

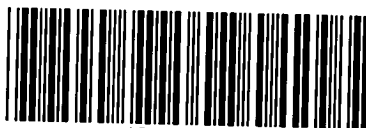
Ayrshire Hospitals Limited

Directors' report and financial statements

Registered number SC248921

For the year ended 31 August 2015

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Directors and advisors

Directors

Rory Christie
John McDonagh

Registered Office
Quartermile One
15 Lauriston Place
Edinburgh
EH3 9EP

Company Secretary
Peter Johnstone (appointed 3 May 2016)
Maclay Murray & Spens LLP (resigned 3 May 2016)

Registered Auditor

RSM UK Audit LLP
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Solicitors

Maclay Murray & Spens LLP
Quartermile One
15 Lauriston Place
Edinburgh
EH3 9EP

Bankers

Allied Irish Bank
227 West George Street
Glasgow
G2 2ND

Directors' report

The directors present their report and the financial statements for the year ended 31 August 2015.

Principal activities

The principal activity of the Company is the construction and maintenance of a hospital unit under the PFI/PPP scheme. The Company entered into a long term contract on 6th October 2004 with Ayrshire & Arran Health Authority for the construction and maintenance of Ayrshire Maternity Unit (AMU). Construction of the AMU was completed during the year to 31 August 2006 and the Company continues to provide facilities management and maintenance under the PFI/PPP contract entered into in October 2004. The facility continues to be a success and the Company continues to operate in line with the financial model agreed at financial close.

The loss for the year after taxation is £43,431 (2014: profit £56,011), as set out in the profit and loss account on page 5.

Dividend

The directors do not recommend the payment of a dividend. The result for the year is shown on page 5.

Directors

The directors who held office during the year and after the year end are set out below.

Rory Christie
John McDonagh

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

In November 2015 Wylie & Bisset LLP resigned as auditor and RSM UK Audit LLP was appointed. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and RSM UK Audit LLP will therefore continue in office.

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

By order of the board



Peter Johnstone
Secretary

24th MAY 2016

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing 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 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 those financial statements, the directors are required to:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AYRSHIRE HOSPITALS LIMITED

We have audited the financial statements on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://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 August 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

RSM UK Audit LLP

CLAIRE MONAGHAN (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP, Statutory Auditor

Chartered Accountants

First Floor, Quay 2

139 Fountainbridge

Edinburgh

EH3 9QG

Date 26/5/16

Profit and loss account
for the year ended 31 August 2015

	<i>Note</i>	2015 £	Restated 2014 £
Turnover		1,364,120	1,417,802
Operating expenses	2	(790,785)	(1,008,598)
Operating expenses - exceptional	15	(295,000)	-
Operating profit		278,335	409,204
Interest receivable	5	827,390	841,541
Interest payable and similar charges	6	(1,160,013)	(1,179,278)
(Loss)/profit on ordinary activities before taxation	3	(54,289)	71,467
Tax on (loss)/profit on ordinary activities	7	10,858	(15,456)
(Loss)/profit for the financial year	13	(43,431)	56,011

The (loss)/profit for the year has been derived from continuing activities.

The Company has no recognised gains or losses for the current or previous financial years other than those reported above.

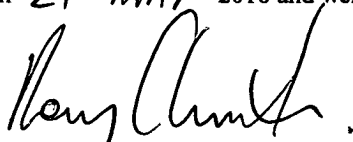
Notes on pages 7 to 13 form part of the financial statements.

Balance sheet
at 31 August 2015

	<i>Note</i>	2015 £	2014 £
Current assets			
Debtors: due within one year	8	805,508	246,713
Debtors: due after more than one year	8	16,219,974	16,798,412
Cash at bank and in hand		2,385,742	2,499,447
		19,411,224	19,544,572
 Creditors: amounts falling due within one year	 9	 (1,454,123)	 (2,271,492)
Net current assets		17,957,101	17,273,080
 Creditors: amounts falling due after more than one year	 10	 (16,701,503)	 (17,164,998)
Provisions for liabilities and charges	11	(1,190,947)	-
Net assets		64,651	108,082
 Capital and reserves			
Called up share capital	12	2,000	2,000
Profit and loss account	13	62,651	106,082
Shareholder's funds	14	64,651	108,082

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

These financial statements were approved by the board of directors and authorised for issue on **24th MAY** 2016 and were signed on its behalf by:


Rory Christie
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules and in accordance with applicable UK accounting standards, the Companies Act 2006 and the accounting policies set out below.

Going concern

The directors have prepared cash flow forecasts for the Company for the entire PFI/PPP contract which covers a period of at least twelve months from the date of approval of these financial statements. These cash flow forecasts indicate that the Company will generate a cash surplus and will be able to meet its liabilities as they fall due and accordingly the directors have prepared the financial statements on the going concern basis.

Cash flow statement

The Company is exempt from the requirements of Financial Reporting Standard number 1 to prepare a cash flow statement on the grounds of its size.

Turnover

Turnover represents the value of work done and services rendered, excluding VAT.

Amounts recoverable under contracts/finance debtor

Costs incurred in the construction of the hospital have been accounted for under Financial Reporting Standard ('FRS') 5 Application Note F. Applying the guidance within the Application Note indicates that the project's principal agreements transfer substantially all the risks and rewards of ownership to Ayrshire & Arran Health Authority. As such, all construction costs incurred on the project, including interest on finance up to the date of commission and incidental costs were recorded as construction work in progress during the construction phase of the project. On completion of the construction phase the resultant contract receivable debtor was reclassified as a finance debtor. Costs are recognised as cost of sales to the extent that they relate to the value of work done in respect of turnover recognised.

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

Financial instruments

The Company has entered into a derivative interest rate swap agreement.

Finance costs in accordance with FRS4 are charged to the profit and loss account over the life of the loan.

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

2 Operating expenses

	2015 £	2014 £
FM management fees	642,768	741,632
Other operating expenses	148,017	266,966
	<u>790,785</u>	<u>1,008,598</u>

3 Profit on ordinary activities before taxation

	2015 £	Restated 2014 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Audit of these financial statements	6,000	4,500
Audit of company's fellow group undertakings	1,500	3,000
Other services relating to taxation	1,600	-
Other services relating to taxation and accounting	-	3,679
	<u> </u>	<u> </u>

Auditors remuneration is payable to RSM UK Audit LLP (2014: Wylie & Bisset LLP)

Amounts Restated

In prior years finance debtor interest has been included within turnover. This has been reallocated to Interest Receivable (note 5) in the year and the prior year balance restated. There is no impact on the result presented.

4 Remuneration of directors

The directors received no emoluments from the company during the year. There are no employees of the company.

Dalmore Capital Fund LP, the ultimate controlling entity, received fees of £27,328 (2014: £24,177) from the company in respect of the services of J McDonagh and R Christie as directors.

Notes (continued)

5 Interest receivable and similar income

	2015 £	Restated 2014 £
Bank interest receivable	1,809	442
Interest receivable on finance debtor	825,581	841,099
	827,390	841,541

6 Interest payable and similar charges

	2015 £	2014 £
Senior debt	968,371	985,513
Subordinated debt – to parent company	191,642	193,765
	1,160,013	1,179,278

7 Taxation

	2015 £	2014 £
<i>UK corporation tax</i>		
Current tax on income for year	(10,292)	15,456
Deferred tax timing differences	(566)	-
	(10,858)	15,456

Factors affecting the tax charge for the current year

	2015 £	2014 £
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(54,289)	71,467
	(11,173)	15,456
Corporation tax at 20.58% (2014: 20%)	10,591	-
Losses carried back	(10,292)	-
Adjustment in respect of previous periods	582	-
Unrelieved tax losses and other deductions arising in the period	(10,292)	15,456

Factors affecting the future current and total tax charges

Reductions in the UK corporation tax rate to 21% (effective 1 April 2014) were substantively enacted on 2 July 2012. Further reductions to 20% (effective from 1 April 2015) were substantively enacted on 17 July 2013. This will reduce the company's future current tax charge accordingly.

Notes (continued)

8 Debtors

	2015 £	2014 £
<i>Amounts falling due within one year</i>		
Finance debtor	290,879	23,566
Trade debtors	427,811	198,744
Prepayments and accrued income	13,606	-
Amounts owed by group undertakings and undertakings in which the company has a participating interest	62,354	24,403
Corporation tax	<u>10,858</u>	<u>-</u>
	<u>805,508</u>	<u>246,713</u>
<i>Amounts falling due after more than one year</i>		
Finance debtor	<u>16,219,974</u>	<u>16,798,412</u>
	<u>2015 £</u>	<u>2014 £</u>
<i>Finance debtor</i>		
At beginning of year	16,821,978	17,066,670
Repayments received	(311,125)	(244,692)
At end of year	<u>16,510,853</u>	<u>16,821,978</u>

The finance debtor represents payments due from Ayrshire & Arran Health Authority in respect of the Project Agreement. These payments are receivable over the remaining life of the agreement.

9 Creditors: amounts falling due within one year

	2015 £	2014 £
Senior debt (note 10)	445,000	390,000
Trade creditors	18,541	1,127,136
Accruals and deferred income	-	-
Other creditors	836,062	529,768
Corporation tax	-	133,464
Amounts due to related parties	154,520	91,124
	<u>1,454,123</u>	<u>2,271,492</u>

Notes (continued)

10 Creditors: amounts falling due after more than one year

	2015 £	2014 £
Senior debt (secured)	15,251,360	15,696,360
Subordinated debt due to parent Company	1,450,143	1,468,998
	<u>16,701,503</u>	<u>17,164,998</u>

The bank loan is secured by a bond and floating charge and assignation in security over the assets of the Company.

The bank facility bears interest based on LIBOR. As part of its interest rate management strategy the Company entered into 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 6.12%.

Other loans relate to subordinated debt which carries an interest rate of 13%. The principal is repayable on 30 September 2034.

	2015 £	2014 £
Debt can be analysed as falling due:		
In one year or less, or on demand	445,000	390,000
Between one and two years	520,000	463,495
Between two and five years	1,810,000	1,756,759
In five years or more	14,371,503	14,944,744
Finance costs		
	<u>17,146,503</u>	<u>17,554,998</u>

11 Provision for liabilities and charges

	Lifecycle £
Balance at 1 September 2014	-
Transferred from short term creditors	1,114,353
Provided in year	76,594
	<u>1,190,947</u>
Balance at 31 August 2015	1,190,947

A provision has been recognised in respect of future payments due on lifecycle underspends in line with the Facilities Management Agreement and the clauses therein. This was previously included in trade creditors (note 9).

Notes (continued)

12 Called up share capital

	2015 £	2014 £
<i>Allotted, called up and fully paid</i>		
2,000 Ordinary shares of £1 each	2,000	2,000

13 Profit and loss account

	£
At beginning of year	106,082
(loss)/profit for the year	(43,431)
At end of year	62,651

14 Reconciliation of movements in shareholder's funds

	2015 £	2014 £
(Loss)/profit for the financial year	(43,431)	56,011
Net (reduction)/addition to shareholder's funds	(43,431)	56,011
Opening shareholder's funds	108,082	52,071
Closing shareholder's funds	64,651	108,082

15 Exceptional Item

There is a post balance sheet adjusting event in relation to monies over charged to the NHS due to an error in the way revenues have been calculated in the financial model. Agreement has been reached with the NHS and a settlement quantified at £295,000. The company has adjusted these accounts accordingly as these amounts relate to historical overcharges and are disclosed in the profit and loss account as a one off exceptional item.

16 Related party disclosures

Fees paid to third parties in respect of services of directors totalling £27,328 (2014: £27,388) were paid in the year.

The company has a subordinated debt due of £1,468,638 (2014: £1,484,945), in respect of which interest of £191,642 (2014: £193,765) was paid in the year. The subordinated debt, interest and fees paid are payable to the sole shareholder George Street Capital Limited. At 31 August 2015 the company owed George Street Capital Limited, the immediate parent undertaking, £144,094 (2014: £90,625). At 31 August 2015 George Street Capital Limited owed the company £62,354.

The company owes £10,426 (2014: £10,426) to Stonehouse Hospitals Limited, a related party via common control.

Notes *(continued)*

17 Immediate and ultimate holding Company

George Street Capital Limited is the immediate parent entity. The ultimate controlling entity is considered to be Dalmore Capital Fund LP. Dalmore Capital Fund LP is owned by a number of investors, with no one investor having individual control.