QE Facilities Limited

Annual report and financial statements

Registered number 09019497

5 months ended 31 March 2016

Contents

Officers and professional advisers

Directors

Shaun Bowron, Chairman (non-executive director)
Peter Harding, CEO
Anthony Robson, Finance Director

Company Secretary

Debbie Atkinson

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 five month period ended 31 March 2016.

Principal activities and review of the business

QE Facilities Limited ("QEF", "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 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 aims to provide safe, efficient, sustainable and modern healthcare and working environments. As part of an agreement to provide managed healthcare services, the company operates 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 the property remains with this company, the 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.

On 1 December 2015 the company expanded the provision of operated healthcare services through the adoption of "Phase 2". The company acquired a leasehold interest in the Queen Elizabeth Hospital, Bensham Hospital and the Riverside Unit in order to provide a further extended Operated Healthcare Facility to the named sites via a leaseback.

The Courier Service, which provides logistics for the collection and effective delivery of pathological samples to the Pathology Centre of Excellence at the QE Hospital commenced trading on the 11 January 2016. The Outpatient Pharmacy operates under licence an independent outpatient service at QE Hospital and commenced activities on 24 January 2016.

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 to 31 March 2016.

Key Performance Indicators

The gross profit of £4.7m resulted from turnover of £11.3m and cost of sales of £6.5m during the period.

Corporation tax on ordinary activities was a credit of £976k and the profit reported for the period was £2.3m after tax.

The strong liquidity position resulted in a positive cash balance of £4.9m at the end of the period.

Principal risks and uncertainties

The companies risk management strategy has been presented to the QEF board. The Phase 2 expansion and transfer of staff and services to the company, emphasises the importance of embedding 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.

The expansion of the business into a regional courier and pharmacy services involves regulated activities and our risk management strategy takes 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.

Strategic report *(continued)*

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 note 1 Accounting policies to the financial statements.

A.J. Robson

Anthony Robson
Director

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

22 December 2016

Directors' report

The directors present their report and accounts for the 5 month period ended 31 March 2016.

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)
Peter Harding, Chief Executive Officer
Anthony Robson, Finance Director

Political donations

The company made no political donations nor incurred any political expenditure 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, finance lease receivables, 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.

The Company does not consider there to be a significant risk from concentration of credit risk, given the nature of Gateshead Health NHS Foundation Trust.

Director's report *(continued)*

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

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.

A.J. Robson

Anthony Robson
Director

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

22 December 2016

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

We have audited the financial statements of QE Facilities Limited for the 5 month period ended 31 March 2016 out set out on pages 9 to 28. 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 101, *Reduced Disclosure Framework.*

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 March 2016 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

22 December 2016

Profit and Loss Account and Other Comprehensive Income

for the 5 month period ended 31 March 2016

	Note	**5 months ended 31 March 2016 £000**	18 months ended 31 October 2015 £000
Turnover	*2*	**11,260**	5,217
Cost of sales		**(6,545)**	(2,239)
Gross profit		**4,715**	2,978
Administrative expenses		**(4,004)**	(2,046)
Other operating income	*3*	**372**	1,781
Operating profit		**1,083**	2,713
Interest receivable and similar income	*4*	**718**	543
Interest payable and similar charges	*4*	**(495)**	(897)
Profit on ordinary activities before taxation	*5*	**1,306**	2,359
Tax on profit on ordinary activities	*8*	**976**	(388)
Profit on ordinary activities after taxation		**2,282**	1,971
Other comprehensive income for the period, net of income tax		**-**	-
Total comprehensive income for the period		**2,282**	1,971

All results are derived from continuing operations.

Balance sheet
at 31 March 2016

	Note	31 March 2016 £000	31 March 2016 £000	31 October 2015 £000	31 October 2015 £000
Fixed assets					
Tangible assets	9		158		67
Investment property	10		2,595		2,595
			2,753		2,662
Current assets					
Stocks	11	877		-	
Debtors: amounts falling due within one year	12	10,409		314	
Debtors: amounts falling due after more than one year	12	52,321		26,551	
Cash at bank and in hand		4,895		2,654	
		68,502		29,519	
Creditors: amounts falling due within one year	14	(13,688)		(1,777)	
Net current assets			54,814		27,742
Total assets less current liabilities			57,567		30,404
Creditors: amounts falling due after more than one year	15		(36,490)		(20,102)
Provisions for liabilities					
Deferred tax liability	8		-		(310)
Net assets			21,077		9,992
Capital and reserves					
Called-up share capital	16		16,824		8,021
Profit and loss account			4,253		1,971
Shareholders' funds			21,077		9,992

These financial statements were approved by the board of directors on 22/12 2016 and were signed on its behalf by:

a.J. Robson

Anthony Robson
Finance Director

Company registered number: 09019497

Statement of Changes in Equity
for the 5 month period ended 31 March 2016

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 30 April 2014	-	-	-
Total comprehensive income for period			
Profit or loss	-	1,971	1,971
Total comprehensive income for the period	-	1,971	1,971
Transactions with owners recorded directly in equity			
Issue of shares	8,021	-	8,021
Total contributions by owners	8,021	-	8,021
Balance at 31 October 2015	8,021	1,971	9,992

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 November 2015	8,021	1,971	9,992
Total comprehensive income for period			
Profit or loss	-	2,282	2,282
Total comprehensive income for the period	-	2,282	2,282
Transactions with owners recorded directly in equity			
Issue of shares	8,803	-	8,803
Total contributions by owners	8,803	-	8,803
Balance at 31 March 2016	**16,824**	**4,253**	**21,077**

Notes

1 Accounting policies

QE Facilities Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*. The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 19.

The Company's parent undertaking, Gateshead Health NHS Foundation Trust includes the Company in its consolidated financial statements. The consolidated financial statements of Gateshead Health NHS Foundation Trust are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the website address given in note 23.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of the parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 30 April 2014 for the purposes of the transition to FRS 101.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investment property.

Notes *(continued)*

1 Accounting policies *(continued)*

Going concern

The company is funded by loans from its parent undertaking, Gateshead Health NHS Foundation Trust, together with share capital. The company has long term contracts 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.

Amounts receivable under a finance lease and other arrangements incorporating a lease or involving the legal form of a lease

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 and similar income is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the lease.

At inception of an arrangement, the company determines whether the arrangement is or contains a lease.

i. Determining whether an arrangement contains a lease

At inception or on reassessment of an arrangement that contains a lease, the company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

ii. Leased assets

Leases of property, plant and equipment that transfer to the company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the company's statement of financial position.

iii. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

iv. Arrangements involving the legal form of a lease

A series of transactions that involve the legal form of a lease and which are linked are accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. The accounting reflects the substance of the arrangement with weight given to these aspects which have an economic effect.

Notes *(continued)*

1 Accounting policies *(continued)*

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

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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the company's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income is used.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Life cycle 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 IAS 32, 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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

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. Subsequent to initial recognition interest bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

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
Transport	5 years

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

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value.

In applying the fair value model in IAS 40 Investment Property:

i. investment properties are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and

ii. no depreciation is provided in respect of investment properties applying the fair value model.

Any gain or loss arising from a change in fair value is recognised in profit or loss.

A property interest held under an operating lease may also be accounted for as an investment property. IAS 40 allows the company to make this choice on a property-by-property basis.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment excluding stocks, investment properties and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed if and only if the reasons for the impairment have ceased to apply.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

1 Accounting policies *(continued)*

Post retirement benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

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.

Defined benefit plans

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 IAS 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.

Revenue

Turnover represents the value of work performed in the period under the operated healthcare services agreement, together with additional services provided to the Trust.

2 Turnover

Analysis of turnover:

	5 months ended 31 March 2016 £000	18 months ended 31 October 2015 £000
Facilities management services	**11,260**	5,217

All of the above arises in the UK.

3 Other operating income

Analysis of other operating income:

	5 months ended 31 March 2016 £000	18 months ended 31 October 2015 £000
Revaluation gains on investment property	**-**	1,731
Other operating income	**372**	50
	372	1,781

Notes *(continued)*

4 Interest payable and interest receivable

	5 months ended 31 March 2016 £000	18 months ended 31 October 2015 £000
Interest receivable on finance lease and other arrangements incorporating a lease	**718**	543
Interest payable on group loan	**(495)**	(897)

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	5 months ended 31 March 2016 £000	18 months ended 31 October 2015 £000
Operating lease rentals:		
plant and machinery	**5**	12

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

	5 months ended 31 March 2016 £000	18 months ended 31 October 2015 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	**15**	12

6 Staff costs

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

	5 months ended 31 March 2016	18 months ended 31 October 2015
Estates and facilities management	**353**	65
Administration	**53**	15
	406	80

Their aggregate remuneration comprised:

	5 months ended 31 March 2016 £000	18 months ended 31 October 2015 £000
Wages and salaries	**3,037**	1,727
Social security costs	**172**	109
Other pension costs (see note 18)	**295**	135
	3,504	1,971

The above includes amounts recharged from the parent undertaking in respect of directors' remuneration (note 7).

Notes *(continued)*

7 Directors' remuneration and transactions

	5 months ended 31 March 2016 £000	18 months ended 31 October 2015 £000
Emoluments	32	20
Company contributions to defined benefit pension schemes	4	4
Sums paid to third parties in respect of directors' services	9	31
	45	55

One of the directors received no remuneration directly from the company. One director received only part of their remuneration from the company. The employment costs for these directors have been paid directly by the parent undertaking and the above amounts represent the amounts recharged to this company by the parent undertaking in respect of the directors' remuneration.

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

8 Tax on profit on ordinary activities

Recognised in the profit and loss account

	5 months ended 31 March 2016 £000	£000	18 months ended 31 October 2015 £000	£000
UK corporation tax				
Current tax on income for the period	193		78	
Adjustments in respect of prior periods	31		-	
Total current tax		224		78
Deferred tax				
Origination and reversal of temporary differences	-		310	
Recognition of previously unrecognised temporary differences	(1,200)		-	
Total deferred tax		(1,200)		310
Tax on profit on ordinary activities		(976)		388

Notes *(continued)*

8 Tax on profit on ordinary activities *(continued)*

Reconciliation of effective tax rate

	5 months ended 31 March 2016 £000	18 months ended 31 October 2015 £000
Profit for the year	**2,282**	1,971
Total tax (credit)/expense	**(976)**	388
Profit excluding taxation	**1,306**	2,359
Tax using the UK corporation tax rate of 20.00% *(2015: 20.36%)*	**261**	480
Non-deductible expenses	**5**	-
Under provided in prior years	**31**	-
Rental adjustment	**-**	192
Amounts not recognised	**(73)**	(270)
Effects of other tax rates	**-**	(1)
Effects of gains	**-**	29
Reduction in tax rate on deferred tax balances	**-**	(42)
Deferred tax recognised in the period previously not recognised	**(1,200)**	-
Total tax (credit) /expense	**(976)**	388

Factors that may affect the future current and total tax charges

The main rate of corporation tax will reduce to 19% on 1 April 2017, to 18% and then 17% on 1 April 2020. The 20% and 18% 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 March 2016 has been included in the figures above. The further rate reduction to 17% was not substantively enacted until September 2016 and therefore has not been taken into account.

At the end of the period the company has an unprovided deferred tax asset of £nil *(2015: £1,265,000)* arising on fixed asset timing differences.

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 £000	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000
Property, plant and equipment	**1,200**	-	**-**	-	**1,200**	-
Investment property revaluation	**-**	-	**(310)**	(310)	**(310)**	(310)
Tax assets/(liabilities)	**1,200**	-	**(310)**	(310)	**890**	(310)
Net tax assets/(liabilities)	**1,200**	-	**(310)**	(310)	**890**	(310)

Notes *(continued)*

9 Tangible fixed assets

	Freehold land and buildings	Plant and equipment	Information technology	Transport	Total
	£000	**£000**	**£000**	**£000**	**£000**
Cost					
At 1 November 2015	63	-	4	-	67
Additions-purchased	52	-	31	9	92
At 31 March 2016	115	-	35	9	159
Depreciation					
At 1 November 2015	-	-	-	-	-
Charge for the period	-	-	(1)	-	(1)
At 31 March 2016	-	-	(1)	-	(1)
Net book value					
At 1 November 2015	63	-	4	-	67
At 31 March 2016	**115**	-	**34**	**9**	**158**

On completion of construction of the Emergency Care Centre ("ECC") onsite at Queen Elizabeth Hospital, Gateshead, the company entered into an arrangement with the Trust under which the company operates and maintains the ECC on behalf of the Trust. The Trust uses 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 property and equipment assets. The Company is not permitted to sell or re-pledge the collateral in the absence of default by the lessee.

10 Investment property

	£000
Valuation	
At 1 November 2015 and 31 March 2016	2,595

Investment properties, which are all freehold, are valued on the basis of an open market basis. Such properties are not depreciated. The depreciation which would otherwise have been charged is not material. These properties comprise retail outlets and other facilities on shorter term lets. The historical cost of these properties is £395,000 *(2015: £395,000)*.

Notes *(continued)*

11 Stocks

	31 March 2016 £000	31 October 2015 £000
Consumables	**877**	-
	877	-

Consumables recognised as cost of sales in the period amounted to £2,005,000 (2015: £nil).

12 Debtors

	Due within one year 31 March 2016 £000	Due after more than one year 31 March 2016 £000	Total 31 March 2016 £000
Trade debtors	**505**	-	**505**
Amounts owed by Group undertakings	**1,824**	-	**1,824**
Other debtors	**117**	-	**117**
Prepayments and accrued income	**385**	-	**385**
Amounts due under finance leases and similar arrangements	**3,156**	**51,431**	**54,587**
VAT debtor	**4,422**	-	**4,422**
Deferred tax asset (note 8)	-	**890**	**890**
	10,409	**52,321**	**62,730**

	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
Amounts due under finance leases and similar arrangements	45	26,551	26,596
	314	26,551	26,865

Further details of finance leases receivable are included in note 13.

Debtors include financial assets, measured at amortised cost, totalling £56,916,000 (*2015: £26,767,000*).

Notes *(continued)*

13 Finance leases and other similar arrangements

	31 March 2016 £000	31 October 2015 £000
Amounts receivable under finance leases and other similar arrangements:		
Within one year	**4,999**	975
In the second to fifth years inclusive	**9,032**	3,901
After five years	**104,115**	81,280
	118,146	86,156
Less: unearned finance income	**(63,559)**	(59,560)
	54,587	26,596
Amounts receivable under finance leases and other similar arrangements:		
Within one year	**3,156**	45
In the second to fifth years inclusive	**13,318**	198
After five years	**38,113**	26,353
	54,587	26,596
Analysed as:		
Non-current	**51,431**	26,551
Current	**3,156**	45
	54,587	26,596

Phase 1

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

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 agreement transfers substantially all the risks and rewards incidental to ownership of the Emergency Care Centre asset to Gateshead Health NHS Foundation Trust.

Phase 2

On 1 December 2015, the company expanded the provision of operated healthcare services through the adoption of "Phase 2". The company acquired a leasehold interest in the Queen Elizabeth Hospital, Bensham Hospital and the Riverside Unit in order to provide a further extended Operated Healthcare Facility to the named sites via a leaseback arrangement.

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.

Finance lease and other arrangements incorporating a lease 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.

Notes *(continued)*

14 Creditors: amounts falling due within one year

	31 March 2016 £000	31 October 2015 £000
Group loans	**3,353**	383
Trade creditors	**117**	62
Amounts owed to Group undertakings	**4,609**	310
VAT	**1,387**	189
Other creditors including taxation and social security	**1,017**	135
Accruals and deferred income	**3,205**	698
	13,688	1,777

15 Creditors: amounts falling due after more than one year

	31 March 2016 £000	31 October 2015 £000
Group loans	**34,396**	17,977
Deferred income	**2,094**	2,125
	36,490	20,102

On 30 November 2015, in advance of Phase 2, the existing loan from Gateshead Health NHS Foundation Trust was renegotiated and the loan facility amount increased to £38,870,180. The loan bears interest at a rate of 3.5%, is repayable in monthly instalments over 10 years.

Borrowings are repayable as follows:

	31 March 2016 £000	31 October 2015 £000
Group loans		
Between one and two years	**3,469**	405
Between two and five years	**11,156**	1,354
After five years	**19,771**	16,218
	34,396	17,977
On demand or within one year	**3,353**	383
	37,749	18,360

The above is secured against the freehold title for the Emergency Care Centre Property and the leasehold title of the Queen Elizabeth and Bensham Hospital sites.

Creditors due within and after one year include financial liabilities, measured at amortised cost, in aggregate totalling £45,680,000 *(2015: £19,430,000)*.

Notes *(continued)*

16 Called-up share capital

	31 March 2016 £000	31 October 2015 £000
Allotted, called-up and fully-paid		
16,824,383 (2015: 8,021,289) ordinary shares of £1 each	**16,824**	8,021

During the period the Company allotted 8,803,094 ordinary shares with a nominal value of £8,803,094.

17 Financial commitments

Non-cancellable operating lease rentals are payable as follows:

	31 March 2016 £000	31 October 2015 £000
Less than one year	**26**	-
Between one and five years	**16**	-
More than five years	**-**	-
	42	-

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 £291k in respect of these schemes represents contributions payable by the Company at rates specified in the rules of the plans. As at 31 March 2016, contributions of £11k due in respect of the current reporting period had not been paid over to the schemes.

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 £4k.

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.

Notes *(continued)*

18 Retirement benefit schemes *(continued)*

Defined benefit schemes (continued)

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 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.

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.

Following discussions with Trade Unions and employer representatives on long-term contribution rates that will apply to all members since the new 2015 NHS Pension Scheme was implemented from 1 April 2015, the Department has implemented long term member contribution rates, which will remain the same for the four years from 1 April 2015 to 31 March 2019.

The main features of the proposed contribution rates structure are as follows:

- the headline contribution rates as set out in the Proposed Final Agreement published in March 2012 are retained,
- rates will remain tiered according to whole time equivalent (WTE) pay or earnings,
- the rates are the same as the current 2014/2015 Scheme year contribution rates except for a small adjustment to the tier 4/5 boundary; and
- both rates and tier boundaries will be fixed for four years from 1 April 2015 through to 31 March 2019.

The rates shown will be implemented from 1 April 2015.

The NHS Pension Scheme Regulations introducing the contribution rates are subject to normal Parliamentary processes and approval. 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.

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".

Notes *(continued)*

18 Retirement benefit schemes *(continued)*

Defined benefit schemes (continued)

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.

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 Explanation of transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the 5 month period ended 31 March 2016; the comparative information presented in these financial statements for the 18 month period ended 31 October 2015 and in the preparation of an opening FRS 101 balance sheet at 30 April 2014 (the Company's date of transition).

In preparing its FRS 101 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 101 has affected the Company's financial position, financial performance is set out in the following table and the notes that accompany the table.

		Total reserves as at transition date 30 April 2014 £000	Changes in equity for the period ended 31 October 2015 £000	Profit for the period ended 31 October 2015 £000	Revaluation reserve as at 31 October 2015 £000	Restated total reserves at 31 October 2015 £000
As previously stated under former UK GAAP		-	-	550	1,731	2,281
Transitional adjustments						
Revaluation gain	a	-	-	1,731	(1,731)	-
Deferred tax on revaluation gain	b	-	-	(310)	-	(310)
As stated in accordance with FRS 101		**-**	**-**	**1,971**	**-**	**1,971**

Explanations for changes to previously reported profit and equity:

a Revaluation gains, losses on investment properties are now recorded in the profit and loss account. Previously these were recognised directly in equity.

b Deferred tax relating to the revaluation gain (a).

Notes *(continued)*

20 Accounting estimates and judgements

Certain critical accounting judgements in applying the Company's accounting policies are described below.

Finance lease and amounts receivable under other arrangements containing a lease

It was judged that under Phase 1, substantially all the risks and rewards incidental to ownership of the Emergency Care Centre asset were retained by Gateshead Health NHS Foundation Trust. If this were not the case the tangible fixed asset would not have been derecognised and replaced by a finance lease receivable in the company's balance sheet.

Investment property

The fair value of investment property is assessed annually based on the lease arrangements in place. There is judgement involved in ensuring that the valuation of the retail space appropriately reflects material aggregate changes in value.

21 Subsequent events

Subsequent to the year end the company commenced the provision of both courier and pharmacy services.

22 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.

23 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.