	-	-
		<u>351,570</u>	<u>357,207</u>	<u>-</u>	<u>-</u>
Payable within one year		11,952	12,500	-	-
Payable after one year		339,618	344,707	-	-

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

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#### 13 Interest-bearing loans and borrowings (Continued)

##### ***Index-Linked Guaranteed Secured Bonds due 2047***

NewHospitals (St Helens & Knowsley) Finance Plc, a member of the group, has created £178,300,000 of 1.7774% Index-Linked Guaranteed Secured Bonds due 2047 pursuant to a Bond Trust Deed and Collateral Deed dated 7 June 2006, of which £153,000,000 were issued for cash on 7 June 2006 at a 99.99% of par. On 20 March 2008, £6,800,000 of the remaining £25,300,000 Index-Linked Guaranteed Secured Bonds created but not issued, the "Committed Variation Bonds", were cancelled as they expired on 31 December 2007 in accordance with the Terms of the Bond Trust Deed and Collateral Deed.

The bonds bear interest at 1.7774%, which together with its principal repayment, is subject to indexation based on movements in the UK RPI in accordance with the terms of the Bond Trust Deed. The interest is payable semi-annually in arrears on 31 March and 30 September each year. The principle on the bonds is repayable in instalments which commence on 31 March 2012 and end in February 2047.

The index-linked bonds created by the group have the benefit of an unconditional and irrevocable financial guarantee issued by Assured Guaranty (Europe) Limited (formerly Financial Security Assurance (UK) Limited) in favour of Deutsche Trustee Company Limited as security trustee over all of the undertakings and assets of the group.

##### ***Index-Linked Guaranteed Secured Bank Loan due 2038***

NewHospitals (St Helens & Knowsley) Finance Plc, a member of the group has drawn £149,186,000 of a 1.743% Index-Linked Guaranteed Secured Bank Loan due 2038 pursuant to a Loan Agreement dated 1 June 2006 and a Collateral Deed dated 7 June 2006.

The loan has an interest rate of 1.743%, which together with its principal repayment, is subject to indexation based on movements in the UK RPI in accordance with the terms of the Loan Agreement. The interest is payable semi-annually in arrears on 31 March and 30 September each year. The loan principle is repayable in instalments which commence on 30 September 2011 and end in June 2038.

The index linked bank loan has the benefit of an unconditional and irrevocable financial guarantee issued by Assured Guaranty (Europe) Limited (formerly Financial Security Assurance (UK) Limited) in favour of Deutsche Trustee Company Limited as security trustee over all of the undertakings and assets of the group.



# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

#### 13 Interest-bearing loans and borrowings (Continued)

##### **Fixed rate unsecured subordinated loan stock due 2047**

On 24 May 2006, the Company authorised and approved the issue of £30,090,000 unsecured 11.96% fixed interest loan notes which were constituted in a Deed Poll dated 7 June 2006. Under the terms of an Equity Subscription Agreement dated 7 June 2006, the Company's shareholders Innisfree Nominees Limited And Taylor Woodrow Construction Limited undertook to subscribe for the loan notes in separate tranches up to a total value of £30,090,000 over the period from 31 May 2009 to 31 March 2011. In the year ended 31 March 2011 the total amount of loan notes subscribed for by the Company's shareholders was £29,490,000. On the 30 March 2012 an early redemption payment of £5,000,000 (at par) was made to the Company's shareholders. During the year to 31 March 2014 Taylor Woodrow Construction Limited ceased to be a shareholder of the Company, with Innisfree Nominees Limited becoming the sole shareholder. During the year to 31 March 2016 two further redemptions of principal totalling £1,576,000 were paid to the Company's shareholder. During the year to 31 March 2017 two further redemptions of principal totalling £687,000 were paid to the Company's shareholder, leaving the balance of subordinated loan stock as at the year-end of £20,227,000. The 11.96% fixed interest accrues from 1 April 2011 and interest is paid semi-annually in arrears every 30 September and 31 March thereafter.

Of the total £30,090,000 loan notes constituted, £600,000 relates to a commitment to subscribe for Contingent Equity Tranche loan notes as detailed in the Equity Subscription Agreement. The commitment to subscribe for this tranche of the loan notes is no longer required as the matching Committed Variation Bonds to which the amount relates were cancelled on 20 March 2008, as they expired on 31 December 2007, in accordance with the Terms of the Bond Trust Deed and Collateral Deed.

Under the terms of an Intra group Loan Agreement entered into on 7 June 2006, NewHospitals (St Helens and Knowsley) Finance plc undertook to onward loan the proceeds of the issue of the subordinated loan stock to NewHospitals (St Helens and Knowsley) Limited, on exactly the same payment terms for interest and principal. The proceeds of the loan stock issue are being used by the group to finance its obligations under its Project Agreement with the Trust.

The loan notes are redeemable at any time in line with the provisions of Clause 3 of the Deed Poll Constituting Unsecured Subordinated Loan Notes for the Company and in accordance with condition 3 (Redemption) of the aforementioned Deed.

The secured borrowings are secured by fixed and floating rate charges on the assets of the Company.

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

		Group		Company	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Loans and overdrafts	13	11,952	12,500	-	-
Corporation tax payable		51	16	-	-
Other taxation and social security		694	726	-	-
Trade creditors		3,211	3,331	-	-
Accruals and deferred income		5,575	5,712	146	146
		<u>21,483</u>	<u>22,285</u>	<u>146</u>	<u>146</u>

All financial liabilities are held at amortised cost.

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

#### 15 Creditors: amounts falling due after more than one year

		Group		Company	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Loans and overdrafts	13	339,618	344,707	-	-
Accruals and deferred income		2,902	3,163	-	-
		<u>342,520</u>	<u>347,870</u>	<u>-</u>	<u>-</u>

Loans and overdrafts are repayable as follows:

Payable between on to five years	45,997	43,937	-	-
Payable after five years	293,621	300,770	-	-
	<u>293,621</u>	<u>300,770</u>	<u>-</u>	<u>-</u>

All financial liabilities are held at amortised cost.

#### 16 Deferred taxation

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

	Assets	Assets
	2017	2016
	£'000	£'000
Group		
Tax losses	<u>6,269</u>	<u>6,775</u>

#### 17 Share capital

	Group and Company	
	2017	2016
	£'000	£'000
Ordinary share capital		
Allotted, called up and fully paid		
60,000 ordinary shares of £1 each	<u>60</u>	<u>60</u>

# NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

#### 18 Related party transactions

On 12 August 2013 Innisfree Secondary Fund 2 purchased a 19.9% equity interest in NewHospitals (St Helens & Knowsley) Holdings Limited and a 19.9% Subordinated Debt Loan Stock interest in NewHospitals (St Helens & Knowsley) Finance Plc from Taylor Woodrow Construction Limited (T/A Vinci Construction (UK) Limited). The NewHospitals (St Helens & Knowsley) Group of Companies is 100% owned by Innisfree PFI Secondary Fund (25.6%) and Innisfree Secondary Fund 2 LP (74.4%).

On 26 May 2009 Innisfree PFI Fund III LP and Taylor Woodrow Construction, the then shareholders of the Company's immediate parent company at that date, commenced subscription for tranches of unsecured 11.96% fixed interest subordinated loan stock created, constituted and issued by NewHospitals (St Helens and Knowsley) Finance Plc, a fellow subsidiary undertaking, on 7 June 2006. This subordinated loan stock totalled £29,490,000 and was fully subscribed as at 31 March 2011. During the year to 31 March 2017 two loan stock redemptions were paid to the Company's shareholder at that date, being Innisfree Nominees Limited, leaving the balance of subordinated loan stock as at the yearend of £20,228,000.

During the year ended 31 March 2017, the company incurred £159,000 (2016: £156,000) in respect of Directors' services from Innisfree Limited

On 7 June 2006 the Company entered into transactions in the ordinary course of business for the duration of the project agreement with its management service provider HCP Social Infrastructure (UK) Limited (formerly Health Care Projects Limited). HCP Holdings Limited, the parent company of HCP Social Infrastructure (UK) Limited is invested with funds under the management of Innisfree Limited, who also manage the funds invested in New Hospitals (St Helens and Knowsley) Holdings Limited. During the year the group incurred costs of £719,000 (2016: £1,076,000) in respect of project management and other associated services to HCP Social Infrastructure (UK) Limited. As at 31 March 2017, £3,000 (2016: £Nil) was due to HCP Social Infrastructure (UK) Limited

19 Cash generated from operations	2017 £'000	2016 £'000
Profit/(Loss) for the year	217	(1,788)
Adjustments for:		
Income tax expense recognised in profit or loss	544	526
Finance costs recognised in profit or loss	16,914	16,214
Investment income recognised in profit or loss	(13,593)	(11,416)
Movements in working capital:		
Decrease in debtors	4,045	6,760
Increase in creditors	(515)	(342)
<b>Cash generated from operations</b>	<b>7,612</b>	<b>9,954</b>

# **NEWHOSPITALS (ST HELENS & KNOWSLEY) HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### ***FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)***

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#### **20 Controlling party**

As at 31 March 2017 the Company was owned 74.4% by Innisfree PFI Secondary Fund 2 LP and 25.6% by Innisfree PFI Secondary Fund (through its nominee Innisfree Nominee Limited). All of these entities are registered in England and Wales. In the directors' opinion, the Company's ultimate parent undertaking and controlling party was Innisfree PFI Secondary Fund 2 LP, a limited partnership registered in England and Wales. The registered office of Innisfree PFI Secondary Fund 2 LP, Innisfree PFI Secondary Fund and Innisfree Nominee Limited is 1<sup>st</sup> Floor, Boundary House, 91-93 Charterhouse Street, London EC1M 6HR, United Kingdom.