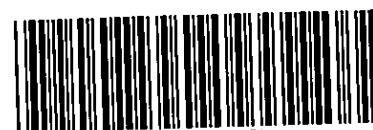


**KENT AND EAST SUSSEX WEALD
HOSPITAL HOLDINGS LIMITED**

Report and Financial Statements

**From incorporation on 16 October 2007 to
31 December 2008**

MONDAY



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COMPANIES HOUSE

PYRAMID SCHOOLS PLYMOUTH (HOLDINGS) LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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PYRAMID SCHOOLS PLYMOUTH (HOLDINGS) LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R Goyal
G Pearce
J Eldridge
M Mercer – Deadman
M Baybutt
R Marsden

SECRETARY

W Roberts

BANKERS

Bank of Scotland
New Ueber House
11 Earl Grey Street
Edinburgh
EH3 9BN

REGISTERED OFFICE

Interserve House
Ruscombe Park
Twyford
Reading
Berkshire RG10 9JU

AUDITORS

Deloitte LLP
Chartered Accountants
London

KENT AND EAST SUSSEX WEALD HOSPITAL HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period from inception on 16 October 2007 to 31 December 2008.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company is owned by its ultimate controlling parties Interserve PFI 2005 Limited and John Laing Health (Pembury) Limited and operates in the United Kingdom.

The company is a holding company with one wholly owned subsidiary undertaking, Kent & East Sussex Weald Hospital Limited. Kent & East Sussex Weald Hospital Limited's principal activity is undertaking a Private Finance Initiative (PFI) concession contract with the Maidstone and Tunbridge Wells National Health Service Trust (the "Trust") to design, build, finance and operate a 513 single-bed ward hospital in Pembury.

The contract was signed in March 2008 and was in the construction phase during the period. The directors anticipate that operations will commence in 2011 and the contract will run until 2042.

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

There have been no significant events since the balance sheet date.

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the key performance indicators in the PFI contract with the Trust and the subcontracts with Laing O'Rourke ("LOR") who supply the construction services and Interserve FM Limited ("IFM") who supply the facilities maintenance services throughout the life of the concession.

The PFI contract and Subcontracts with LOR and IFM are fixed for the life of the contract and this enables the company to have certainty over its income and major expenses until 2042. Furthermore the company has a Credit Agreement with its lender which fixes the level of borrowing and repayments due until the loan is fully repaid in 2042. The directors have prepared a detailed forecast up to 2042 incorporating inter alia the terms of the PFI contract, Subcontracts and Credit Agreement. This forecast which is updated regularly predicts that the company will be profitable and will have sufficient cash resources to operate within the terms of the PFI contract, Subcontracts and Credit Agreement. Therefore the directors, having considered the financial position of the company and its expected future cash flows, have prepared the financial statements on the going concern basis.

Principal Risks and Uncertainties

The company's principal activity as detailed above is risk free as its trading relationships with its customer, funders and sub-contractors are determined by the terms of their respective detailed PFI contracts. Its main exposure is to financial risks as detailed in the following section.

FINANCIAL RISK MANAGEMENT

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance.

The board has policies for managing each of these risks and they are summarised below:

Interest rate risk

The company hedged its interest rate risk at the inception of the project by swapping its variable rate debt into fixed rate by the use of an interest rate swap.

Inflation risk

The company hedged its inflation risk at the inception of the project by entering into a fixed rate RPI swap to restrict its exposure to future RPI fluctuations.

Liquidity risk

The company adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its obligations. Due to the nature of the project cash flows are reasonably predictable and so this is not a major risk area for the company.

Credit risk

The company receives the majority of its revenue from a NHS Trust and therefore is not exposed to significant credit risk. Cash investments and interest rate swap arrangement are with institutions of a suitable credit quality.

KENT AND EAST SUSSEX WEALD HOSPITAL HOLDINGS LIMITED

DIRECTORS' REPORT

ENVIRONMENT

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and implements policies via its sub-contractors to reduce any damage that might be caused by the company's activities.

EMPLOYEES

The company has no direct employees.

RESULTS

The group has no profit and loss activity in the year and as such as no profit and loss account is disclosed. The directors do not recommend the payment of a dividend.

DIRECTORS

The directors, who served throughout the year and at the date of this report are set out below:

R Goyal (Appointed 15 January 2008)
D Asteraki (Appointed 22 September resigned 26 November 2008)
G Pearce (Appointed 12 December 2008)
J Eldridge (Appointed 25 March 2008)
M Mercer – Deadman (Appointed 25 March 2008)
P Cuttance (Appointed 25 March resigned 8 September 2008)
R Smith (Appointed 25 March 2008 resigned 14 January 2009)
R Marsden (Appointed 15 January 2008)
M Baybutt (Appointed 14 January 2009)

None of the directors had any interests in the issued share capital of the group at 31 December 2008.

AUDITORS

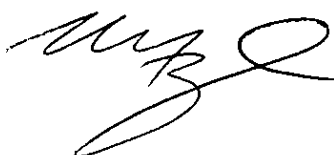
Each of the persons who is a director at the date of approval of this report confirms that:

- 1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- 2) 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 information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte LLP have expressed their willingness to continue in office as auditors.

Approved by the Board of Directors
and signed on behalf of the Board



M Baybutt
Director
12 June 2009

KENT AND EAST SUSSEX WEALD HOSPITAL HOLDINGS LIMITED

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 group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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

KENT AND EAST SUSSEX WEALD HOSPITAL HOLDINGS LIMITED

We have audited the financial statements of Kent and East Sussex Weald Hospital Holdings Limited for the period from inception on 16 October 2007 to 31 December 2008 which comprise the group and company balance sheets, the consolidated cashflow statement and the related notes 1 to 16. 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 annual report and 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 United Kingdom 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. In addition we also 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 with the company and other members of the group 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 circumstances of the group and the company, 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 affairs of the company and the group as at 31 December 2008;
- 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
Chartered Accountants and Registered Auditors
London, United Kingdom

12 June

2009

KENT AND EAST SUSSEX WEALD HOSPITAL HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET 31 December 2008

	Note	2008 £'000
CURRENT ASSETS		
Work in progress	5	85,742
Debtors	7	1,400
Cash at bank and in hand		1,386
		<hr/>
		88,528
CREDITORS: amounts falling due within one year	8	(7,109)
		<hr/>
NET CURRENT ASSETS AND TOTAL ASSETS LESS CURRENT LIABILITIES		81,419
CREDITORS: amounts falling due after more than one year	9	(81,418)
		<hr/>
NET ASSETS		1
		<hr/>
CAPITAL AND RESERVES		
Called up share capital	10	1
Profit and loss account	11	-
		<hr/>
SHAREHOLDERS' FUNDS	12	1
		<hr/>

These financial statements were approved by the Board of Directors and authorised for issue on 12 June 2009

Signed on behalf of the Board of Directors



M Baybutt
Director

KENT AND EAST SUSSEX WEALD HOSPITAL HOLDINGS LIMITED

COMPANY BALANCE SHEET

31 December 2008

	Note	2008 £'000
FIXED ASSETS		
Investment in subsidiary undertaking	6	1
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 1 <hr/>
CAPITAL AND RESERVES		
Called up share capital	11	1
SHAREHOLDERS' FUNDS		<hr/> 1 <hr/>

These financial statements were approved by the Board of Directors and authorised for issue on 12 June 2009

Signed on behalf of the Board of Directors



M Baybutt
Director

KENT AND EAST SUSSEX WEALD HOSPITAL HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT 31 December 2008

	Note	2008 £'000
Net cash outflow from operating activities	13	(77,889)
<hr/>		
Returns on investments and servicing of finance		
Interest paid	3	(2,218)
Interest received	3	74
		<hr/>
		(2,144)
<hr/>		
Net cash outflow before financing		(80,033)
<hr/>		
Financing		
Issue of shares	12	1
Equity Bridge Loan	9	20,816
Secured senior loans	9	63,637
Less debt issue costs	9	(3,035)
		<hr/>
		81,419
<hr/>		
Increase in cash		1,386
<hr/>		

(i) Reconciliation of net cash flow to movement in net debt

Increase in cash		1,386
Cash inflow from equity bridge	9	(20,816)
Cash inflow from secured senior loans	9	(63,637)
		<hr/>
Net debt at 31 December 2008	Note (ii)	(83,067)
<hr/>		

KENT AND EAST SUSSEX WEALD HOSPITAL HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

31 December 2008

(ii) Analysis of net debt

	Cash flow	Non-cash flow	2008
	£'000	£'000	£'000
Cash at bank	1,386	-	1,386
Loans:			
Repayable within one year	-	-	-
Repayable after more than one year	(84,453)	-	(84,453)
	<u>(83,067)</u>	<u>-</u>	<u>(83,067)</u>

KENT AND EAST SUSSEX WEALD HOSPITAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from incorporation on 16 October 2007 to 31 December 2008

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted by the directors are described below. They have been applied consistently throughout the current financial period.

Going concern

The financial statements are prepared on a going concern basis. As disclosed on page 2 the directors believe that the group has adequate resources to continue in operational existence for the foreseeable future.

Accounting convention

The financial statements are prepared under the historical cost convention.

Group financial statements

The group accounts consolidate the accounts of the company and its subsidiary undertaking.

Accounting for PFI contracts (stock)

During the period of construction, costs incurred as a direct consequence of financing, designing and constructing the schools, including finance costs, are shown as work in progress. On completion of the construction, credit is taken for the deemed sale, which is recorded within turnover. The construction expenditure and associated costs are reallocated to cost of sales. Amounts receivable are classified as a financial asset receivable (PFI contract).

Revenues received from the customer are apportioned between:

- capital repayments;
- finance income; and
- operating revenue.

Investments

Investments held as fixed assets are stated at cost plus loans, less provision for impairment.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Derivative financial instruments

The group holds derivative financial instruments which have the effect of fixing the interest rate payable on bank borrowings. Amounts payable or receivable in respect of interest rate derivatives are recognised as adjustments to interest over the period of the contract. The company also holds a derivative financial instrument to hedge its exposure to inflation risk.

KENT AND EAST SUSSEX WEALD HOSPITAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from incorporation on 16 October 2007 to 31 December 2008

2. OPERATING PROFIT

	2008 £'000
This is stated after charging	
Auditors' remuneration - audit services for the audit of the company accounts	5
	<hr/>
Total audit fees	5
	<hr/>
Tax services	3
	<hr/>

The company had no employees during the period other than the directors. Emoluments paid to related parties for directors' services to the company were £Nil.

3. NET FINANCE CHARGES

	2008 £'000
Interest receivable and similar income:	
Bank interest	74
Amount capitalised	(74)
	<hr/>
Net interest receivable	-
	<hr/>
Interest payable and similar charges:	
Swaps credit interest received	(222)
Senior debt	1,566
Equity Bridge	874
Less amount capitalised	(2,218)
	<hr/>
	-
	<hr/>
Net interest payable	-
	<hr/>

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

There are no profit and loss transactions in the year and no tax charge arising.

KENT AND EAST SUSSEX WEALD HOSPITAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from incorporation on 16 October 2007 to 31 December 2008

5. WORK IN PROGRESS

	Group	Company
	2008	2008
	£'000	£'000
Work in progress (PFI contract)		
Additions in the period	85,742	-
	<hr/>	<hr/>
Cost and net book value carried forward	85,742	-
	<hr/>	<hr/>

Interest capitalised during the period and included in cost amounted to £2,143,532.

6. INVESTMENT IN SUBSIDIARY UNDERTAKING

	Company
	2008
	£'000
Shares at cost:	
Addition in period (1,000 Ordinary shares of £1 each)	1
	<hr/>
Closing balance	1
	<hr/>

The company's subsidiary undertaking, Kent & East Sussex Weald Hospital Limited, is wholly-owned and incorporated in Great Britain. Its activity is to provide design, build, finance and operate the services under a Private Finance Initiative concession contract.

7. DEBTORS

	Group	Company
	2008	2008
	£'000	£'000
Trade debtors	121	-
Prepayments and other debtors	323	-
Vat	956	-
	<hr/>	<hr/>
	1,400	-
	<hr/>	<hr/>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	Company
	2008	2008
	£'000	£'000
Trade creditors	95	-
Accruals and deferred income	6,942	-
Other creditors	72	-
	<hr/>	<hr/>
	7,109	-
	<hr/>	<hr/>

KENT AND EAST SUSSEX WEALD HOSPITAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from incorporation on 16 October 2007 to 31 December 2008

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2008 £'000	Company 2008 £'000
Senior secured loan:		
Repayable between one and two years	-	-
Repayable between two and five years	383	-
Repayable after five years	63,254	-
	<hr/>	<hr/>
	63,637	-
Less: unamortised issue costs	(3,035)	-
	<hr/>	<hr/>
	60,602	-
Equity Bridge		
Repayable between two and five years	20,816	-
	<hr/>	<hr/>
	81,418	-
	<hr/>	<hr/>

The secured senior loan represents amounts borrowed under a facility agreement with HBOS. The loan bears interest at a margin of 0.85% over LIBOR and is repayable in instalments between 2013 and 2042. The loan is secured by fixed and floating charges over the property, assets and rights of the company, and has certain covenants attached.

In order to hedge against interest variations on the senior secured loan, the company has entered into an interest rate swap agreement with a bank whereby at monthly intervals sums are exchanged reflecting the difference between floating and fixed interest rates, calculated on a predetermined notional principal amount.

The equity bridge loan represents amounts borrowed under a facility agreement with Barclays Bank plc. The loan bears interest at a margin of 0.25% over LIBOR and is repayable in May 2011.

10. CALLED UP SHARE CAPITAL

	2008 £'000
Authorised, called up, allotted and fully paid	
1,000 ordinary shares of £1 each	1
	<hr/>

11. PROFIT AND LOSS ACCOUNT

	2008 £'000
Result for the year	-
	<hr/>
Profit and loss carried forward	-
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KENT AND EAST SUSSEX WEALD HOSPITAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from incorporation on 16 October 2007 to 31 December 2008

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008 £'000
New Shares Issued	1
Result for the year	-
	<hr/>
Shareholders' funds carried forward	1
	<hr/>

There were no other movements on reserves other than the shares issued in the year as stated above.

13. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008 £'000
Operating Result	-
Increase in work in progress	(83,598)
Increase in debtors	(1,400)
Increase in creditors	7,109
	<hr/>
Net cash outflow from operating activities	(77,889)
	<hr/>

14. CONTROLLING PARTIES

The immediate parent companies are Interserve PFI 2005 Limited who hold 25% of the company, John Laing Health (Pembury) Limited who hold 75% of the company. In the opinion of the directors no company is a controlling party. These are the smallest and largest group accounts that are prepared of which the company is a member. No other group accounts are prepared.

KENT AND EAST SUSSEX WEALD HOSPITAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from incorporation on 16 October 2007 to 31 December 2008

15 RELATED PARTY TRANSACTIONS

The following disclosures are required by FRS 8 "Related Party Disclosures":

Parties	Services	Amounts incurred during the period ended 31 December 2008 £'000	Amounts payable at 31 December 2008 £'000
Interserve plc and its subsidiary undertakings	Construction and management services	1,679	88
John Laing Health (Pembury) Limited	Bid development and management services	5,171	195

Amounts payable at 31 December 2008 are included within trade creditors and accruals and deferred income.

The Company has taken advantage of the exemptions in FRS 8 "Related Party Disclosures", not to disclose transactions with group undertakings.

16. FINANCIAL INSTRUMENTS – INTEREST RATE SWAP

	2008 £'000
Fair value of interest rate swap at period end	(57,164)
Fair value of RPI swap at period end	22,485

In March 2008 the company entered into a thirty-four year fixed interest rate swap arrangement to hedge its exposure to the effect of interest rate fluctuations.

The swap was effected on a notional amount of £258,606,877 payable in semi-annual amounts between 31 March 2013 and 31 March 2042.

In March 2008 the company entered into a thirty-four year fixed RPI swap arrangement to restrict its exposure to the effect of RPI fluctuations on income. The swap was effected on a notional amount of £4,661,719 payable in semi-annual amounts between 31 March 2013 and 30 September 2042.