

Company Registration No SC248921 (Scotland)

AYRSHIRE HOSPITALS LIMITED
ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2006



AYRSHIRE HOSPITALS LIMITED

INDEPENDENT AUDITORS' REPORT TO AYRSHIRE HOSPITALS LIMITED UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 2 to 4, together with the financial statements of Ayrshire Hospitals Limited for the year ended 31 August 2006 prepared under section 226 of the Companies Act 1985

This report is made solely to the company in accordance with Section 247B of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company those matters we are required to state to them in an auditor's report on abbreviated accounts 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, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246(5) and (6) of the Act to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with those provisions and to report our opinion to you.

Basis of audit opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246(5) and (6) of the Companies Act 1985, and the abbreviated accounts have been properly prepared in accordance with those provisions.

Wylie & Bisset

Wylie & Bisset

26 June 2007

Chartered Accountants
Registered Auditor

168 Bath Street
Glasgow
G2 4TP

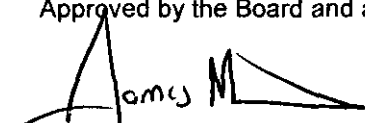
AYRSHIRE HOSPITALS LIMITED

ABBREVIATED BALANCE SHEET AS AT 31 AUGUST 2006

	Notes	2006 £	£	2005 £	£
Current assets					
Stocks				10,239,772	
Debtors	2	18,867,313		137,171	
Cash at bank and in hand		1,351,542		945,718	
		<u>20,218,855</u>		<u>11,322,661</u>	
Creditors amounts falling due within one year	3	<u>(18,755,085)</u>		<u>(9,939,777)</u>	
Total assets less current liabilities			1,463,770		1,382,884
Creditors amounts falling due after more than one year			(1,554,920)		(1,396,660)
			<u>(91,150)</u>		<u>(13,776)</u>
Capital and reserves					
Called up share capital	4		2,000		2,000
Profit and loss account			(93,150)		(15,776)
Shareholders' funds			<u>(91,150)</u>		<u>(13,776)</u>

These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

Approved by the Board and authorised for issue on 26 June 2007


James Muir
Director

AYRSHIRE HOSPITALS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2006

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The nature of the company's business is such that there is considerable variation in the timing of cash inflows. The directors have prepared projected cash flow information for the period covering the life of the PFI project. On the basis of this cash flow information, the directors consider that the company will continue to operate within the current bank facility and that it is appropriate to prepare the financial statements on the going concern basis.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.2 Turnover and profits

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Profit is recognised on long term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs to date bear to total expected costs for that contract.

1.3 Stock

Costs incurred in the construction of the hospital unit have been accounted for under SSAP 9 'Stock and Long Term Contracts'. Applying the guidance within the Standard, costs incurred during the design and construction period of the PFI property are debited to work in progress. Costs and revenues which are outwith the contract to provide the PFI property are charged to the profit and loss account in the relevant period.

1.4 Long term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

1.5 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.6 Financial instruments

The company is party to a derivative interest swap agreement, which is used to manage exposures to fluctuations in interest rates.

Finance costs during the construction period of the project are accounted for under SSAP 9 and debited to work in progress. On completion of the project finance costs have been accounted for under Financial Reporting Standard 4, and are charged to the profit and loss account over the lives of the relevant loans.

AYRSHIRE HOSPITALS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2006

1 Accounting policies

(continued)

1.7 Finance Debtor

On completion of the project total costs incurred have been accounted for under Financial Reporting Standard 5, Application Note F. As such the total costs incurred on the project have been treated as a finance debtor, on the basis that the project's principal agreement transfers substantially all the risks and rewards of ownership of the asset to the customer.

Fees are allocated between turnover and reimbursement of the finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.

2 Debtors

Debtors include an amount of £18,125,859 (2005 £) which is due after more than one year.

3 Creditors' amounts falling due within one year

The bank loan is repayable on demand and is secured by a floating charge and standard security over the assets of the company.

Bank loans bear interest based on LIBOR. As part of its interest rate management strategy the company entered an interest rate swap agreement in respect of the debt maturing in September 2033. Under this swap the company pays interest at a fixed rate of 5.285%.

4 Share capital

	2006 £	2005 £
Authorised		
2,000 Ordinary shares of £1 each	2,000	2,000
Allotted, called up and fully paid		
2,000 Ordinary shares of £1 each	2,000	2,000

5 Post balance sheet events

Under the terms of the Project Agreement, and other related documents that Ayrshire Hospitals Limited entered into on 6th October 2004, the company is responsible for meeting a number of performance and quality standards in respect of ongoing service provision and as of 31st August 2006 all of these targets had been met. Since 31st August 2006, the Company has continued to meet all performance and quality targets and no notices have been served by NHS Ayrshire & Arran in respect of failure; however, the Company has experienced a problem with one aspect of the service provision and anticipates a contingent liability in the total of £600,000. This liability may be the full/partial responsibility of the Building Contractor, the FM Contractor and/or NHS Ayrshire & Arran, and some may relate to the SPV itself in respect of management and professional fees. Full disclosure will be made in the accounts to 31st August 2007.