

Hexham General Hospital SPC Holdings Limited

**Directors' report and financial
statements**

Registered number 04108766

31 December 2015

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Company Information

Non-Executive Directors

KW Gillespie
GS Jackson (alternate for BP Millsom)
LW McKenna
BP Millsom
JH Potgieter (alternate for LW McKenna)
CT Solley

Registered Office

Adamson House
Towers Business Park
Wilmslow Road
Manchester
M20 2YY

Registered Auditor

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

Solicitors

CMS Cameron McKenna
Northwest Wing
Bush House
Aldwych
London
WC2B 4EZ

Bankers

Bank of Scotland
11 Earl Grey Street
Edinburgh
EH3 9BN

Company Secretary

Ailison Mitchell LLB ACIS
Adamson House
Towers Business Park
Wilmslow Road
Manchester
M20 2YY

Strategic report

Company objectives

The objectives of the company were to invest in a PFI project company to provide long-term returns for its investors.

As there has been no business activity in the subsidiary company in the year following the termination of its contract with Northumbria Healthcare Foundation NHS Trust during 2014, 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 subsidiary 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 in 2014, key performance indicators are no longer considered relevant.

Development and performance of the business

The company made a pre-tax profit of £nil compared to £15,904,000 in 2014. The termination of the subsidiary company's contract gave rise to a compensation payment including compensation to equity holders which was distributed through this company.

By order of the board



A L Mitchell LLB ACIS
Company Secretary

Adamson House
Towers Business Park
Wilmslow Road
Manchester
M20 2YY

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2015.

Business review

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

Proposed dividend and transfer to reserves

The company made a dividend payment of £nil in the year (2014: £15,904,000).

Directors and directors' interests

The directors who held offices during the year are set out on page 1.

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

Political and charitable donations

There were no political donations made in the year (2014: £nil).

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 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 regular information which encompasses all corporate, business, financial and relationship matters which are considered necessary and appropriate.
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.

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

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



A L Mitchell LLB ACIS
Company Secretary

Adamson House
Towers Business Park
Wilmslow Road
Didsbury
Manchester
M20 2YY

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

The directors are responsible for preparing the Strategic Report, the 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. As explained in note 1, the directors believe that it is no longer appropriate to prepare these financial statements 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 2015 set out on pages 8 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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.

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 2015 and of its result for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other 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.



David Bills (Senior Statutory Auditor)
for and on behalf of KPMG, LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
27 May 2016

Profit and Loss Account
 for the year ended 31 December 2015

	<i>Note</i>	2015 £000	2014 £000
Turnover		-	-
Net operating costs		-	-
Operating profit		-	-
Other interest receivable and similar income	4	-	336
Interest payable and similar charges	5	-	(336)
Income from shares in group undertakings		-	15,904
Profit on ordinary activities before taxation		-	15,904
Tax on profit on ordinary activities	6	-	-
Profit for the financial year		-	15,904

The Company has no recognised gains or losses other than the retained profit for the year and therefore no separate statement Other Comprehensive Income has been presented.

There is no difference between the profit on ordinary activities before taxation and the historical cost equivalent.

The notes on pages 8 to 16 form part of the Financial Statements.

Balance Sheet
 at 31 December 2015

	Note	2015 £000	2014 £000
Fixed assets			
Investments	7	50	50
		<hr/>	<hr/>
Net assets		50	50
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Called up share capital	8	50	50
Profit and loss account		-	-
		<hr/>	<hr/>
Total shareholders' funds		50	50
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the board of directors on ^{23 May 2016} and were signed on its behalf by



J H DOTGISTER

Director

The notes on pages 8 to 16 form part of the Financial Statements.

Statement of Changes in Equity

	Called up share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2014	50	-	50
Total comprehensive income for the year			
Profit	-	15,904	15,904
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	15,904	15,904
Transactions with owners, recorded directly in equity			
Dividends	-	(15,904)	(15,904)
Balance at 31 December 2014	50	-	50

	Called up share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2015	50	-	50
Total comprehensive profit for the year			
Profit	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Transactions with owners, recorded directly in equity			
Dividends	-	-	-
Balance at 31 December 2015	50	-	50

Notes

(forming part of the financial statements)

1 Accounting policies

Hexham General Hospital SPC Holdings plc (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102, issued in July 2015 and effectively immediately, have been applied. The presentation currency of these financial statements is sterling.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 10.

The Company's ultimate parent undertaking, Consolidated Investment Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Consolidated Investment Holdings Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Company has not retrospectively changed its accounting under old UK GAAP for accounting estimates.

The directors are of the opinion that there are no judgements in the application of these accounting policies that have significant effect on the financial statements.

1.1 Measurement convention and basis of preparation

The financial statements are prepared on the historical cost basis.

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.

1.2 Going concern

The company acts as a holding company for Hexham General Hospital SPC Plc. It has no immediate requirement for funding. The directors have reviewed the forecast cash flows for a period of twelve months from the date of this report and have concluded the company is able to meet its working capital requirements.

On 31 March 2014, the Trust issued a voluntary termination notice which terminated the subsidiary company'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.

1.3 Investments

Investments in subsidiaries and other undertakings are stated at cost less impairment in profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity 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. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Basic financial instruments

Investments in subsidiaries, jointly controlled entities and associates

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

1.7 Expenses

Interest receivable and Interest payable

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

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

Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Other interest receivable and similar income is recognised in profit or loss as it accrues.

Notes (continued)

1 Accounting policies (continued)

1.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

1.9 Dividend income

Dividend income is recognised in the profit and loss account on the date the company's right to receive payment is established.

2 Staff costs and Directors' remuneration

No staff are directly employed by the company (2014: none). None of the directors' received emoluments directly from the company (2014: £nil).

3 Auditor's remuneration:

	2015 £000	2014 £000
Amounts receivable by the auditor and their associates in respect of: Audit of these financial statements	-	-

Auditor's remuneration was borne by the company's subsidiary in both the current and prior year.

Notes (continued)

4 Other interest receivable and similar income

	2015 £000	2014 £000
Interest on inter-company debt	-	336

5 Interest payable and similar charges

	2015 £000	2014 £000
Interest on loan notes	-	336

6 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2015 £000	2014 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Total tax	-	-

	2015 Current tax £000	Total tax £000	2014 Current tax £000	Total tax £000
Recognised in Profit and loss account	-	-	-	-
Recognised directly in equity	-	-	-	-
Total tax	-	-	-	-

Reconciliation of effective tax rate

	2015 £000	2014 £000
Profit for the year	-	15,904
Total tax expense	-	-
Profit excluding taxation	-	15,904
Tax at standard rate of 20.25% (2014: 21.5%)	-	3,419
<i>Effects on actual tax charge for the year:</i>		
Non-taxable income	-	(3,419)
Total tax charge recognised in profit and loss account (see above)	-	-

Notes (continued)

6 Taxation (continued)

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly.

7 Fixed asset investments

	Shares in group undertakings 2015 £000
<i>Cost and net book value</i>	
At beginning and end of year	50

The company has the following investments in subsidiaries:

Subsidiary undertakings	Principal activity	Class of share	Ownership % (2014 and 2015)
Hexham General Hospital SPC Plc	PFI contractor	Ordinary	100

The above company is incorporated in England and Wales.

8 Called up share capital

	2015 £000	2014 £000
<i>Allotted, called up and fully paid</i>		
Equity: 50,000 Ordinary shares of £1 each	50	50

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

9 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Consolidated Investment Holdings Limited, which is the ultimate holding company incorporated in England and Wales. The largest and smallest group in which the results of the company are consolidated is that headed by Consolidated Investment Holdings Limited. No other group financial statements include the results of the company. Copies of the group accounts of Consolidated Investment Holdings Limited can be obtained from Adamson House, Towers Business Park, Wilmslow Road, Didsbury, Manchester, M20 2YY.

Notes (continued)

10 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables. No changes have been required to the profit and loss account through the transition to FRS 102.

Reconciliation of equity

Note	1 January 2014		31 December 2014		FRS102 £000
	UK GAAP £000	Effect of transition to FRS102 £000	UK GAAP £000	Effect of transition to FRS102 £000	
Investments	50	-	50	-	50
Current assets					
Debtors (due within one year) b	3,853	-	3,853	-	-
Debtors (due after more than one year)	-	-	-	-	-
Cash at bank and in hand	-	-	-	-	-
Creditors: amounts due within one year	(3,853)	-	(3,853)	-	-
Net current assets	<u>50</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>50</u>
Creditors: amounts falling due after one year	-	-	-	-	-
Net assets	<u>50</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>50</u>
Capital and reserves					
Called up share capital	50	-	50	-	50
Profit and loss account	-	-	-	-	-
Shareholders equity	<u>50</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>50</u>