

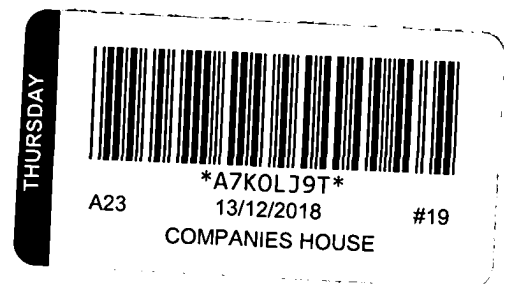
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# **RESOUND (DERRIFORD) LIMITED**

**Company Registration No. 07018708**

## **REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2018**



## **RESOUND (DERRIFORD) LIMITED**

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### **Report and Financial Statements For the year ended 31 March 2018**

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## RESOUND (DERRIFORD) LIMITED

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### Company Information

#### Directors

R M B Chilcott  
B Ravi Kumar  
R A M Gillespie (appointed 01 August 2017)  
V Christopher (appointed 03 May 2018)  
C S E Douglass (appointed 01 August 2017)  
J L Crouch (resigned 01 August 2017)  
P J Sheldrake (resigned 02 May 2018)  
G B Shields (resigned 01 August 2017)

#### Registered Office

15th Floor Cobalt Square  
83-85 Hagley Road  
Birmingham  
B16 8QG

#### Auditor

BDO LLP  
55 Baker Street  
London  
W1U 7EU

## **RESOUND (DERRIFORD) LIMITED**

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### **Directors' Report For the year ended 31 March 2018**

The directors present their annual report and the audited financial statements for the year ended 31 March 2018.

This directors' report has been prepared in accordance with the provisions applicable to small companies entitled to the small companies' exemption.

#### **Principal activities**

The principal activity of the company is to design, build, finance and manage premises under the Government's LIFT initiative.

The company's principal tenant is Community Health Partnerships Limited. The directors are confident that the principal tenant will continue to meet the obligations set out under the Lease Plus Agreement.

The results for the year are included on page 7.

#### **Dividends**

The company paid no dividends during the year (2017: £nil). The directors do not recommend payment of a dividend (2017: £nil).

#### **Directors**

The current directors of the company, who served throughout the period and subsequently unless otherwise stated, are shown on page 1.

Resound (Derriford) Limited has adopted Articles of Association, the provisions of which do not require the directors to retire by rotation or to retire at the first Annual General Meeting after their appointment.

#### **Qualifying third party indemnity provisions**

The directors of Resound (Derriford) Limited have qualifying third party indemnity provisions put in place through Resound (Health) Limited of which they are also directors.

#### **Going concern**

The company has net liabilities of £1,674,000 (2017: £2,094,000), which includes the negative fair value of the interest rate swaps of £2,429,000 (2017: £2,767,000) and a positive RPI swap of £154,000 (2017: positive of £17,000) within liabilities, and net current assets of £684,000 (2017: £710,000), include cash of £388,000 (2017: £346,000), at 31 March 2018.

The directors have reviewed the future liquidity requirements and have considered the cash flow forecasts of the company. The company produces long-term financial forecasts which show the company is able to operate and meet its financial obligations as they fall due, including compliance with all loan covenants. Based on this review and the future business prospects of the company, despite the current economic conditions the directors believe the company will be able to meet its liabilities as they fall due.

Having regard to the above and 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.

## RESOUND (DERRIFORD) LIMITED

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### Directors' Report (continued) For the year ended 31 March 2018

#### Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

#### Auditor and disclosure of information to auditor

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

BDO LLP have expressed their willingness to continue in office as the company's auditor.

#### On behalf of the board



C Douglass  
Director

11 December 2018

## **RESOUND (DERRIFORD) LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RESOUND (DERRIFORD) LIMITED**

We have audited the financial statements of Resound (Derriford) Limited ("the company") for the year ended 31 March 2018 which comprise the statement of comprehensive income, the statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **RESOUND (DERRIFORD) LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RESOUND (DERRIFORD) LIMITED (continued)**

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the director's report.

We have nothing to report in respect of the following matters in relation to which 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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

## RESOUND (DERRIFORD) LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RESOUND (DERRIFORD) LIMITED (continued)

#### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### Use of our report

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.

BDO LLP

#### Paul Bailey (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor  
55 Baker Street  
London  
W1U 7EU

12 December 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## RESOUND (DERRIFORD) LIMITED

### Statement of Comprehensive Income For the year ended 31 March 2018

|                                                            | Note | 2018<br>£'000 | 2017<br>£'000 |
|------------------------------------------------------------|------|---------------|---------------|
| Turnover                                                   | 1    | 175           | 173           |
| Cost of sales                                              |      | (102)         | (93)          |
| <b>Gross profit</b>                                        |      | <b>73</b>     | <b>80</b>     |
| Administrative expenses                                    |      | (10)          | (8)           |
| <b>Operating profit</b>                                    |      | <b>63</b>     | <b>72</b>     |
| Interest receivable and similar income                     | 5    | 413           | 415           |
| Interest payable and similar charges                       | 6    | (439)         | (445)         |
| <b>Profit on ordinary activities before taxation</b>       | 1    | <b>37</b>     | <b>42</b>     |
| Tax on profit on ordinary activities                       | 7    | (11)          | (10)          |
| <b>Profit for the financial year</b>                       |      | <b>26</b>     | <b>32</b>     |
| Movement in cash flow hedge                                |      | 475           | (659)         |
| Taxation in respect of items of other comprehensive income |      | (81)          | 91            |
| <b>Other comprehensive loss for the year</b>               |      | <b>394</b>    | <b>(568)</b>  |
| <b>Total comprehensive (income)/loss for the year</b>      |      | <b>420</b>    | <b>(536)</b>  |

The results for the current and previous financial year derive from continuing operations.

The notes on pages 11 to 20 form part of these financial statements.

## RESOUND (DERRIFORD) LIMITED

### Statement of Financial Position As at 31 March 2018

|                                              | Note | 2018<br>£'000  | 2017<br>£'000  |
|----------------------------------------------|------|----------------|----------------|
| <b>Non-current asset</b>                     |      |                |                |
| Financial assets                             | 8    | <u>5,992</u>   | <u>6,036</u>   |
| <b>Current assets</b>                        |      |                |                |
| Debtors – due within one year                | 9    | 12             | 73             |
| Debtors – due after more than one year       | 9    | 373            | 465            |
| Cash at bank and in hand                     | 10   | <u>388</u>     | <u>346</u>     |
|                                              |      | 773            | 884            |
| <b>Creditors</b>                             |      |                |                |
| Amounts falling due within one year          | 11   | <u>(89)</u>    | <u>(174)</u>   |
| <b>Net current assets</b>                    |      | <u>684</u>     | <u>710</u>     |
| <b>Total assets less current liabilities</b> |      | 6,676          | 6,746          |
| <b>Creditors</b>                             |      |                |                |
| Amounts falling due after more than one year | 11   | <u>(8,350)</u> | <u>(8,840)</u> |
| <b>Net liabilities</b>                       |      | <u>(1,674)</u> | <u>(2,094)</u> |
| <b>Capital and reserves</b>                  |      |                |                |
| Called up share capital                      | 14   | -              | -              |
| Profit and loss account                      |      | 215            | 189            |
| Cash flow hedge reserve                      |      | <u>(1,889)</u> | <u>(2,283)</u> |
| <b>Shareholders' deficit</b>                 |      | <u>(1,674)</u> | <u>(2,094)</u> |

The financial statements of Resound (Derriford) Limited, registered number 07018708, were approved by the Board of Directors and authorised for issue on 11 December 2018.

These accounts have been prepared in accordance with the provisions applicable to small companies entitled to the small companies' exemption.



C Douglass  
Director

The notes on pages 11 to 20 form part of these financial statements.

## RESOUND (DERRIFORD) LIMITED

### Statement of Changes in Equity For the year ended 31 March 2018

|                                                                       | Issued<br>share<br>capital<br>£'000 | Cash flow<br>hedge<br>reserve<br>£'000 | Profit<br>and loss<br>account<br>£'000 | Total<br>2018<br>£'000 |
|-----------------------------------------------------------------------|-------------------------------------|----------------------------------------|----------------------------------------|------------------------|
| <b>1 April 2017</b>                                                   | -                                   | (2,283)                                | 189                                    | (2,094)                |
| <b>Comprehensive income for the year</b>                              |                                     |                                        |                                        |                        |
| <b>Profit for the year</b>                                            | -                                   | -                                      | 26                                     | 26                     |
| Hedge effective portion of change in fair value of designated hedging | -                                   | 475                                    | -                                      | 475                    |
| Taxation in respect of other comprehensive income                     | -                                   | (81)                                   | -                                      | (81)                   |
| Other comprehensive income for the year                               | -                                   | 394                                    | -                                      | 394                    |
| <b>Total comprehensive income for the year</b>                        | -                                   | <b>394</b>                             | <b>26</b>                              | <b>420</b>             |
| <b>31 March 2018</b>                                                  | -                                   | <b>(1,889)</b>                         | <b>215</b>                             | <b>(1,674)</b>         |

|                                                                       | Issued<br>share<br>capital<br>£'000 | Cash flow<br>hedge<br>reserve<br>£'000 | Profit<br>and loss<br>account<br>£'000 | Total<br>2017<br>£'000 |
|-----------------------------------------------------------------------|-------------------------------------|----------------------------------------|----------------------------------------|------------------------|
| <b>1 April 2016</b>                                                   | -                                   | (1,715)                                | 157                                    | (1,558)                |
| <b>Comprehensive income for the year</b>                              |                                     |                                        |                                        |                        |
| <b>Profit for the year</b>                                            | -                                   | -                                      | 32                                     | 32                     |
| Hedge effective portion of change in fair value of designated hedging | -                                   | (659)                                  | -                                      | (659)                  |
| Taxation in respect of other comprehensive income                     | -                                   | 91                                     | -                                      | 91                     |
| Other comprehensive income for the year                               | -                                   | (568)                                  | -                                      | (568)                  |
| <b>Total comprehensive income for the year</b>                        | -                                   | <b>(568)</b>                           | <b>32</b>                              | <b>(536)</b>           |
| <b>31 March 2017</b>                                                  | -                                   | <b>(2,283)</b>                         | <b>189</b>                             | <b>(2,094)</b>         |

The notes on pages 11 to 20 form part of these financial statements.

## RESOUND (DERRIFORD) LIMITED

### Statement of Cash Flows For the year ended 31 March 2018

|                                                    | Note | 2018<br>£'000 | 2017<br>£'000 |
|----------------------------------------------------|------|---------------|---------------|
| <b>Cash flows from operating activities</b>        |      |               |               |
| Profit for the financial year                      |      | 26            | 32            |
| Adjustments for:                                   |      |               |               |
| Net interest payable/(receivable)                  | 5/6  | 26            | 30            |
| Turnover on mark-up                                | 1    | (161)         | (163)         |
| Taxation expense                                   | 7    | 11            | 10            |
| Decrease/(increase) in trade and other debtors     |      | 61            | (62)          |
| (Decrease)/increase in trade and other creditors   |      | (66)          | 70            |
| <b>Net cash used in operating activities</b>       |      | <b>(103)</b>  | <b>(83)</b>   |
| <b>Cash flows from investing activities</b>        |      |               |               |
| Receipt on financial asset                         | 8    | 617           | 598           |
| Interest received                                  |      | 1             | 1             |
| <b>Net cash from investing activities</b>          |      | <b>618</b>    | <b>599</b>    |
| <b>Cash flows from financing activities</b>        |      |               |               |
| Repayment of loan                                  |      | (34)          | (57)          |
| Interest paid                                      |      | (439)         | (445)         |
| <b>Net cash used in financing activities</b>       |      | <b>(473)</b>  | <b>(502)</b>  |
| <b>Net increase in cash &amp; cash equivalents</b> |      | <b>42</b>     | <b>14</b>     |
| Cash and cash equivalents at beginning of year     |      | 346           | 332           |
| <b>Cash and cash equivalents at end of year</b>    |      | <b>388</b>    | <b>346</b>    |
| <b>Cash and cash equivalents comprise:</b>         |      |               |               |
| Cash at bank and in hand                           | 10   | 388           | 346           |
|                                                    |      | <b>388</b>    | <b>346</b>    |

The notes on pages 11 to 20 form part of these financial statements.

## RESOUND (DERRIFORD) LIMITED

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### Principal Accounting Policies For the year ended 31 March 2018

Resound (Derriford) Limited is incorporated in England and Wales. The registered office is 15th Floor Cobalt Square, 83-85 Hagley Road, Birmingham, B16 8QG.

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### Basis of preparation

The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The functional currency is pounds sterling and rounded to the nearest £'000.

#### Going concern

The company has net liabilities of £1,674,000 (2017: £2,094,000), which includes the negative fair value of the interest rate swaps of £2,429,000 (2017: £2,767,000) and a positive RPI swap of £154,000 (2017: positive of £17,000) within liabilities, and net current assets of £684,000 (2017: £710,000), include cash of £388,000 (2017: £346,000), at 31 March 2018.

The directors have reviewed the future liquidity requirements and have considered the cash flow forecasts of the company. The company produces long-term financial forecasts which show the company is able to operate and meet its financial obligations as they fall due, including compliance with all loan covenants. Based on this review and the future business prospects of the company, despite the current economic conditions the directors believe the company will be able to meet its liabilities as they fall due.

Having regard to the above and 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.

#### Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

## RESOUND (DERRIFORD) LIMITED

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### Principal Accounting Policies (continued) For the year ended 31 March 2018

#### Turnover

##### a. Public to private concession arrangements

A substantial portion of the company's assets are used within the framework of a concession contract granted by a public sector customer ('grantor'). Under this contract, the company has constructed a Child and Adolescent Mental Health Services Centre that is leased to Community Health Partnerships Limited on a 30 year lease.

To fall within the scope of section 34 of FRS 102, a contract must satisfy the following two criteria:

- the grantor controls or regulates what services the operator must provide using the infrastructure, to whom, and at what price; and
- the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

Pursuant to section 34 of FRS 102, such infrastructures are not recognised in assets of the operator as property, plant and equipment but as financial assets ('financial asset model').

##### b. Financial asset model

The financial asset model applies when the operator has an unconditional right to receive cash or another financial asset from the grantor.

In the case of concession services, the operator has such an unconditional right if the grantor contractually guarantees the payment of:

- Amounts specified or determined in the contract or
- The shortfall, if any, between amounts received from users of the public service and amounts specified or determined in the contract

Financial assets resulting from the application of section 34 of FRS 102 are recorded in the statement of financial position under the heading financial assets and measured at amortised cost.

Pursuant to section 23 of FRS 102, revenue associated with this financial model comprises of service remuneration which relates to lifecycle maintenance and facilities income and ad hoc property related services income.

#### Financial Asset

The financial asset is stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

#### Financial instruments

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance the substance of the contractual arrangement.

Financial instruments are recognised on the trade date when the company becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

## RESOUND (DERRIFORD) LIMITED

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### Principal Accounting Policies (continued) For the year ended 31 March 2018

#### Financial instruments (continued)

Financial instruments are derecognised on trade date when the company is no longer a party to the contractual provisions of the instrument.

#### Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

#### Hedge Accounting

The company has entered into variable to fixed rate interest swaps and RPI swaps to manage its exposure to interest rate cash flow risk on its variable rate debt and inflation rate risk, respectively. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in the profit or loss for the period.

#### Finance costs

Finance costs that were accrued during construction of the fixed assets were expensed as they were incurred.

#### Accounting estimates and judgments

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are as follows:

##### a. Key sources of estimation uncertainty

**Financial asset** – The calculation of the amortised cost of the financial asset requires an estimate of the residual value of the property at the end of the lease term. This estimate has been based on the residual value allocated to the contract in the financial models, which form the basis for the calculation of rent charged to the lessees.

**Financial asset interest rate** – The financial asset interest income is based on the WACC of the project and is applied to the carrying value of the financial asset on a quarterly basis. The interest rate used in 2018 is 7.04% (2017: 7.04%) per annum.

**Service Margin** – After the property is constructed, the company provides property management services. The remuneration for these services is recognised at cost plus an estimated mark up for profit on property management services. The service margin rate used in 2018 is 85.36% (2017: 87.65%) per annum. It is the policy of the directors that the service margin is reviewed annually on 1<sup>st</sup> April each year to generate a new service margin rate, which is to be applied in the proceeding financial year.

##### b. Critical judgements

**Concession arrangements** – The concession arrangements undertaken by the company are considered to fall within the scope of section 34 of FRS 102 "Service Concession Arrangements", as described in the Turnover note. This judgement has been based on a consideration of the nature and terms of the agreements and, in all contracts, the existence of an option for the grantor to purchase the properties at the end of the lease term.

## RESOUND (DERRIFORD) LIMITED

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### Notes to the Financial Statements For the year ended 31 March 2018

#### 1. Analysis of turnover and profit on ordinary activities before taxation

Turnover in the year is analysed as follows:

|                 | 2018<br>£'000 | 2017<br>£'000 |
|-----------------|---------------|---------------|
| Cost recoveries | 14            | 3             |
| Service margin  | 161           | 163           |
| Other income    | -             | 7             |
|                 | <u>175</u>    | <u>173</u>    |

#### 2. Audit costs

Auditor's remuneration of £2,827 (2017: £2,700) is borne by the parent company for the current and prior financial year.

#### 3. Directors' remuneration

The directors did not receive any remuneration from the company for their services to the company during the year or the previous year. The directors are remunerated by the shareholding companies for their services to the group as a whole. It is not practicable to apportion their remuneration for their services to this company.

#### 4. Staff numbers

The company had no employees during the year or the previous year.

#### 5. Interest receivable and similar income

|                                     | 2018<br>£'000 | 2017<br>£'000 |
|-------------------------------------|---------------|---------------|
| Bank interest receivable            | 1             | 1             |
| Financial asset interest receivable | 412           | 414           |
|                                     | <u>413</u>    | <u>415</u>    |

#### 6. Interest payable and similar charges

|                            | 2018<br>£'000 | 2017<br>£'000 |
|----------------------------|---------------|---------------|
| Bank interest payable      | 355           | 363           |
| Loan note interest payable | 84            | 82            |
|                            | <u>439</u>    | <u>445</u>    |

## RESOUND (DERRIFORD) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 March 2018

#### 7. Tax on profit on ordinary activities

|                                                          | 2018<br>£'000 | 2017<br>£'000 |
|----------------------------------------------------------|---------------|---------------|
| <b>a) Analysis of tax on ordinary activities</b>         |               |               |
| UK corporation tax payable at 19% (2017: 20%)            | -             | -             |
| Total current tax                                        | -             | -             |
| <b>Deferred tax</b>                                      |               |               |
| Origination and reversal of timing differences:          |               |               |
| - current year                                           | 11            | 10            |
| Total deferred tax                                       | 11            | 10            |
| Tax on profit on ordinary activities                     | 11            | 10            |
| <b>Taxation in respect of other comprehensive income</b> |               |               |
| Cash flow hedge reserve                                  | 81            | (91)          |
| Total taxation in respect of other comprehensive income  | 81            | (91)          |

The tax assessed for the year is lower than the standard rate of corporation tax in the UK 19% (2017: 20%). The differences are explained below:

|                                                                                                            | £'000 | £'000 |
|------------------------------------------------------------------------------------------------------------|-------|-------|
| <b>b) Factors affecting the tax charge for the year</b>                                                    |       |       |
| Profit on ordinary activities before tax                                                                   | 37    | 42    |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK 19% (2017: 20%) | 7     | 8     |
| Effects of:                                                                                                |       |       |
| Expenses not deductible for tax purposes                                                                   | 5     | 3     |
| Change in tax rate                                                                                         | (1)   | (1)   |
| Current tax charge for the year                                                                            | 11    | 10    |

The reduction in the corporation tax rate to 17% from 1 April 2020 is not anticipated to materially affect the future tax charge.

## RESOUND (DERRIFORD) LIMITED

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### Notes to the Financial Statements (continued) For the year ended 31 March 2018

#### 8. Financial assets

|                                                  | 2018<br>£'000 | 2017<br>£'000 |
|--------------------------------------------------|---------------|---------------|
| Balance at 1 April                               | 6,036         | 6,057         |
| <b>Income recognised in the income statement</b> |               |               |
| - service remuneration                           | 161           | 163           |
| - interest income                                | 412           | 414           |
|                                                  | <u>573</u>    | <u>577</u>    |
| <b>Other movements</b>                           |               |               |
| - cash received                                  | (617)         | (598)         |
|                                                  | <u>(617)</u>  | <u>(598)</u>  |
| Balance at 31 March                              | <u>5,992</u>  | <u>6,036</u>  |

#### 9. Debtors

|                                     | 2018<br>£'000 | 2017<br>£'000 |
|-------------------------------------|---------------|---------------|
| <b>Due within one year</b>          |               |               |
| Trade debtors                       | -             | 66            |
| Prepayments and accrued income      | 12            | 7             |
|                                     | <u>12</u>     | <u>73</u>     |
| <b>Due after more than one year</b> |               |               |
| Deferred tax (note 13)              | 373           | 465           |
|                                     | <u>373</u>    | <u>465</u>    |

#### 10. Cash at bank and in hand

Included in cash at bank and in hand is cash of £388,000 (2017: £346,000) which is restricted for use in pre-described circumstances by the bank.

## RESOUND (DERRIFORD) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 March 2018

#### 11. Creditors

|                                                         | 2018<br>£'000 | 2017<br>£'000 |
|---------------------------------------------------------|---------------|---------------|
| <b>(a) Amounts falling due within one year</b>          |               |               |
| Trade creditors                                         | 4             | 1             |
| Bank loans (note 12)                                    | 15            | 34            |
| Other taxation and social security                      | 1             | 35            |
| Amounts owed to group member                            | 55            | 40            |
| Accruals and deferred income                            | 14            | 64            |
|                                                         | <u>89</u>     | <u>174</u>    |
|                                                         |               |               |
|                                                         | 2018<br>£'000 | 2017<br>£'000 |
| <b>(b) Amounts falling due after more than one year</b> |               |               |
| Bank loans (note 12)                                    | 5,336         | 5,351         |
| Subordinated debt (note 12)                             | 739           | 739           |
| Cashflow Hedge - Interest rate/RPI SWAP (note 15)       | 2,275         | 2,750         |
|                                                         | <u>8,350</u>  | <u>8,840</u>  |

#### 12. Loans

##### (a) Bank loans

|                                                | 2018<br>£'000 | 2017<br>£'000 |
|------------------------------------------------|---------------|---------------|
| <b>The bank loans are repayable as follows</b> |               |               |
| Within one year                                | 15            | 34            |
| Between one and two years                      | 39            | 15            |
| Between two and five years                     | 172           | 151           |
| After more than five years                     | 5,125         | 5,185         |
|                                                | <u>5,351</u>  | <u>5,385</u>  |

Bank borrowings relate to a Senior Debt Facility granted by The Royal Bank of Scotland. The bank borrowings are secured by fixed and floating charges over all the company's assets.

The amounts drawn under the Senior Debt Facility are repayable on an agreed repayment profile of six-monthly instalments that commenced on 31 March 2011 and are due to end on 31 December 2040, with a final instalment of £1,773,000.

Interest charges on amounts borrowed are based on floating LIBOR plus margins of 2.00% and 2.25% per annum on the amortising and bullet tranches, respectively. The company has entered into interest rate swap agreements whereby it pays fixed rates of 6.53% and 6.82% per annum in respect of amounts drawn under the senior debt facility. The swaps expire on 30 June 2040 and 31 December 2040.

## RESOUND (DERRIFORD) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 March 2018

#### 12. Loans (continued)

| (b) Subordinated loan due to parent undertaking | 2018<br>£'000 | 2017<br>£'000 |
|-------------------------------------------------|---------------|---------------|
| <b>The loans are repayable as follows</b>       |               |               |
| Within one year                                 | -             | -             |
| Between one and two years                       | -             | -             |
| Between two and five years                      | 17            | 7             |
| After more than five years                      | <u>722</u>    | <u>732</u>    |
|                                                 | <u>739</u>    | <u>739</u>    |

The loan notes represent amounts borrowed under the Loan Note Agreement. The loans carry a coupon of 11% and are repayable in 6 monthly instalments commencing on 30 September 2011 and ending on 31 December 2040.

#### 13. Deferred tax

|                                              | 2018<br>£'000 | 2017<br>£'000 |
|----------------------------------------------|---------------|---------------|
| <b>Deferred tax</b>                          |               |               |
| Balance at beginning of year                 | (465)         | (384)         |
| Debit to profit and loss account             | 11            | 10            |
| Debit/(credit) to other comprehensive income | 81            | (91)          |
| Balance at end of year                       | <u>(373)</u>  | <u>(465)</u>  |

An analysis of the deferred taxation provided in the financial statements is as follows:

|                                              | £'000        | £'000        |
|----------------------------------------------|--------------|--------------|
| Capital allowances in excess of amortisation | 189          | 176          |
| Non trade loan relationship deficit losses   | (175)        | (174)        |
| Cash flow hedge reserve                      | <u>(387)</u> | <u>(467)</u> |
|                                              | <u>(373)</u> | <u>(465)</u> |

#### 14. Called up share capital

|                                           | 2018<br>£ | 2017<br>£ |
|-------------------------------------------|-----------|-----------|
| <b>Allotted, called up and fully paid</b> |           |           |
| Ordinary shares of £1 each                | <u>1</u>  | <u>1</u>  |

The Royal Bank of Scotland plc has a registered charge over the whole share capital of the company.

## RESOUND (DERRIFORD) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 March 2018

#### 15. Financial instruments

The company's financial instruments may be analysed as follows:

|                                                                                             | 2018<br>£'000  | 2017<br>£'000  |
|---------------------------------------------------------------------------------------------|----------------|----------------|
| <b>Financial assets</b>                                                                     |                |                |
| Financial assets measured at amortised cost                                                 | <u>6,380</u>   | <u>6,447</u>   |
|                                                                                             | <u>6,380</u>   | <u>6,447</u>   |
| <b>Financial liabilities</b>                                                                |                |                |
| Financial liabilities measured at amortised cost                                            | (6,163)        | (6,178)        |
| Derivative financial instruments designated as<br>hedges of variable interest rate/RPI risk | <u>(2,275)</u> | <u>(2,750)</u> |
|                                                                                             | <u>(8,438)</u> | <u>(8,928)</u> |

Financial assets measured at amortised cost comprise cash at bank and in hand, financial asset, trade debtors, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, other creditors and accruals.

Derivative financial instruments designated as hedges of variable interest rate risk comprise interest rate swaps and RPI swaps.

The fair values of the interest rate swaps have been determined by reference to prices available from the markets on which the instruments involved are traded.

In 2009, the company borrowed funds from its bankers under two term loans of £4,141,000 and £1,800,000, repayable 31 July 2040 and 31 December 2040 respectively.

To hedge the potential volatility in future interest cash flows arising from movements in LIBOR, the company has entered into fixed interest rate swaps with a nominal value equal to that initial borrowings, the same term as the loans and interest re-pricing dates identical to those of the variable rate loans. These result in the company paying a fixed rate of 4.53% and 4.57% per annum and receiving LIBOR (though cash flows are settled on a net basis). The company pays LIBOR, plus margins of 2.00% and 2.25%, on the amortising and bullet loans, respectively, effectively fixing the total interest cost on loans and interest rates swaps at 6.53% and 6.82% per annum on the amortising loan and bullet loans.

The derivatives are accounted for as a hedge of variable rate interest rate risks, in accordance with FRS 102 and had a negative fair value of £2,430,000 (2017: £2,767,000) as at the year end date. The cash flows arising from the interest rate swaps will continue until their maturity in 2040, coincidental with the repayment of the term loans. The positive change in fair value in the period was £337,000 (2017: negative of £115,000) with the entire credit being recognised in other comprehensive income as the swaps were 100% effective hedges.

In 2009, the company entered into one Lease Plus Agreement (LPA) having fixed contractual terms which caused its turnover to increase with RPI on a yearly basis.

To hedge the potential volatility in future revenue cash flows arising from movements in RPI, the company has entered into RPI swaps with a nominal value below that of the LPA contract but having the same term as the LPA agreement and RPI re-pricing dates identical to those of the LPA contract. These result in the company paying 3.32% per annum and receiving actual RPI and effectively fixing the inflation on a determined portion on the LPA contract.

## RESOUND (DERRIFORD) LIMITED

### Notes to the Financial Statements (continued) For the year ended 31 March 2018

#### 15. Financial instruments (continued)

The derivatives are accounted for as a hedge of variable rate RPI rate risks, in accordance with FRS 102, and had a positive fair value of £154,000 (2017: positive of £17,000) at the year end date. The cash flows arising from the interest rate swaps will continue until their maturity in 2041, coincidental with the LPA contractual terms. The positive change in fair value in the period was £137,000 (2017: negative of £544,000) with the entire credit being recognised in other comprehensive income as the swaps were 100% effective hedges.

#### 16. Ultimate parent company and controlling party

The company is a wholly owned subsidiary of Resound (Health) Limited. Resound (Health) Limited is owned by LIFT Investments Limited (60%) and Community Health Partnerships Limited (40%). All these companies are registered in England and Wales.

LIFT Investments Limited is ultimately owned by Community Solutions Investment Partners Limited.

The directors are of the opinion that there is no ultimate parent undertaking or controlling party by virtue of the company's joint ownership and control.

#### 17. Related party transactions

The company has taken advantage of the exemption provided in FRS102 not to disclose transactions with companies within the group of which it is a member, where these transactions occur between entities which are 100% owned members of that group.

The directors consider the material transactions undertaken by the company during the year with related parties were as follows:

| Name of party                         | Relationship                            | Nature of transaction | Transaction amount during year ended 31 March 2018<br>£'000 | Amount owed (to)/by related parties at 31 March 2018<br>£'000 |
|---------------------------------------|-----------------------------------------|-----------------------|-------------------------------------------------------------|---------------------------------------------------------------|
| Community Health Partnerships Limited | Shareholder in Resound (Health) Limited | Provision of services | 671                                                         | 4                                                             |

| Name of party                         | Relationship                            | Nature of transaction | Transaction amount during year ended 31 March 2017<br>£'000 | Amount owed (to)/by related parties at 31 March 2017<br>£'000 |
|---------------------------------------|-----------------------------------------|-----------------------|-------------------------------------------------------------|---------------------------------------------------------------|
| Community Health Partnerships Limited | Shareholder in Resound (Health) Limited | Provision of services | 643                                                         | -                                                             |