

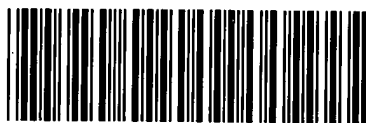
**QE Facilities Limited (formerly Crossco (1366)
Limited)**

Annual report and financial statements

Registered number 09019497

18 months ended 31 October 2015

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Contents

Officers and professional advisers	1
Directors' report	4
Directors' responsibilities statement	6
Independent auditor's report to the members of QE Facilities Limited	7
Profit and Loss Account	9
Statement of total recognised gains and losses	10
Balance sheet	11
Notes	12

Officers and professional advisers

Directors

Shaun Bowron , Chairman (non executive director)
Peter Harding, CEO
Anthony Robson, Finance Director.
Debbie Atkinson , Company Secretary

Registered Office

Estates Department
Queen Elizabeth Hospital
Old Durham Road
Sheriff Hill
Gateshead
NE9 6SX

External Auditor

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Bankers

Lloyds Banking Group
1st Floor
Black Horse House
91 Sandyford Road
Newcastle upon Tyne
NE1 8HQ

Legal Advisers

Bond Dickinson
St Anns Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX

Strategic report

The directors present the strategic report for the eighteen month period ended 31 October 2015.

Principal activities and review of the business

QE Facilities Limited (the company) is a company incorporated and domiciled in the UK. The company's registered office is at the Estates Department, Queen Elizabeth Hospital, Old Durham Road, Gateshead NE9 6SX.

The company was incorporated on 30th April 2014, under the name of Crossco (1366) Limited. The company changed its name to QE Facilities Limited ("QEF") on 21 May 2014. It did not start trading until 1st December 2014. The company is wholly owned by Gateshead Health NHS Foundation Trust ("the Trust").

The principal activities of the company are to provide and operate hospitals, health care establishments and health care facilities and the provision of related services. The company has the intention to create safe, efficient, sustainable and modern healthcare and working environments. During the period, as part of an agreement to provide managed healthcare services, the company entered into a long term lease arrangement with Gateshead Health NHS Foundation Trust for the use of the newly constructed Emergency Care Centre at Queen Elizabeth Hospital. Although legal title to this property remains with the company, this lease agreement transfers substantially all the risks and rewards incidental to ownership of the Emergency Care Centre to Gateshead Health NHS Foundation Trust and therefore this asset has been recognised as a finance lease receivable in these financial statements.

The company also receives rental income from some shorter term retail lets which are located within one of the hospital properties.

The company managed its responsibilities and effectively delivered the services that it intended to its customers during the period of accounts to the 31st October 2015.

The gross profit of £3.0m resulted from turnover of £5.2m and cost of sales of £2.2m during the period.

Corporation tax on ordinary activities was £78k and the profit reported for the period was £550k after tax.

The strong liquidity position resulted in a positive cash balance of £2.7m at the end of the period. The intragroup trading account resulted in a £310k creditor due to the Trust.

Principal risks and uncertainties

The company's risk management strategy was presented to the QEF board on the 26th February 2015. With the expansion of the operated healthcare services after the period end ("Phase 2"), and the transfer of a significant number of staff and services to the company, it will be important to embed a risk aware culture across the organisation. It is important that QEF risk management strategy dovetails with the risk management arrangements for the Trust as assurance is inextricably linked to Trust performance and compliance requirements.

It is planned to develop an action plan on previous work completed from the MAPSAF tool which will be utilised to ensure we are able to measure improvements in how we manage risks within the company and embed the appropriate culture.

Strategic report (continued)

Principal risks and uncertainties (continued)

Proposals to expand the business into a regional courier service and pharmacy services will involve regulated activities and our risk management strategy should take account of this and future growth. Liabilities may well increase as a consequence of this additional area of work.

The organisation has not suffered any significant financial risk and has met expectations of delivery of its financial commitments since incorporation.

Future developments

The company is developing a courier service which will provide logistics for the collection and effective delivery of pathological samples to the Pathology centre of excellence at the Queen Elizabeth Hospital, Gateshead.

The Company has applied for a pharmaceutical licence to operate an independent outpatient pharmacy at the Queen Elizabeth Hospital Gateshead.

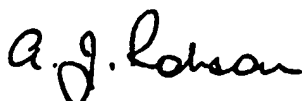
Events since the balance sheet date

The Courier Service and Outpatient Pharmacy both commenced trading on the 11th January and 24th January 2016 respectively. As part of Phase 2, in December 2015, the company acquired the leasehold of the Queen Elizabeth Hospital, Bensham Hospital and the Riverside Unit in order to provide a further extended Operated Healthcare Facility to the named sites.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.



Anthony Robson
Director

Estates Department
Queen Elizabeth Hospital
Old Durham Road
Sheriff Hill
Gateshead
NE9 6SX

7 April 2016

Directors' report

The directors present their report and accounts for the period ended 31 October 2015.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The following persons served as directors during the period:

Shaun Bowron, Chairman (non-executive director)	(appointed 11 September 2014)
Peter Harding, Chief Executive Officer	(appointed 21 May 2014)
Anthony Robson, Finance Director	(appointed 11 September 2014)
Sean Nicolson	(appointed 30 April 2014, resigned 11 September 2014)

Political and charitable donations

The company made no political or charitable donations during the period.

Employment of disabled persons

It is the company's policy to give employment to disabled persons wherever practicable.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in interest rates. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. No impairments have been recognised in the period and substantially all receivables are due from the company's parent undertaking.

Director's report *(continued)*

Credit risk *(continued)*

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Further details regarding liquidity risk and going concern can be found in the Statement of accounting policies in the financial statements.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

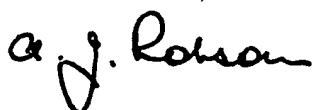
Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company'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 company's auditor is aware of that information.

Auditor

KPMG LLP were appointed as the company's first auditors. 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.



Anthony Robson
Director

Estates Department
Queen Elizabeth Hospital
Old Durham Road
Sheriff Hill
Gateshead
NE9 6SX

7 April 2016

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 judgments 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

**Independent auditor's report to the members of QE Facilities Limited
(formerly Crossco (1366) Limited)**

We have audited the financial statements of QE Facilities Limited for the 18 month period from 30 April 2014 (date of incorporation) to 31 October 2015 set out on pages 9 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 October 2015 and of its profit for the period 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.

Independent auditor's report to the members of QE Facilities Limited *(continued)*

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 period 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.



Paul Moran (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

8 April 2016

Profit and Loss Account

for the 18 month period from 30 April 2014 (date of incorporation) to 31 October 2015

	Note	18 months ended 31 October 2015 £000
Turnover	2	5,217
Cost of sales		(2,239)
Gross profit		2,978
Administrative expenses		(2,046)
Other operating income		50
Operating profit		982
Interest receivable and similar income	3	543
Interest payable and similar charges	3	(897)
Profit on ordinary activities before taxation	4	628
Tax on profit on ordinary activities	7	(78)
Profit on ordinary activities after taxation	15	550

All results are derived from continuing operations.

Statement of total recognised gains and losses
for the 18 month period from 30 April 2014 (date of incorporation) to 31 October 2015

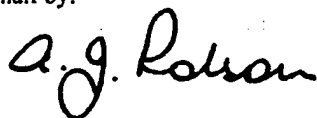
	<i>Note</i>	18 months ended 31 October 2015 £000
Profit for the financial period		550
Unrealised surplus on revaluation of investment properties	9	1,731
Total recognised gains and losses relating to the period		2,281

QE Facilities Limited (formerly Crossco (1366) Limited)
Annual report and financial statements
18 months ended 31 October 2015

Balance sheet
at 31 October 2015

	<i>Note</i>	31 October 2015 £000	31 October 2015 £000
Fixed assets			
Tangible assets	8		67
Investment property	9		2,595
			<hr/> 2,662
Current assets			
Debtors: amounts falling due within one year	10	314	
Debtors: amounts falling due after more than one year	10	26,551	
		<hr/> 26,865	
Cash at bank and in hand		2,654	
		<hr/> 29,519	
Creditors: amounts falling due within one year	12	(1,777)	
		<hr/>	
Net current assets			27,742
Total assets less current liabilities			30,404
Creditors: amounts falling due after more than one year	13		(20,102)
			<hr/>
Net assets			10,302
			<hr/>
Capital and reserves			
Called-up share capital	14		8,021
Revaluation reserve	15		1,731
Profit and loss account	15		550
			<hr/>
Shareholders' funds			10,302
			<hr/>

These financial statements were approved by the board of directors on 7 April 2016 and were signed on its behalf by:



Anthony Robson
Finance Director

Company registered number: 09019497

Notes

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

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

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

As 100% of the Company's voting rights are controlled within the group headed by Gateshead Health NHS Foundation Trust, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Gateshead Health NHS Foundation Trust, within which this Company is included, can be obtained from the website address given in note 21.

Going concern

The company is funded by loans from its parent undertaking, Gateshead Health NHS Foundation Trust, together with share capital. The company has a long term contract in place with Gateshead Health NHS Foundation Trust and this is expected to generate income and cash more than sufficient to pay its long term loans as they fall due.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Finance lease debtor

Amounts receivable under the agreement with the Gateshead Health NHS Foundation Trust relating to the hospital facilities transferred are included in debtors and represent the total amount outstanding under the agreement less unearned interest. Finance lease income is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the lease.

Turnover

Turnover on operational services represents the value of work performed in the period under the concession agreement, together with any additional services provided.

Turnover from the operated healthcare facility represents the balance of payments received, after accounting for the finance debtor interest and amortisation components (which together sum to a constant figure in each period, as in a lease). If necessary this figure adjusted to ensure income recorded reflects the value of the economic benefits provided.

Taxation

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

Deferred tax is recognised, with discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

1 Accounting policies (continued)

Lifestyle costs

Provisions are made in respect of lifecycle maintenance costs to the extent that the company is obligated to undertake maintenance in future periods.

Classification of financial instruments issued by the Company

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

- They include 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
- Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

Interest bearing borrowings

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

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Information technology 5 years

Buildings 88 years

Residual value is calculated on prices prevailing at the date of acquisition.

Investment properties

Investment properties are revalued annually to open market value. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of freehold investment properties, or in respect of leasehold investment properties where the unexpired term of the lease is more than 20 years.

Notes (continued)

1 Accounting policies (continued)

Post retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

A number of employees are members of the NHS Pension Scheme which is an unfunded defined benefit scheme. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

2 Turnover

Analysis of turnover:

	18 months ended 31 October 2015 £000
Facilities management services	5,217

All of the above arises in the UK.

3 Interest payable and interest receivable

	18 months ended 31 October 2015 £000
Interest payable on group loan	(897)
Interest receivable on finance lease	543

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	18 months ended 31 October 2015 £000
Operating lease rentals: plant and machinery	12

The analysis of the auditor's remuneration is as follows:

	18 months ended 31 October 2015 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	12

Notes (continued)

5 Staff costs

The average monthly number of employees (including executive directors) was:

	18 months ended 31 October 2015 Number
Estates and facilities management	65
Administration	15
	<hr/> 80 <hr/>

Their aggregate remuneration comprised:

	18 months ended 31 October 2015 £000
Wages and salaries	1,727
Social security costs	109
Other pension costs (see note 23)	135
	<hr/> 1,971 <hr/>

The above includes amounts recharged from the parent undertaking in respect of directors' remuneration (note 6).

6 Directors' remuneration and transactions

	18 months ended 31 October 2015 £000
Emoluments	20
Company contributions to defined benefit pension schemes	4
Sums paid to third parties in respect of directors' services	31
	<hr/> 55 <hr/>

None of the directors received any remuneration directly from the company. The employment costs of the directors have been paid directly by the parent undertaking and the above amounts represent the amounts recharged to the company by the parent undertaking in respect of the directors' remuneration.

Retirement benefits are accruing to 2 directors under defined benefit schemes.

Notes (continued)

7 Tax on profit on ordinary activities

The tax charge comprises:

	18 months ended 31 October 2015 £000
Current tax	
UK corporation tax	78
	<hr/>
Total current tax	78
Deferred tax	-
	<hr/>
Total tax on profit on ordinary activities	78
	<hr/>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	18 months ended 31 October 2015 £000
Profit on ordinary activities before tax	628
	<hr/>
Tax on profit on ordinary activities at standard UK corporation tax rate of 20.36%	128
Effects of:	
Rental profit adjustment	192
Capital allowances in excess of depreciation	(270)
Effect of gains	29
Effects of other tax rates	(1)
	<hr/>
Current tax for period	78
	<hr/>

The main rate of UK Corporation tax changed from 21% to 20% with effect from 1 April 2015.

Factors that may affect the future current and total tax charges

The main rate of corporation tax will reduce further on 1 April 2017 and again to 18% on 1 April 2020. These tax changes were substantively enacted on 26 October 2015 and therefore the effect of this further rate reduction on the deferred tax balances as at 31 December 2015 has been included in the figures below.

At the end of the period the company has an unprovided deferred tax asset of approximately £1,259,000 arising on fixed asset timing differences.

Notes (continued)

8 Tangible fixed assets

	Freehold land and buildings £000	Plant and equipment £000	Information technology £000	Furniture and fittings £000	Assets under construction £000	Total £000
Cost						
At 30 April 2014	-	-	-	-	-	-
Additions	27,485	415	67	205	124	28,296
Transfers to finance lease receivable	(26,621)	(415)	(63)	(205)	(61)	(27,365)
Transfers to investment property	(864)	-	-	-	-	(864)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2015	-	-	4	-	63	67
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation						
At 30 April 2014	-	-	-	-	-	-
Charge for the period	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2015	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value						
At 31 October 2015	-	-	4	-	63	67
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

On completion of construction of the Emergency Care Centre ("ECC") onsite at Queen Elizabeth Hospital, Gateshead, the company has entered into an arrangement with the Trust under which the company will operate and maintain the ECC on behalf of the Trust. The Trust will use the assets to provide healthcare services.

The agreement transfers substantially all the risks and rewards incidental to ownership of the ECC asset to the Trust. Accordingly the asset has been derecognised in these financial statements and replaced by a finance lease receivable.

Finance lease receivable balances are secured over the ECC. The Company is not permitted to sell or repledge the collateral in the absence of default by the lessee.

9 Investment property

	£000
Valuation	
At 30 April 2014	-
Transfers from freehold land and buildings	864
Revaluation in period	1,731
	<hr/>
At 31 October 2015	2,595
	<hr/>
Net book value	
At 31 October 2015	2,595
	<hr/>
At 30 April 2014	-
	<hr/>

Notes (continued)

9 Investment property (continued)

Investment properties, which are all freehold, were valued on the basis of an open market basis calculated as the value of the 25 year lease plus the residual value. Such properties are not depreciated. The depreciation which would otherwise have been charged is not material. The historic cost of the property at the end of the period was £864,000. These properties comprise retail outlets on shorter term lets.

10 Debtors

	Due within one year 31 October 2015 £000	Due after more than one year 31 October 2015 £000	Total 31 October 2015 £000
Trade debtors	19	-	19
Amounts owed by Group undertakings	152	-	152
Other debtors	10	-	10
Prepayments and accrued income	88	-	88
Finance debtor	45	26,551	26,596
	<u>314</u>	<u>26,551</u>	<u>26,865</u>

Further details of finance leases receivable are included in note 11.

11 Finance lease receivables

	31 October 2015 £000
<i>Amounts receivable under finance leases:</i>	
Within one year	975
In the second to fifth years inclusive	3,901
After five years	81,280
	<u>86,156</u>
Less: unearned finance income	(59,560)
	<u>26,596</u>
<i>Amounts receivable under finance lease:</i>	
Within one year	45
In the second to fifth years inclusive	198
After five years	26,353
	<u>26,596</u>
<i>Analysed as:</i>	
Non-current finance lease receivables	26,551
Current finance lease receivables	45
	<u>26,596</u>

Notes (continued)

11 Finance lease receivables (continued)

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates 3.5 per cent per annum.

The finance lease relates to the Emergency Care Centre on site at Queen Elizabeth Hospital, Gateshead. On completion the company has entered into an arrangement with Gateshead Health NHS Foundation Trust under which the company will operate and maintain the Emergency Care Centre on behalf of Gateshead Healthcare NHS Foundation Trust. Gateshead Health NHS Foundation Trust will use the assets to provide healthcare provision.

The agreement transfers substantially all the risks and rewards incidental to ownership of the Emergency Care Centre asset to Gateshead Health NHS Foundation Trust. Accordingly the tangible fixed asset has been derecognised in these financial statements and replaced by a finance lease receivable.

Finance lease receivable balances are secured over the equipment leased. The Company is not permitted to sell or repledge the collateral in the absence of default by the lessee.

12 Creditors – amounts falling due within one year

	31 October 2015 £000
Group loans	383
Trade creditors	62
Amounts owed to Group undertakings	310
VAT	189
Other creditors including taxation and social security	135
Accruals and deferred income	698
	<hr/>
	1,777
	<hr/>

13 Creditors: amounts falling due after more than one year

	31 October 2015 £000
Group loans	17,977
Deferred income	2,125
	<hr/>
	20,102
	<hr/>

Notes (continued)

13 Creditors: amounts falling due after more than one year (continued)

Borrowings are repayable as follows:

	31 October 2015 £000
<i>Group loans</i>	
Between one and two years	405
Between two and five years	1,354
After five years	16,218
	<hr/>
	17,977
On demand or within one year	383
	<hr/>
	18,360
	<hr/>

The above is secured against the freehold title for the Emergency Care Centre Property.

14 Called-up share capital

	31 October 2015 £000
<i>Allotted, called-up and fully-paid</i>	
8,021,287 ordinary shares of £1 each	8,021
	<hr/>

During the period the Company allotted 8,021,287 ordinary shares with a nominal value of £8,021,287.

15 Reserves

	Investment properties revaluation reserve £000	Profit and loss account £000
At 30 April 2014	-	-
Revaluation surplus	1,731	-
Profit for the financial period	-	550
	<hr/>	<hr/>
At 31 October 2015	1,731	550
	<hr/>	<hr/>

Notes (continued)

16 Reconciliation of movements in shareholders' funds

	18 months ended 31 October 2015 £000
Profit for the financial period	550
New shares issued	8,021
Revaluation of investment property	1,731
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Net addition to shareholders' funds	10,302
Opening shareholders' funds	-
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Closing shareholders' funds	10,302
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17 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	31 October 2015 Other £000
Expiry date	
- within one year	6
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18 Retirement benefit schemes

Defined contribution schemes

The Company operates a defined contribution retirement benefit schemes for all new employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to income of £133k in respect of these schemes represents contributions payable by the Company at rates specified in the rules of the plans. As at 31 October 2015, contributions of £11k due in respect of the current reporting period had not been paid over to the schemes.

Notes (continued)

18 Retirement benefit schemes (continued)

Defined benefit schemes

Pension costs: Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. The pension cost charge in respect of this scheme was £2k.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

Full actuarial (funding) valuation: The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates. The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

The Scheme Regulations were changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next formal valuation to be used for funding purposes will be carried out at as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

Scheme provisions: The NHS Pension Scheme provides defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI). Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

Notes *(continued)*

18 Retirement benefit schemes *(continued)*

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer. Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

19 Subsequent events

Subsequent to the year end the company commenced the provision of both courier and pharmacy services. The company has also taken a leasehold interest in the remaining properties at the Queen Elizabeth Hospital and Riverside Unit in order to further provide operated healthcare services.

20 Related party transactions

The Directors believe that the company is eligible to take advantage of the exemption in Financial Reporting Standard 8 relating to the disclosure of transactions with group companies and have elected not to disclose full details of transactions with Gateshead Health NHS Foundation Trust.

21 Controlling party

The Company is controlled by and a wholly owned subsidiary of Gateshead Health NHS Foundation Trust, a public benefit corporation which heads the largest and smallest group in which the results of the Company are consolidated. The consolidated financial statements of Gateshead Health NHS Foundation Trust are available from the following website: www.qegateshead.nhs.uk.