

Company Registration No. 04420880 (England and Wales)

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

COMPANY INFORMATION

Directors

R Marsden	
A Watson	(Appointed 29 April 2016)
H O'Gorman	(Appointed 23 May 2016)
G Birley-Smith	(Appointed 19 January 2017)
J Heath	(Appointed 7 September 2016)

Secretary HCP Social Infrastructure (UK) Limited

Company number 04420880

Registered office 8 White Oak Square
London Road
Swanley
BR8 7AG

Auditor Deloitte LLP
Statutory Auditor
110 Queen Street
Glasgow
Scotland
G1 3BX

Solicitors Michelmores
Woodwater House
Pynes Hill
Exeter
EX2 5WR

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

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HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present the strategic report for the year ended 31 December 2016.

Business Review

The principal activity of the Group is to design, develop and finance the construction of new extensions to the Royal Victoria Infirmary and Freeman Hospital, together with providing the ongoing maintenance and lifecycle services to these extensions, on behalf of the Newcastle Upon Tyne Hospitals NHS Foundation Trust. Financial close was achieved on 4 May 2005. The concession period is 38 years.

Via Healthcare Support (Newcastle) Holdings Limited, John Laing Investments Limited (since transferred to John Laing Infrastructure Fund Limited), Interserve PFI 2003 Limited and Innisfree Nominees Limited invested £1,000 share capital. John Laing Investments Limited (since transferred to John Laing Infrastructure Fund Limited) and Innisfree Nominees Ltd acting in its capacity as nominee on behalf of Innisfree PFI Secondary Fund invested subordinated debt of £3.7 million and £16.0 million respectively on 4 March 2010, with Interserve PFI 2003 Limited investing £4.9 million on 8 March 2010.

A Settlement Agreement was signed on 11th August 2016 by Healthcare Support (Newcastle) Limited ("HSN" or the "Company"), the Newcastle Upon Tyne Hospitals NHS foundation Trust (the "Trust"), Laing O'Rourke Construction Limited ("LOR") and Interserve (Facilities Management) Limited ("IFM"). This resolved the long-standing dispute in respect of construction works and related matters with the result that practical completion of the works is deemed to have taken place on 24th August 2016.

Based on their knowledge of the project and the financial model used to forecast financial performance of the project, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial accounts. More information is provided in note 1 to the financial statements.

Principle Risks and Uncertainties

The Group's activities expose it to a number of financial risks including liquidity risk, interest rate risk and credit risk. These risks are further explained in the Directors' Report.

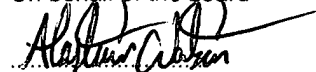
Future Developments

The Directors are not aware, at the date of this report, of any major changes in the Group's activities in the next year.

Key Performance Indicators

The key performance indicator for the Group is the level of performance and unavailability deductions levied by the client, since this reflects the quality of the service being provided. During the period, the Group suffered nominal deductions.

On behalf of the board



A Watson

Director

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HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their annual report and audited financial statements for the year ended 31 December 2016.

Principal activities

The principal activity of the Group is to design, develop and fund the consideration of new extensions to the Royal Victoria Infirmary and Freeman Hospital, together with the ongoing maintenance and lifecycle services to these extensions, on behalf of the Newcastle Upon Tyne Hospitals NHS Foundation Trust.

Directors

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

R Marsden	
J Linney	(Resigned 7 September 2016)
N Crowther	(Resigned 19 January 2017)
A Watson	(Appointed 29 April 2016)
H O'Gorman	(Appointed 23 May 2016)
J Graham	(Resigned 29 April 2016)
J McDonagh	(Resigned 23 May 2016)
G Birley-Smith	(Appointed 19 January 2017)
J Heath	(Appointed 7 September 2016)

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid (2015: £Nil). The Directors do not recommend payment of a final dividend.

Qualifying third party indemnity provisions

The Group 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.

Financial risk management objectives and policies

Liquidity Risk

The Group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Group has sufficient liquid resources to meet the operating needs of the business. At the start of the PFI contract, the Group negotiated debt facilities with an external party to ensure that the Group has sufficient funds over the life of the PFI concession.

Credit Risk

The Groups principal financial assets are cash, financial assets and trade and other receivables. The Groups credit risk is primarily attributable to its trade receivables which are with one counterparty, although in the opinion of the board of Directors this risk is limited as the receivables are with Newcastle Upon Tyne Hospitals NHS Foundation Trust and guaranteed by the Department of Health.

Interest Rate Risk

The Group has an intercompany loan with Healthcare Support (Newcastle) Finance plc which is index linked to RPI (all items). The Group mitigates this RPI risk by having an index linked unitary contract with the Newcastle Upon Tyne Hospitals NHS Foundation Trust, thereby mitigating inflationary risk.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Future developments

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 1 and form part of this report by cross-reference.

Auditor

The Independent Auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

Each of the Directors in office at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware, and
- the Director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board



A Watson
Director

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HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

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), 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 Company, and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility Statement

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This responsibility statement was approved by the board of directors on 26 June 2017 and is signed on its behalf by:



A Watson
Director

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HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

We have audited the financial statements of Healthcare Support (Newcastle) Holdings Limited for the year ended 31 December 2016 which comprise the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes on pages 13 - 27. 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, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom 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, based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

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.



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David Mitchell (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Glasgow
Scotland

Date: 27/6/17.....

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £000	2015 £000
Turnover	3	15,078	14,247
Cost of sales		(12,823)	(12,979)
Gross profit		<u>2,255</u>	<u>1,268</u>
Interest receivable and similar income	7	16,478	14,059
Interest payable and similar charges	8	(17,815)	(16,402)
Profit/(loss) before taxation		<u>918</u>	<u>(1,075)</u>
Taxation (charge)/credit	9	(214)	186
Profit/(loss) for the financial year		<u><u>704</u></u>	<u><u>(889)</u></u>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016		2015	
		£000	£000	£000	£000
Non current assets					
Debtors falling due after one year	13		323,609		328,998
Current assets					
Debtors	13	42,179		48,679	
Cash at bank and in hand		18,775		25,371	
		60,954		74,050	
Creditors: amounts falling due within one year	14	(23,662)		(30,558)	
Net current assets			37,292		43,492
Creditors: amounts falling due after more than one year	15		(356,871)		(368,242)
Provisions for liabilities	17		(178)		(1,100)
Net assets			3,852		3,148
Capital and reserves					
Called up share capital	19		51		51
Profit and loss reserves	19		3,801		3,097
Total equity			3,852		3,148

The financial statements were approved by the board of directors and authorised for issue on 26/06/17 and are signed on its behalf by:



A Watson
Director

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

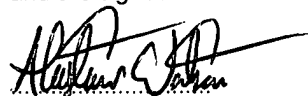
COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £000	2015 £000
Non current assets			
Investments	10	51	51
Debtors falling due after one year	13	24,337	24,337
		<u>24,388</u>	<u>24,388</u>
Current assets			
Debtors	13	5,553	14,681
Creditors: amounts falling due within one year	14	(5,553)	(14,681)
		<u>-</u>	<u>-</u>
Net current assets			
		<u>24,388</u>	<u>24,388</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	15	(24,337)	(24,337)
		<u>51</u>	<u>51</u>
Net assets			
		<u><u>51</u></u>	<u><u>51</u></u>
Capital and reserves			
Called up share capital	19	51	51
		<u>51</u>	<u>51</u>
Total equity			
		<u><u>51</u></u>	<u><u>51</u></u>

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £Nil (2015: £Nil).

The financial statements were approved by the board of directors and authorised for issue on 26/06/17 and are signed on its behalf by:



A Watson
Director

Company Registration No. 04420880

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Profit and loss reserves	Total
	£000	£000	£000
Balance at 1 January 2015	51	3,986	4,037
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2015:			
Loss and total comprehensive income for the year	-	(889)	(889)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	51	3,097	3,148
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2016:			
Profit and total comprehensive income for the year	-	704	704
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	51	3,801	3,852
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Profit and loss reserves	Total
	£000	£000	£000
Balance at 1 January 2015	51	-	51
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2015:			
Profit and total comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	51	-	51
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2016:			
Profit and total comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	51	-	51
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

		2016		2015	
	Notes	£000	£000	£000	£000
Cash flows from operating activities					
Cash generated from operations	22		26,455		26,303
Income taxes (paid)/refunded			(10)		18
Net cash inflow from operating activities			<u>26,445</u>		<u>26,321</u>
Investing activities					
Interest received		188		227	
Movement in other financial assets		1,347		(1,842)	
Net cash generated from/(used in) investing activities			<u>1,535</u>		<u>(1,615)</u>
Financing activities					
Interest paid		(21,880)		(15,922)	
Repayment of bank loans	16	(12,696)		(9,089)	
Net cash used in financing activities			<u>(34,576)</u>		<u>(25,011)</u>
Net decrease in cash and cash equivalents			<u>(6,596)</u>		<u>(305)</u>
Cash and cash equivalents at beginning of year			25,371		25,676
Cash and cash equivalents at end of year			<u><u>18,775</u></u>		<u><u>25,371</u></u>

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

Company information

Healthcare Support (Newcastle) Holdings Limited is a private company limited by shares domiciled in the United Kingdom, incorporated in Great Britain and registered in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, BR8 7AG.

The Group consists of Healthcare Support (Newcastle) Holdings Limited and all of its subsidiaries (see note 11).

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below and have been applied consistently in the current and prior year.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £Nil (2015: £Nil).

1.2 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year.

Entities other than subsidiary undertakings or joint ventures, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence, are treated as associates. In the Group financial statements, associates are accounted for using the equity method.

Entities in which the Group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the Group financial statements, joint ventures are accounted for using the equity method.

1.3 Going concern

Healthcare Support (Newcastle) Holdings Limited via its subsidiary, Healthcare Support (Newcastle) Limited ("HSN") signed a Settlement Agreement on the 11th August 2016 with Newcastle Upon Tyne Hospitals NHS Foundation Trust ("the Trust"), Laing O'Rourke Construction Limited ("LOR") and Interserve (Facilities Management) Limited ("IFM"). This resolved the long-standing dispute in respect of construction works and related matters with the result that practical completion of the works is deemed to have taken place on 24th August 2016.

Based on their knowledge of the project and the financial model used to forecast financial performance of the project, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial accounts.

1.4 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

1.5 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Company holds a long-term interest and where the company has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the Company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

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

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Basic financial assets

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

Other financial assets

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

Loans and receivables

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

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

Service concession contracts

The Group has been established to provide services under certain private finance agreements with the Newcastle Upon Tyne Hospitals NHS Foundation Trust (the Trust). Under the terms of these Agreements, the Trust (as grantor) controls the services to be provided by the Group over the contract term. Based on the contractual arrangements the Group has classified the project as a service concession arrangement, and has accounted for the principal assets of, and income streams from, the project in accordance with FRS 102, Section 34.12 Service Concession Arrangements.

The Group has chosen to adopt the transitional arrangements available within FRS 102, Section 35.10 (i) and as such the service concession arrangement has continued to be accounted for using the same accounting policies being applied prior to the date of transition to FRS 102 (1 January 2014). The nature of the asset has therefore not changed; however, there was a change in the description from Finance Debtor to Financial Asset.

Under the terms of the arrangement, the Group has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor (the Trust), and as such the asset is accounted for as a financial asset. The financial asset has initially been recognised at the fair value of the consideration received, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

Throughout the operational phase the unitary payment received from the Trust is applied to revenue, capital repayment of the financial asset and interest income, using a project specific interest rate. Revenue is calculated based on cost plus an appropriate profit margin. The financial asset is decreased to residual value over the life of the concession.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Impairment of financial assets

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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.

Derecognition of financial liabilities

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

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

1.8 Equity instruments

Equity instruments issued by the Group 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 Group.

1.9 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.

1.10 Provisions

Provisions are recognised when the Group has a legal or constructive present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The Directors consider there to be no critical judgements, apart from those involving estimations which are dealt with separately below.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Service concession agreement

As disclosed in Note 1, the Group accounts for the project as a service concession arrangement. The Directors use their judgement in selecting the appropriate financial asset rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the financial asset; and also the service margin that is used to recognise service revenue. The Directors have also used their judgement in assessing the appropriateness of the future maintenance costs that are included in the Group's forecasts. The Directors will continue to monitor the condition of the assets and undertake a regular review of maintenance spend.

Contingent liability

As part of the Settlement Agreement mentioned in the Strategic Review, Healthcare Support (Newcastle) Holdings Limited's subsidiary company Healthcare Support (Newcastle) Limited will potentially have to make a contribution towards the rectification of the chilled water pipes within the facility. At the time of signing the accounts the Board have concluded that the maximum possible contribution is £500,000, but the requirement to make this payment is considered possible rather than probable and so it has not been provided for.

3

Turnover and other revenue

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

	2016	2015
	£000	£000
Turnover		
Service Fee Income	11,949	9,941
Pass-through Income	2,782	3,178
Variation Income	122	905
Rental Income	225	220
Other Income	-	3
	<u>15,078</u>	<u>14,247</u>

There is other income in the form of interest income, see note 7.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

3 Turnover and other revenue	(Continued)	
Turnover analysed by geographical market		
	2016	2015
	£000	£000
United Kingdom	15,078	14,247
	<u> </u>	<u> </u>
4 Auditor's remuneration		
Fees payable to the Company's auditor and associates:	2016	2015
	£000	£000
For audit services		
Audit of the financial statements of the Group and Company	26	23
	<u> </u>	<u> </u>
5 Employees		
The Group had no employees during the current or prior year.		
6 Directors' remuneration		
No Directors received any remuneration for services to the Group during the current or prior year.		
7 Interest receivable and similar income		
	2016	2015
	£000	£000
Interest income		
Interest on bank deposits	178	227
Other interest income	16,300	13,832
	<u> </u>	<u> </u>
Total interest income	16,478	14,059
	<u> </u>	<u> </u>
8 Interest payable and similar charges		
	2016	2015
	£000	£000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	13,443	12,256
Interest payable on shareholder loan	4,372	4,146
	<u> </u>	<u> </u>
Total interest expense	17,815	16,402
	<u> </u>	<u> </u>

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

9 Taxation

	2016	2015
	£000	£000
Current tax		
UK corporation tax on profits for the current year	89	-
Adjustments in respect of prior periods	(61)	-
Group tax relief	(8)	-
	<u>20</u>	<u>-</u>
	2016	2015
	£000	£000
Deferred tax		
Adjustment in respect of prior period	71	-
Changes in tax rates	20	31
Tax losses utilised / (carried forward)	103	(217)
	<u>194</u>	<u>(186)</u>
Total current tax	<u>20</u>	<u>-</u>
Total deferred tax	<u>194</u>	<u>(186)</u>
Total taxation for the year	<u>214</u>	<u>(186)</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:

	2016	2015
	£000	£000
Profit/(loss) before taxation	<u>918</u>	<u>(1,075)</u>
Expected tax charge based on a corporation tax rate in the UK of 20.00% (2015: 20.25%)	184	(217)
Effect of change in corporation tax rate	20	31
Prior Year adjustment - current tax	(61)	(9)
Prior year adjustment - deferred tax	71	9
Taxation for the year	<u>214</u>	<u>(186)</u>

For the year ended 31 December 2016, the UK rate of 20% (2015: 20.25%) is applied.

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective 1 April 2017 and to 18% effective 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provided a further reduction in the main rate of corporation tax to 17% effective 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

10 Fixed asset investments

	Notes	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Investments in subsidiaries	11	-	-	51	51

11 Subsidiaries

Details of the Company's subsidiaries at 31 December 2016 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Healthcare Support (Newcastle) Finance plc	UK*	Ordinary shares	100
Healthcare Support (Newcastle) Limited	UK*	Ordinary shares	100

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

12 Financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies.

The carrying values of the Group and Company's financial assets and liabilities are summarised by category below:

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Financial assets				
Debt instruments measured at amortised cost (note 13)	340,403	333,530	24,337	24,337
Equity instruments measured at cost less impairment (note 10)	-	-	51	51
Measured at undiscounted amount receivable:	-	-	-	-
- Trade and other debtors (note 13)	1,126	5,023	5,553	14,681
- Cash and cash deposits	41,505	49,448	-	-
	<u>383,034</u>	<u>388,001</u>	<u>29,941</u>	<u>39,069</u>
Financial liabilities				
Loans measured at amortised cost	369,403	376,999	24,337	24,337
Measured at undiscounted amount payable:				
- Trade and other creditors (note 14)	11,129	21,801	5,553	14,681
	<u>380,532</u>	<u>398,800</u>	<u>29,890</u>	<u>39,018</u>

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

12 Financial instruments

(Continued)

The Group and Company's total interest income and total interest expense in relation to financial assets and financial liabilities held at amortised cost are disclosed in notes 7 and 8.

13 Debtors

	Group 2016	2015	Company 2016	2015
Notes	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	487	4,618	-	-
Amounts due from subsidiary undertakings	-	-	5,553	14,681
Financial asset	5,343	5,037	-	-
Other financial assets	22,730	24,077	-	-
Other debtors	1,061	1,254	-	-
Prepayments and accrued income	12,082	13,094	-	-
	<u>41,703</u>	<u>48,080</u>	<u>5,553</u>	<u>14,681</u>
Deferred tax asset (note 18)	476	599	-	-
	<u>42,179</u>	<u>48,679</u>	<u>5,553</u>	<u>14,681</u>
Amounts falling due after more than one year:				
Amounts due from subsidiary undertakings	-	-	24,337	24,337
Financial asset	323,609	328,998	-	-
	<u>365,788</u>	<u>377,677</u>	<u>29,890</u>	<u>39,018</u>
Total debtors	<u>365,788</u>	<u>377,677</u>	<u>29,890</u>	<u>39,018</u>

Other financial assets include amounts held within deposit accounts with a maturity of not less than 3 months from the initial deposit.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

14 Creditors: amounts falling due within one year

	Notes	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Bank loans and overdrafts	16	12,532	8,757	-	-
Trade creditors		1,003	3,719	-	-
Gross amounts due to contract customers		-	876	-	-
Amounts due to shareholders	16	5,553	14,681	5,553	14,681
Corporation tax payable		8	-	-	-
Other creditors		1,018	(2,339)	-	-
Senior debt accrued interest		2,076	4,077	-	-
Accruals and deferred income		1,472	787	-	-
		<u>23,662</u>	<u>30,558</u>	<u>5,553</u>	<u>14,681</u>

15 Creditors: amounts falling due after more than one year

	Notes	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Bank loans and overdrafts	16	332,534	343,905	-	-
Amounts due to shareholders	16	24,337	24,337	24,337	24,337
		<u>356,871</u>	<u>368,242</u>	<u>24,337</u>	<u>24,337</u>

Amounts included above which fall due after five years are as follows:

Payable by instalments	281,288	307,828	-	-
Payable other than by instalments	48,674	48,674	24,337	24,337
	<u>329,962</u>	<u>356,502</u>	<u>24,337</u>	<u>24,337</u>

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

16 Loans and overdrafts

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Bank loans	345,066	352,662	-	-
Loans from shareholders	-	-	24,337	24,337
Loans from related parties	24,337	24,337	-	-
	<u>369,403</u>	<u>376,999</u>	<u>24,337</u>	<u>24,337</u>
Payable within one year	12,532	8,757	-	-
Payable after one year	<u>356,871</u>	<u>368,242</u>	<u>24,337</u>	<u>24,337</u>

The Group originally had a publicly offered bond from Royal Bank of Canada for £197.8 million and a loan with European Investment Bank (EIB) of £115 million. On 7 April 2014, the Principal Paying Agency Agreement novated from the Royal Bank of Canada to the Bank of New York Mellon, London Branch. The debt is repayable in instalments based on an agreed percentage amount of the total facilities per annum over the next 26 - 29 years (the EIB loan having the shorter maturity). The loans are secured under the security document by a charge over all the assets of the Company.

Interest on the public bond is fixed at 2.187% per annum and interest on the EIB loan is fixed at 2.1492% per annum (coupon of 1.9592% and margin of 0.19%). Both the public bond and EIB loan are index linked. This finance is lent to Healthcare Support (Newcastle) Limited from Healthcare Support (Newcastle) Finance Plc on the same terms plus an agreed margin of 0.5%.

In addition, the Group was provided with a credit facility of £24,658,000 from Healthcare Support (Newcastle) Finance plc, drawn down in March 2010. This facility accrues interest at an agreed rate not exceeding 12% per annum. Interest of £5,553,000 (2015: £14,681,000) is disclosed in note 14.

17 Provisions for liabilities

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Settlement of Phase 8	<u>178</u>	<u>1,100</u>	<u>-</u>	<u>-</u>

Movements on provisions:

Group	Settlement of Phase 8 £000
At 1 January 2016	1,100
Additional provisions in the year	793
Utilisation of provision	(1,715)
At 31 December 2016	<u>178</u>

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

17 Provisions for liabilities

(Continued)

The provision for £0.2 million represents Healthcare Support (Newcastle) Limited contribution to Newcastle Upon Tyne Hospitals NHS Foundation Trust to the settlement of all disputes. The sum was paid in full on 3 January 2017.

18 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
	2016	2015
Group	£000	£000
Tax losses	476	599
	<u> </u>	<u> </u>

The Company has no deferred tax assets or liabilities.

	Group	Company
	2016	2016
Movements in the year:	£000	£000
Asset at 1 January 2016	(599)	-
Charge to profit or loss	103	-
Effect of change in tax rate - profit or loss	20	-
	<u> </u>	<u> </u>
Asset at 31 December 2016	(476)	-
	<u> </u>	<u> </u>

The deferred tax asset set out above relates to the utilisation of tax losses against future expected profits over the same period.

19 Share capital

	Group and company	
	2016	2015
	£000	£000
Ordinary share capital		
Issued and fully paid		
51,000 Ordinary shares of £1 each	51	51
	<u> </u>	<u> </u>

Other Reserves

The Group's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

20 Related party transactions

Transactions with related parties

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

Group	2016 £000	2015 £000
Palio (No 15) Limited		
Sub-ordinated debt interest	2,054	-
	<u>2,054</u>	<u>-</u>
Interserve PFI 2005 Limited		
Sub-ordinated debt interest	2,738	-
	<u>2,738</u>	<u>-</u>
Innisfree PFI Secondary Fund		
Sub-ordinated debt interest	8,708	-
	<u>8,708</u>	<u>-</u>
Interserve Facilities Management Limited		
Facilities and lifecycle management fees	5,232	6,600
	<u>5,232</u>	<u>6,600</u>

The following amounts were (paid)/received during the year to Interserve Facilities Management Limited (IFM) in relation to the Settlement Agreement discussed in the Strategic Report:

	2016 £000	2015 £000
Received from IFM		
Sum in respect of historical service failure deductions	112	-
Paid to IFM		
Lifecycle amounts	(300)	-
Compensation for descope of phase 8 & 9 from service contract	(1,000)	-
	<u>(1,188)</u>	<u>-</u>

Amounts owed to related parties

The following amounts were outstanding at the reporting end date:

Group	2016 £000	2015 £000
Palio (No 15) Limited	833	2,231
Interserve FM Limited	9	532
Interserve PFI 2005 Limited	1,111	2,974
Innisfree PFI Secondary Fund	3,609	9,476
	<u>5,562</u>	<u>15,213</u>

No guarantees have been given or received.

Innisfree PFI Secondary Fund, Interserve Investments Plc and John Laing Infrastructure Fund Limited are the ultimate shareholders of Healthcare Support (Newcastle) Holdings Limited. Palio (No 15) Limited is a wholly owned subsidiary of John Laing Infrastructure Fund Limited.

HEALTHCARE SUPPORT (NEWCASTLE) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

21 Controlling party

The Company is a joint venture between Equion Health (Newcastle) Limited (80%) and Interserve PFI 2005 (20%). Both of these companies are incorporated in the United Kingdom and registered in England and Wales.

22 Cash generated from group operations

	2016	2015
	£000	£000
Profit/(loss) for the year after tax	704	(889)
Adjustments for:		
Taxation charged/(credited)	214	(186)
Finance costs	17,815	16,402
Investment income	(16,478)	(14,059)
Increase in provisions	792	1,100
Movements in working capital:		
Decrease in debtors	28,030	19,351
(Decrease)/increase in creditors	(4,622)	4,583
Cash generated from operations	26,455	26,302