JOHN LAING HEALTH (PEMBURY) LIMITED

DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2011

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Registered Number 5309721

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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DIRECTORS AND ADVISORS

Directors

M Baybutt	
G Beazley-Long	(appointed 28 June 2011)
N Crowther	(appointed 28 June 2011, resigned 7 December 2011)
B C J Dean	(appointed 7 December 2011, resigned 12 June 2012)
C H Dix	(appointed 7 December 2011)
M J Mercer-Deadman	(resigned 7 December 2011)
G D Pearce	(resigned 28 June 2011)
J C Russell	(resigned 28 June 2011)
B M Semple	(appointed 12 June 2012)

Company secretary and registered office

R K Miller
1 Kingsway
London
WC2B 6AN

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditors
London

DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements for the year ended 31 December 2011

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

The Company is owned and jointly controlled by John Laing Investments Limited and Innisfree PFI Secondary Fund The Directors consider there to be no ultimate controlling party or ultimate parent company

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the Company is to hold an investment in Kent and East Sussex Weald Hospital Holdings Limited, which is the parent of Kent and East Sussex Weald Hospital Limited

There have not been any significant changes in the Company's principal activities in the year under review The Directors are not aware, at the date of this report, of any major changes in the Company's activities in the next year

During the year under review, the Company continued to hold, as a joint venture, a 75% interest in Kent and East Sussex Weald Hospital Holdings Limited, the parent of Kent and East Sussex Weald Hospital Limited Kent and East Sussex Weald Hospital Limited has been constructing and has started operations of a hospital on behalf of Maidstone and Tunbridge Wells NHS Trust under a PFI contract Phase 1A was completed in October 2010 and phase 1B was completed in May 2011, resulting in 95% of the Unitary Payment becoming payable by the Trust The Company has joint control over this entity and accordingly it has been accounted for as a joint venture and not consolidated

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and concluded that it is appropriate In reaching this conclusion, the Directors have specifically considered the Company's relationships with its immediate parent company More information is provided in note 1 to the financial statements

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

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

- as far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

DIRECTORS

The Directors who served throughout the year, except as noted, are shown on page 1

EMPLOYEES

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 8

AUDITOR

Deloitte have indicated their willingness to be reappointed and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an AGM

On behalf of the Board

M Baybutt
Director
27 September 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

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) 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 accounting estimates that are reasonable and prudent, and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LAING HEALTH (PEMBURY) LIMITED

We have audited the financial statements of John Laing Health (Pembury) Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18 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)

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 (APB'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 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 in the audited financial statements 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 Company's affairs as at 31 December 2011 and of its result 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 matter prescribed by the Companies Act 2006

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

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, or
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report

Ross Howard (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
27 September 2012

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £'000	2011 £'000	2010 £'000	2010 £'000
		Company only	Gross effect of joint venture *	Company only	Gross effect of joint venture *
Turnover	2	-	36,074	-	47,634
Deduct					
Share of joint venture turnover	8	-	(36,074)	-	(47,634)
Gross results		-	-	-	-
Share of operating profit of joint venture		-	2,369	-	146
Operating profit	3	-	2,369	-	146
Net interest (payable) / receivable	6	-	(635)	-	47
Profit on ordinary activities before taxation		-	1,734	-	193
Tax on profit on ordinary activities	7	-	(459)	-	(54)
Profit for the financial year	13	-	1,275	-	139

A reconciliation of movements in shareholders funds is given in note 14

All items in the profit and loss account relate to continuing operations

There is no material difference between the results stated in the profit and loss account and their historical cost equivalents

All gains and losses are recognised in the profit and loss account in both the current and preceding year, and therefore no separate statement of total recognised gains and losses has been presented

* requirement under FRS 9 (48) to show relevant amounts, together with the effects of including them, as additional information to the Company's own financial statements This requirement applies to investment companies that have no subsidiaries and are not entitled to exemption from preparing consolidated financial statements, if it did have subsidiaries

BALANCE SHEET AS AT 31 DECEMBER 2011

	Notes	2011 £'000	2011 £'000	2010 £'000	2010 £'000
		Company only	Gross effect of joint venture *	Company only	Gross effect of joint venture *
Fixed assets					
Investments	8	1	1,415	1	140
Share of gross assets		-	208,330	-	184,180
Share of gross liabilities		-	(206,915)	-	(184,040)
Current assets					
Debtors		16,854	-	-	-
- due within one year	9	-	-	-	-
- due after more than one year	9	16,854	-	-	-
		16,854	-	-	-
Current liabilities					
Creditors amounts falling due within one year	10	-	-	-	-
Net current assets		16,854	-	-	-
Total assets less current liabilities		16,855	1,415	1	140
Creditors amounts falling due after more than one year	10	(16,854)	-	-	-
Net assets		1	1,415	1	140
Capital and reserves					
Called up share capital	12	1	1	1	1
Profit and loss account	13	-	1,414	-	139
Shareholders funds	14	1	1,415	1	140

The financial statements of John Laing Health (Pembury) Limited, registered number 5309721, were approved by the Board of Directors and authorised for issue on September 2012 They were signed on its behalf by

M Baybutt
Director
27 September 2012

Notes to the financial statements for the year ended 31 December 2011

1 ACCOUNTING POLICIES

a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom law and accounting standards A summary of the principal accounting policies adopted by the Directors, which have been applied consistently in the current and prior year, is shown below

The company cannot take advantage of the exemptions to prepare a cash-flow statement under the requirements of FRS 1 (revised 1996) However, as the Company has no bank accounts in the current period and no cash transactions in the current period no cash-flow statement has been prepared

The Company exists to hold investments in its joint venture that provides services under certain private finance agreements The joint venture is set up as a Special Purpose Company under non-recourse arrangements and therefore the Company has limited its exposure to the liabilities In the event of default of the joint venture, the exposure is limited to the extent of the investment it has made Having reviewed the Company's investment portfolio including the associated future cash requirements and forecast receipts, the Directors are satisfied that they have a reasonable expectation that the Company will have access to adequate resources to continue in existence for the foreseeable future Accordingly they continue to adopt the going concern basis in preparing the financial statements

b) Basis of accounting for joint ventures

As the Company does not have subsidiaries, it is not required to produce consolidated financial statements Gross information is therefore presented in respect of joint ventures using the gross equity method where the Company has joint control and significant influence Interest in joint ventures are shown in the gross information at cost including advances, plus the appropriate share of post acquisition retained profits and reserves In the parent company balance sheet investments in joint ventures and associates are included at the Company's share of historical cost adjusted for impairment

Where the accounting policies of joint ventures and associates do not conform with the Company's accounting policies, adjustments are made in order to present the Company accounts on a uniform basis

c) Turnover

During the construction phase of the project, all attributable expenditure including finance costs are included in amounts recoverable on contracts and turnover Upon the asset becoming operational, the costs are transferred to the finance debtor During the operational phase, income is allocated between interest receivable and turnover using a constant operating margin on costs The remainder of the PFI income will be allocated to the finance debtor

All Turnover is derived entirely in the United Kingdom and is net of VAT

d) Finance debtor

The Group is an operator under a PFI contract Under the terms of the contract, substantially all the risks and rewards of ownership of the property asset remain with Maidstone and Tunbridge Wells NHS Trust The underlying asset is therefore not a fixed asset of the Group under FRS5 Application Note F and SSAP 21

e) Capitalised interest

Interest costs on borrowings used to fund the construction of the hospital are added to amounts recoverable on contract during the construction period This treatment ceases on commissioning

f) Operating costs

Operating costs are added to amounts recoverable on contract during the construction period Following commissioning, regular operating costs will be expensed to the profit and loss account as incurred

g) Interest payable

Interest costs on borrowings used to fund the construction of the hospital are added to amounts recoverable on contract during the construction period and following commissioning are expensed to the profit and loss account as incurred

h) Taxation

Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

In accordance with FRS19 'Deferred Tax', deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax assets are not discounted

i) Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

Notes to the financial statements for the year ended 31 December 2011 (continued)

2 TURNOVER

Turnover in the year is analysed as follows	Company only 2011 £'000	Gross JV 2011 £'000	Company only 2010 £'000	Gross JV 2010 £'000
Construction revenue	-	30,712	-	47,284
Service fee revenue	-	5,362	-	350
	-	36,074	-	47,634

3 OPERATING PROFIT

The fees payable of £2,500 (2010 - £2,451) to the Company's auditors for the audit of the Company's annual accounts is borne by John Laing Investments Limited and Innisfree PFI Secondary Fund, the joint owners of the Company, who will not seek reimbursement

	Company only 2011 £'000	Gross JV 2011 £'000	Company only 2010 £'000	Gross JV 2010 £'000
Operating profit is stated after charging				
Fees payable to the Company auditors for the audit of Kent and East Sussex Weald Hospital Limited	-	5	-	4
Fees payable to the Company auditors for the audit of Kent and East Sussex Weald Hospital Holdings Limited	-	5	-	5
Fees payable to the Company auditors for tax services of Kent and East Sussex Weald Hospital Limited	-	5	-	3
Fees payable to the Company auditors for tax services of Kent and East Sussex Weald Hospital Holdings Limited	-	5	-	3
	-	20	-	15
Fees capitalised	-	-	-	-
Fees charged to operating profit	-	20	-	15

4 DIRECTORS' REMUNERATION

No Directors received any remuneration for services to the Company during the current or prior year The Company is managed by secondees from the shareholders under a management services contract

5 STAFF NUMBERS

The Company had no employees during the year (2010 - nil)

6 NET INTEREST (PAYABLE) / RECEIVABLE

	Company only 2011 £'000	Gross JV 2011 £'000	Company only 2010 £'000	Gross JV 2010 £'000
Interest receivable and similar income				
Joint ventures				
Interest receivable on bank deposits	-	4	-	-
Interest receivable on finance debtor	-	8,415	-	397
Interest receivable capitalised	-	(2)	-	-
Interest receivable from JV undertakings	1,242		-	-
	1,242	8,417	-	397
Interest payable and similar charges				
Joint ventures				
Interest payable on bank loans and overdrafts	-	(12,015)	-	(8,684)
Capitalised interest	-	2,963	-	8,334
Interest payable to JV undertakings	(1,242)		-	-
	(1,242)	(9,052)	-	(350)
Net interest (payable) / receivable	-	(635)	-	47

Notes to the financial statements for the year ended 31 December 2011 (continued)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge for the year	Company only 2011 £'000	Gross JV 2011 £'000	Company only 2010 £'000	Gross JV 2010 £'000
Current tax				
UK corporation tax	-	(459)	-	(54)
Total tax charge on profit on ordinary activities	-	(459)	-	(54)

Factors affecting the tax charge for the current year

	Company only 2011 £'000	Gross JV 2011 £'000	Company only 2010 £'000	Gross JV 2010 £'000
Profit on ordinary activities before taxation	-	1,734	-	193
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 26 5% (2010 - 28%)	-	(459)	-	(54)
Total current tax for the year	-	(459)	-	(54)

8 INVESTMENTS

	Company only 2011 £'000	Gross JV 2011 £'000	Company only 2010 £'000	Gross JV 2010 £'000
Investments in joint ventures				
Turnover		36,074		47,634
Profit before tax		1,734		193
Taxation		(459)		(54)
Profit after tax		1,275		139
Assets		208,330		184,180
Total liabilities				
- less than one year		(2,060)		(20,450)
- greater than one year		(204,855)		(163,590)
Net assets	1	1,415	1	140

The Company holds an 75% interest in Kent and East Sussex Weald Hospital Holdings Limited, which is incorporated in Great Britain and is registered in England and Wales The Company has joint control over this entity and accordingly it has been accounted for as a joint venture and not consolidated The principal activity of this joint venture is to design, build, finance and operate a PFI hospital project involved in developing the Pembury Hospital for the Maidstone and Tunbridge Wells NHS Trust

In the opinion of the Directors the aggregate value of the investment in joint ventures is not less than the amount stated in the balance sheet

9 DEBTORS

	Company only 2011 £'000	Company only 2010 £'000
Due within one year		
Amounts owed from JV undertakings	-	-
	-	-
Due after more than one year		
Amounts owed from JV undertakings	16,854	-
	16,854	-

Amounts due from JV undertaking

The unsecured loan notes of £15,612k (2010 - £Nil) were issued by the JV undertaking, Kent and East Sussex Weald Hospital Holdings Limited, to the Company The loan notes are due for repayment by 2042 and incur interest of 13% per annum The amount of £16,854k includes interest accrual of £1,242k

Notes to the financial statements for the year ended 31 December 2011 (continued)

10 CREDITORS

	Company only 2011 £'000	Company only 2010 £'000
Amounts falling due within one year		
Amounts owed to JV undertaking	-	-
	-	-
Amounts falling due after more than one year		
Amounts owed to JV undertaking	16,854	-
	16,854	-
Analysis of debt		
Debt can be analysed as falling due		
In five years or more	15,612	-

11 LOANS

Amounts owed to shareholders

The unsecured loan notes of £15,612k (2010 - £Nil) were issued by the shareholders as part of the committed shareholder funding for the project The loan notes are due for repayment by 2042 and incur interest of 13% per annum The amount of £16,854k includes interest accrual of £1,242k

12 CALLED UP SHARE CAPITAL

	2011 £'000	2010 £'000
Allotted, called up and fully paid		
750 ordinary shares of £1 each	1	1

On 9 December 2004 the Company issued 1 ordinary share at £1 to John Laing Social Infrastructure Limited On 21 November 2007, John Laing Social Infrastructure Limited transferred its shareholding to John Laing Investments Limited On 17 March 2008 the Company issued a further 749 ordinary shares at £1 each, 374 were purchased by John Laing Investments Limited and 375 were purchased by Tunbridge Wells Investment Company Limited On 1 July 2011, Tunbridge Wells Investment Company Limited transferred its shareholding to Innisfree PFI Secondary Fund

13 MOVEMENT IN RESERVES

	Company only £	Profit and loss account Gross £
At 1 January 2011		139
Profit for the financial year		1,275
At 31 December 2011		1,414

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Company only 2011 £'000	Gross JV 2011 £'000	Company only 2010 £'000	Gross JV 2010 £'000
Profit for the financial year	-	1,275	-	139
Net addition to shareholders funds	-	1,275	-	139
Opening shareholder's funds	1	140	1	1
Closing shareholder's funds	1	1,415	1	140

Notes to the financial statements for the year ended 31 December 2011 (continued)

15 TRANSACTIONS WITH RELATED PARTIES

The following shows the transactions with related parties for the Gross JV

	2011 £'000	2010 £'000
Details of payments made to John Laing plc and subsidiaries are as follows		
Bid Development and Management services	368	450
Balance payable	159	80
Subordinated debt	(5,855)	-
Balance payable	6,119	-
Subordinated debt interest	465	-
Balance payable	201	-
Details of payments made to Innisfree PFI Secondary Fund LP and its manager Innisfree Limited are as follows		
Bid Development and Management services	120	-
Balance payable	135	-
Subordinated debt	(5,855)	-
Balance payable	6,119	-
Subordinated debt interest	465	-
Balance payable	201	-
Details of payments made to Interserve Investments Limited and subsidiaries are as follows		
Bid Development, Management services and Operator	2,234	350
Balance payable	343	182
Subordinated debt	(3,903)	-
Balance payable	4,079	-
	-	
Subordinated debt interest	310	-
Balance payable	134	-

The Company is jointly owned and controlled by John Laing Investments Limited which is owned and controlled by John Laing plc and Innisfree PFI Secondary Fund which is managed by Innisfree Limited

Interserve PFI 2005 Limited is a shareholder of Kent and East Sussex Weald Hospital Holdings Limited and is owned and controlled by Interserve plc

16 ULTIMATE PARENT UNDERTAKING

The Company is a joint venture between John Laing Investments Limited (50%) incorporated in Great Britain and registered in England and Wales and Innisfree PFI Secondary Fund (50%), an English Limited Partnership registered in England and Wales The Directors consider there to be no ultimate controlling party or ultimate parent company

17 FINANCIAL COMMITMENTS

As at 31 December 2011, there were no future commitments to its joint venture, Kent and East Sussex Weald Hospital Holdings Limited (2010 - £15,612k)

18 POST BALANCE SHEET EVENT

On 7 September 2012, a conditional sale and purchase agreement was entered into by John Laing Investments Limited to sell its 50% share of the Company to JLIF Limited Partnership, effective as per the date of agreement and conditional on each Sale Condition being satisfied, or waived by 31 December 2012 in accordance with the agreement