

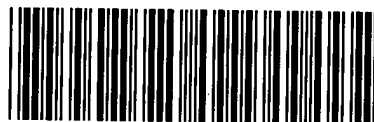
**Hexham General Hospital SPC Holdings Limited**

**Directors' report and financial  
statements**

Registered number 04108766

Year ended 31 December 2014

MONDAY



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## **Company information**

### **Non-Executive Directors**

KW Gillespie  
GS Jackson (appointed 17 October 2014, alternate for BP Millsom)  
LW McKenna  
BP Millsom (appointed 15 September 2014)  
HM Murphy (resigned 15 September 2014)  
JH Potgieter (alternate for LW McKenna)  
CT Solley

### **Registered Office**

3rd Floor  
The Venus  
1 Old Park Lane  
Trafford  
Manchester  
M41 7HG

### **Company Secretary**

Ailison Mitchell LLB ACIS  
3rd Floor, The Venus  
1 Old Park Lane  
Trafford  
Manchester  
M41 7HG

### **Registered Auditor**

KPMG LLP  
1 St Peter's Square  
Manchester  
M2 3AE

### **Solicitors**

Dundas & Wilson  
Northwest Wing  
Bush House  
Aldwych  
London  
WC2B 4EZ

### **Bankers**

Bank of Scotland  
11 Earl Grey Street  
Edinburgh  
EH3 9BN

## Strategic report

### Company objectives

The objectives of the company are to invest in a PFI project company to provide long-term returns for its investors. The subsidiary company's objectives were to successfully design, construct, finance and operate certain facilities and provide non-clinical services at Hexham General Hospital for a period of 32 years under a concession agreement with Northumbria Healthcare Foundation NHS Trust. However, on 31 March 2014, the Trust issued a voluntary termination notice which terminated the concession agreement on 1 October 2014. As there was no further business activity after that date, the directors intend to liquidate the company and the subsidiary company following the settlement of the remaining net assets and consequently, they have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1.

### Company's strategy

The company's strategy is now to effect an orderly liquidation of the remaining net assets and to return surplus funds to the shareholders.

### Principal risks and uncertainties

As the contracts which governed the operation of the company have now all been terminated and most known liabilities settled, the only risks remaining at the balance sheet date are resolution of subcontractor losses (part of the termination sum due from the Trust, once the amount is determined) and finalisation of the company's closing corporation tax liability (again, payable by the Trust).

### Key performance indicators

Given the cessation of trade on 1 October 2014, key performance indicators are no longer considered relevant.

### Development and performance of the business

The subsidiary company made a pre-tax profit of £16,168,000. Excluding a profit on termination of £14,725,000 (which largely represents the market value of equity as part of the compensation on termination payable by the Trust), trading profits were £1,443,000 (2013: £1,360,000).

A large variation (relating to Clinical Trials works) was signed for the subsidiary company in January 2014. Construction of this unit was completed in March 2014 and was fully funded by the Trust.

By order of the board



**Ailison Mitchell LLB ACIS**  
*Secretary*

3<sup>rd</sup> Floor, The Venus,  
1 Old Park Lane,  
Trafford,  
Manchester, M41 7HG

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

### Proposed dividend and transfer to reserves

The Company made a dividend payment of £15,904,000 in the year (2013: £361,000).

### Business review

The results of the company for the year are set out in the profit and loss account on page 8.

### Directors and directors' interests

The directors who held office during the period are set out on page 1.

Certain directors benefit from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

### Financial Instruments

The subsidiary company's principal financial instruments comprised of a term loan, mezzanine loan and unsecured loan stock. All were repaid in full on termination of the concession agreement and related agreements.

### Corporate Governance

The company is committed to high standards of corporate governance, as are appropriate for the long-term obligations of the company's subsidiary to finance, construct and operate non-clinical services for hospitals under the Private Finance Initiative programme.

Corporate governance principles have been implemented within the framework established by agreement between the shareholding parties who have launched the company under a concession agreement with the Northumbria Healthcare NHS Foundation Trust. The Board has taken note of the UK Corporate Governance Code which applies to equity quoted plcs with certain reporting requirements; this company, not being an equity quoted plc, is not bound by the Code's requirements but has voluntarily adopted certain of those principles as detailed below.

This report is a narrative on the principles of corporate governance, as applied in this company. It does not provide a detailed statement to identify those provisions of the Code from which the company's governance differs.

#### A. The Board

1. The Board met quarterly and reviewed operating performance of the company's subsidiary against the financial model and detailed management budgets. This model incorporates aspects of the strategic business plan and associated risks; all proposals for contract variations are vetted before approval against the model.

The Board reserves its own decision on all contractual expenditure and associated funding, and has established the provision of management, company secretary and accountancy services for the implementation of the project.

2. The position of Chairman is rotated on a quarterly basis and the nominated chair leads the Board
3. The Board receives quarterly information which encompasses all corporate, business, financial and relationship matters which are necessary and appropriate for the purposes of monitoring and progressing the complex contractual obligations for the hospital project.
4. Nominations for any changes to Board membership are subject to the shareholders' separate or collective decision.
5. For the particular interests of the shareholders in the continuity of the project, no directors retire by rotation.

#### B. Remuneration

No directors received remuneration directly from the company.

## Directors' report *(continued)*

### Corporate Governance *(continued)*

#### *C Financial Reporting*

1. The Board, after seeking appropriate external advice, decides upon accounting policies which are appropriate for the Company and ensures that they are consistently applied.
2. The Board has instigated a rigorous process of internal control, under the discipline of contractual agreements, in order to safeguard the outcomes for the company in terms of operational performance, financial control, legal and regulatory compliance, provision for risk factors, and longer-term relationships.
3. The Board has decided to undertake the role of an Audit Committee with all directors. The Audit Committee meets annually to review the Management Letter tabled by the Auditors.
4. The Board continue to satisfy themselves that, given the contractual and long-term funding provisions, the Company will continue to trade as a going concern.

#### *D Internal Controls*

1. The Board annually reviews the need for a formal internal audit function.
2. The Board maintains a sound system of internal control to safeguard shareholders' investments and the group's assets.

#### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### **Auditor**

KPMG Audit Plc resigned as auditor on 2 October 2013 pursuant to section 516 of the Companies Act 2006. On 19 February 2014 the Directors appointed KPMG LLP as auditor of the company to fill the casual vacancy as auditor under section 485(3) of the Companies Act 2006. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in the office.

By order of the board



**AL Mitchell**  
*Secretary*

3rd Floor, The Venus  
1 Old Park Lane  
Trafford  
Manchester  
M41 7HG

## **Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 company and of the profit or loss of the company 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, 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 company will continue in business. As explained above, the directors believe that it is no longer appropriate to prepare these accounts on a going concern basis.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG LLP

1 St Peter's Square  
Manchester  
M2 3AE  
United Kingdom

### **Independent auditor's report to the members of Hexham General Hospital SPC Holdings Limited**

We have audited the financial statements of Hexham General Hospital SPC Holdings Limited for the Year ended 31 December 2014 set out on pages 9 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 company's affairs as at 31 December 2014 and of its 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.

#### **Emphasis of matter - non-going concern basis of preparation**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note.

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

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

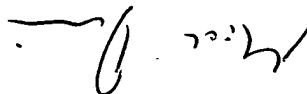


**Independent auditor's report to the members of Hexham General Hospital SPC Holdings Limited (continued)**

**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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



**Mick Davies (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
1 St Peter's Square  
Manchester  
M2 3AB**

5/5/2015

**Profit and loss account**  
*for the year ended 31 December 2014*

	<i>Note</i>	<b>2014</b> <b>£000</b>	2013 £000
<b>Turnover</b>		-	-
Net operating costs		-	-
<b>Operating profit</b>		-	-
Interest payable and similar charges	4	(336)	(449)
Other interest receivable and similar income	5	336	449
Income from shares in group undertakings		15,904	361
<b>Profit on ordinary activities before taxation</b>		<b>15,904</b>	361
Tax on profit on ordinary activities	6	-	1
<b>Profit for the year</b>	<b>11</b>	<b>15,904</b>	361

The Trust issued a voluntary termination notice on 31 March 2014 and ended the concession agreement for the subsidiary company on 1 October 2014. All amounts above are classified as discontinued activities.

The company has no recognised gains or losses other than the result for the year and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the result as disclosed in the Profit and Loss account and the result on an unmodified historical cost basis

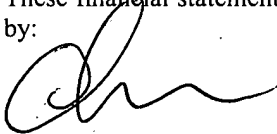
The notes on pages 12 to 16 form part of the financial statements.

**Balance sheet**  
*at 31 December 2014*

	<i>Note</i>	<b>2014</b> <b>£000</b>	2013 £000
<b>Fixed assets</b>			
Investments	7	50	50
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	-	3,853
amounts falling due after more than one year	8	-	-
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	9	-	(3,853)
<b>Net current assets</b>		<u>50</u>	<u>50</u>
<b>Total assets less current liabilities</b>		<u>50</u>	<u>50</u>
Creditors: amounts falling due after more than one year	10	-	-
<b>Net assets</b>		<u>50</u>	<u>50</u>
<b>Capital and reserves</b>			
Called up share capital	11	50	50
Profit and loss account	12	-	-
<b>Equity shareholders' funds</b>		<u>50</u>	<u>50</u>

The notes on pages 12 to 16 form part of the financial statements

These financial statements were approved by the board of directors on 29 April 2015 and were signed on its behalf by:



Director

CHRIS SOLEY

**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 December 2014*

	2014 £000	2013 £000
<b>Profit for the financial year</b>	<b>15,904</b>	<b>361</b>
Dividend	(15,904)	(361)
<b>Net addition to shareholders' funds</b>	<b>-</b>	<b>-</b>
Opening shareholders' funds	<b>50</b>	<b>50</b>
<b>Closing shareholders' funds</b>	<b>50</b>	<b>50</b>

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As 100% of the Company's voting rights are controlled within the group headed by Consolidated Investment Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Consolidated Investment Holdings Limited, within which this Company is included, can be obtained from the address given in note 13.

On 31 March 2014, the Trust issued a voluntary termination notice which terminated the company's subsidiary's concession agreement on 1 October 2014. As there was no further business activity after that date, in either the company or its subsidiary, the directors intend to liquidate the company following settlement of all remaining net assets, and consequently, they have not prepared the financial statements on a going concern basis.

#### ***Investments***

Investments in subsidiaries and other undertakings are stated at cost less amounts written off.

#### ***Taxation***

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

**Notes** (continued)

**Interest bearing borrowings**

Immediately after issue debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

**Classification of financial instruments issued by the Company**

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

**2 Remuneration of directors**

None of the directors received emoluments directly from the company (2013: none).

**3 Staff numbers and costs**

No staff are directly employed by the company (2013: none).

**4 Interest payable and similar charges**

	2014 £000	2013 £000
Interest on subordinated debt	336	449
	<u>336</u>	<u>449</u>

**5 Other interest receivable and similar income**

	2014 £000	2013 £000
Interest on intercompany debt	336	449
	<u>336</u>	<u>449</u>

**Notes** *(continued)*

**6 Taxation**

Analysis of charge in the year

	<b>2014</b>	2013
	<b>£000</b>	£000
<i>UK corporation tax (21.5%)</i>		
Current tax on income for the year	-	-
	<hr/>	<hr/>
Total current tax credit charge	-	-
	<hr/> <hr/>	<hr/> <hr/>

*Factors affecting the current tax charge for the current year*

The current tax charge for the year is less than (2013: *less than*) than the standard rate of corporation tax in the UK 21.5% (2013: 23.25%).

	<b>2014</b>	2013
	<b>£000</b>	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<b>15,904</b>	361
	<hr/>	<hr/>
Current tax at standard rate of 21.5% (2013: 23.25%)	<b>3,419</b>	84
<i>Effects on actual tax charge for the year:</i>		
Non-taxable income	<b>(3,419)</b>	(84)
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/> <hr/>	<hr/> <hr/>

*Factors affecting the future tax charge*

Legislation to reduce the main rate of corporation tax from 21% to 20% from 1 April 2015 was substantively enacted as part of the Finance Bill 2013 on 2 July 2013.

**Notes** (continued)

**7 Fixed asset investments**

	Shares in group Undertakings 2014 £000
<i>Cost and net book value</i>	
At beginning and end of year	50

The principal company in which the company's interest at the year end is more than 20% is as follows:

**Subsidiary undertakings**

	Principal activity	Class of shares	%
Hexham General Hospital SPC Limited	PFI Contractor	Ordinary	100

The above company is incorporated in England and Wales. The principal activities of the group were to design, finance, construct, refurbish and operate certain new facilities at the Hexham General Hospital under a concession agreement with Northumbria Healthcare NHS Foundation Trust.

**8 Debtors**

	2014 £000	2013 £000
Intercompany debtor – amounts due from subsidiary	-	3,853

The amounts due from subsidiary includes £nil (2013: £nil) due after more than one year.

**9 Creditors: amounts falling due within one year**

	2014 £000	2013 £000
Subordinated debt	-	3,853

**10 Creditors: amounts falling due after more than one year**

	2014 £000	2013 £000
Subordinated debt	-	-

**Analysis of debt**

	2014 £000	2013 £000
Debt can be analysed as falling due:		
In one year or less, or on demand	-	3,853
Between one and two years	-	-
Between two and five years	-	-
In five years or more	-	-
	-	3,853



**Notes** *(continued)*

**11 Called up share capital**

	<b>2014</b>	2013
	<b>£000</b>	£000
<i>Allotted, called up and fully paid</i>		
Equity: 50,000 ordinary shares of £1 each	<b>50</b>	50
	<u>          </u>	<u>          </u>

**12 Reserves**

	<b>Profit and loss account £000</b>
At beginning of year	-
Profit for the financial year	15,904
Dividend	(15,904)
	<u>          </u>
<b>At end of year</b>	<u>          </u>

**13 Ultimate parent company**

The Company is a subsidiary undertaking of Consolidated Investment Holdings Limited which is the ultimate parent company incorporated in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Consolidated Investment Holdings Limited incorporated in England and Wales. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from 3<sup>rd</sup> Floor, The Venus, 1 Old Park Lane, Trafford, Manchester, M41 7HG.