

Gloucester Healthcare Partnership Limited
Financial Statements
31 December 2015



Gloucester Healthcare Partnership Limited

Financial Statements

Year ended 31 December 2015

Contents	Pages
Strategic report	1 to 2
Directors' report	3 to 4
Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements	5
Independent auditor's report to the members of Gloucester Healthcare Partnership Limited	6 to 7
Profit and loss account and statement of other comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11 to 23

Gloucester Healthcare Partnership Limited

Strategic Report

Year ended 31 December 2015

Principal activities and business review

The principal activity of the company is the provision of operational and maintenance services for the Gloucestershire Royal Hospital, in accordance with a project agreement entered into with Gloucestershire Hospitals National Health Service Trust.

The hospital became fully operational in 2004. The company is currently operating the facility for a 30 year period, providing a full range of facilities management services under a contractual agreement that provides a regular income stream which is subject to deductions for service shortfalls and the unavailability of the facility.

The company operates in a PFI market under strict contractual obligations.

The result for the company for the year is shown in the profit and loss account and statement of other comprehensive income on page 8.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks affecting the company are considered to relate to cash flow management, facility management compliance and review of the insurance cover and lifecycle profile.

The board formally reviews risks and appropriate processes are put in place to mitigate them.

Financial risk management

The company's operations expose it to a variety of financial risks that include liquidity risk, interest rate risk and credit risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

The company's financial instruments comprise floating rate borrowings, the main purpose of which is to raise finance for the company's operations. The company uses derivative financial instruments and has entered into interest rate swaps, the purpose of which is to manage interest rate risk on the company's floating rate borrowings.

Bilfinger RE Asset Management Limited, as a provider of management and financial services to the company under a contractual arrangement, implements the policies set by the board of directors.

Liquidity risk

The company minimises the risk of uncertain funding in its operations by having long-term committed and drawn facilities available.

Interest rate cash flow risk

The company seeks to minimise its exposure to an upward change in interest rates by both borrowing at fixed rates and by borrowing at floating rates and using interest rate swaps to convert such borrowings from floating to fixed rates. At the year end, with the exception of the subordinated debt, all the company's floating rate borrowings were at fixed rates after taking account of interest rate swaps. The company is exposed to interest rate risk on its floating rate subordinated debt.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge its obligation under the contract giving rise to the financial instrument. The company's credit risk is concentrated as its cash flows are generated from the PFI hospital concession asset. The concentration of risk is mitigated as the cash flows are secured under contract with Gloucestershire Hospitals National Health Service Trust, a government body.

Gloucester Healthcare Partnership Limited

Strategic Report *(continued)*

Year ended 31 December 2015

Key performance indicators

1. Performance deductions under the service contract

Financial penalties are levied by the Authority in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. These deductions were passed on to the service provider. In the year ended 31 December 2015, deductions of £2,000 (2014: £3,000) had been levied which represents 0.07% (2014: 0.07%) of revenue. The directors believe the performance for the year to be satisfactory.

2. Financial performance

The directors have modelled the anticipated financial outcome of the Project across its full term. The directors monitor actual financial performance against this anticipated performance. As at 31 December 2015, the company's performance against this measure was satisfactory.

Going concern

The directors have reviewed the company's projected cash flows by reference to a financial model covering accounting periods up to 31 December 2034. The directors have also examined the current status of the company's principal contracts and likely developments in the foreseeable future. Having reviewed the available information, the directors consider that the company will be able to meet its financial obligations on the due dates for the foreseeable future. Accordingly, the directors consider that it is appropriate for the financial statements of the company to be prepared on a going concern basis.

This report was approved by the board of directors on *26 September 2016* and signed on behalf of the board by:


A Naafs
Director

Registered office:
Part First Floor
1 Grenfell Road
Maidenhead
Berkshire
SL6 1HN

Gloucester Healthcare Partnership Limited

Directors' Report

Year ended 31 December 2015

The directors present their report and the financial statements of the company for the year ended 31 December 2015.

Directors

The directors who served the company during the year and up to the date of this report are shown below:

F Schramm	
I Tayler	
N Rae	
A Naafs	(Appointed 29 May 2015)
R Little	(Appointed 1 June 2016)
A Speer	(Resigned 29 May 2015)
P Dodd	(Resigned 1 June 2016)

Dividends

Particulars of recommended dividends are detailed in note 9 to the financial statements.

Future developments

The updated forecast for the project confirms that it is performing satisfactorily and management of the scheme both logistically and financially remains under control. The directors remain confident that the company will maintain the current level of performance and keep meeting the obligations under the contract.

Donations

The company made no political donations during the year (2014: £nil).

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

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.

Gloucester Healthcare Partnership Limited

Directors' Report *(continued)*

Year ended 31 December 2015

This report was approved by the board of directors on 26 September 2016 and signed on behalf of the board by:



A. Naafs
Director

Registered office:
Part First Floor
1 Grenfell Road
Maidenhead
Berkshire
SL6 1HN

Gloucester Healthcare Partnership Limited

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements

Year ended 31 December 2015

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Gloucester Healthcare Partnership Limited

Independent Auditor's Report to the Members of Gloucester Healthcare Partnership Limited

Year ended 31 December 2015

We have audited the financial statements of Gloucester Healthcare Partnership Limited for the year ended 31 December 2015, set out on pages 8 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 Statement of Directors' Responsibilities set out on page 5, 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 December 2015 and of its profit for the year 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.

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 year for which the financial statements are prepared is consistent with the financial statements.

Gloucester Healthcare Partnership Limited

Independent Auditor's Report to the Members of Gloucester Healthcare Partnership Limited *(continued)*

Year ended 31 December 2015

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.



Amanda Moses (Senior Statutory Auditor)

27 September 2016

For and on behalf of
KPMG LLP
Chartered Accountants & statutory auditor
Arlington Business Park
Theale
Reading
RG7 4SD

Gloucester Healthcare Partnership Limited

Profit and Loss Account and Statement of Other Comprehensive Income

Year ended 31 December 2015

	Note	2015 £000	2014 £000
Turnover	3	2,734	4,418
Operating costs		<u>(1,964)</u>	<u>(3,033)</u>
Operating profit		770	1,385
Other interest receivable and similar income	6	2,016	2,068
Interest payable and similar charges	7	<u>(1,710)</u>	<u>(1,753)</u>
Profit on ordinary activities before taxation		1,076	1,700
Tax on profit on ordinary activities	8	<u>(6)</u>	<u>(409)</u>
Profit for the financial year		1,070	1,291
Fair value movements on cash flow hedging instruments		1,078	(2,878)
Tax recognised in relation to change in fair value cash flow hedges	8	<u>(382)</u>	<u>576</u>
Other comprehensive income for the year		696	(2,302)
Total comprehensive income for the year		1,766	(1,011)

All the activities of the company are from continuing operations.

The notes on pages 11 to 23 form part of these financial statements.

Gloucester Healthcare Partnership Limited

Balance Sheet

31 December 2015

	Note	2015 £000	2014 £000
Current assets			
Debtors (including £31,730,000 (2014: £32,693,000)) due after more than one year	10	34,216	34,148
Cash at bank and in hand		1,980	2,075
Total current assets		36,196	36,223
Creditors: amounts falling due within one year	11	(840)	(847)
Net current assets		35,356	35,376
Total assets less current liabilities		35,356	35,376
Creditors: amounts falling due after more than one year	12	(34,661)	(36,356)
Provisions			
Taxation including deferred tax	14	(2,413)	(2,407)
Net liabilities		(1,718)	(3,387)
Capital and reserves			
Called up share capital	16	38	38
Cash flow hedge reserve	17	(6,819)	(7,515)
Profit and loss account		5,063	4,090
Total shareholder's deficit		(1,718)	(3,387)

These financial statements were approved by the board of directors and authorised for issue on 26 September 2016 and are signed on behalf of the board by:


A Naafs
Director

Company registration number: 04341298

The notes on pages 11 to 23 form part of these financial statements.

Gloucester Healthcare Partnership Limited

Statement of Changes in Equity

Year ended 31 December 2015

	Note	Called up share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total £000
At 1 January 2014		38	(5,213)	3,486	(1,689)
Profit for the year		–	–	1,291	1,291
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments		–	(2,878)	–	(2,878)
Tax recognised in relation to change in fair value cash flow hedges	8	–	576	–	576
Total comprehensive income for the year		–	(2,302)	1,291	(1,011)
Dividends paid and payable	9	–	–	(687)	(687)
Total investments by and distributions to owners		–	–	(687)	(687)
At 31 December 2014		38	(7,515)	4,090	(3,387)
Profit for the year		–	–	1,070	1,070
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments		–	1,078	–	1,078
Tax recognised in relation to change in fair value cash flow hedges	8	–	(382)	–	(382)
Total comprehensive income for the year		–	696	1,070	1,766
Dividends paid and payable	9	–	–	(97)	(97)
Total investments by and distributions to owners		–	–	(97)	(97)
At 31 December 2015		38	(6,819)	5,063	(1,718)

The notes on pages 11 to 23 form part of these financial statements.

Gloucester Healthcare Partnership Limited

Notes to the Financial Statements

Year ended 31 December 2015

1. Statement of compliance

Gloucester Healthcare Partnership Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is sterling.

In the transition to FRS 102 from old UK GAAP, the Company has made three measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 20.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemption has been taken in these financial statements:

Service concession arrangements - The Company entered into its service concession arrangement before the date of transition to FRS 102. Therefore its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to FRS 102. In accordance with FRS 102 35.10(i), the company has applied the exemption to the finance debtor and service income accounting policies.

The Company's parent undertaking, Healthcare Providers (Gloucester) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Healthcare Providers (Gloucester) Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. The Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemption available under FRS 102 in respect of the following disclosure:

- Cash Flow Statement and related notes.

As the consolidated financial statements of Healthcare Providers (Gloucester) Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Company has not retrospectively changed its accounting under old UK GAAP for accounting estimates.

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 21.

2. Accounting policies

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: derivative financial instruments.

Gloucester Healthcare Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

2. Accounting policies *(continued)*

Going concern

The directors have reviewed the cash flow forecast up to 2034 and taking account of reasonable possible changes in operations, believe that the Company will be able to settle liabilities as they fall due for payment for the foreseeable future and therefore consider that it is appropriate to prepare these financial statements on a going concern basis.

Turnover

The Company entered into its service concession arrangement before the date of transition to FRS 102 and has therefore, taken advantage of the exemption under FRS 102 35.10(i) to continue with the same accounting policy for revenue recognition under old UK GAAP.

Turnover represents the value of services rendered, excluding sales related taxes, and is recognised to the extent that the company obtains the right to consideration in exchange for its performance. During the operational phase, turnover is recognised as contract activity progresses at a mark up on costs related to the provision of services. In line with FRS 102 23.22(a), the mark up is calculated based upon the forecast service revenues and costs over the concession period.

All turnover originates in the United Kingdom.

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 timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is recognised on trading losses carried forward and on the fair value of the swap derivative.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Gloucester Healthcare Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

2. Accounting policies *(continued)*

Financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and treasury deposits.

Restricted cash

The Company is obligated to keep a separate cash reserve in respect of future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £1,779,000 at the year end (2014: £1,484,000).

Other financial instruments

Financial instruments not considered to be basic financial instruments (other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

The Company has entered into an interest rate swap and designated these as hedges for highly probable forecast transaction. The effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Gloucester Healthcare Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

2. Accounting policies *(continued)*

Finance debtor

The Company entered into its service concession arrangement before the date of transition to FRS 102 and has therefore, taken advantage of the exemption under FRS 102 35.10(i) to continue with the same accounting policy for the recognition of a finance debtor under old UK GAAP.

The Company is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company under FRS 102 section 34.12C, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS 102 section 23.22(a). The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable on borrowings and associated on-going financing fees.

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest rate method.

3. Turnover

Turnover arises from:

	2015 £000	2014 £000
Service income	2,734	4,418

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

4. Auditor's remuneration

	2015 £000	2014 £000
Audit of these financial statements	10	9

In addition, the company bore the audit fee of £3,000 (2014: £2,000) of its immediate parent undertaking during the year. The company incurred tax fees of £5,000 (2014: £5,000) during the year.

Gloucester Healthcare Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

5. Staff costs and directors' remuneration

The company had no employees during the year (2014: nil). No key personnel received any remuneration during the year (2014: nil). The directors have no contract of service with the company. During the year the company incurred charges of £74,000 (2014: £73,000) from BBGI Management HoldCo S.a.r.l. and £74,000 (2014: £73,000) from Semperian PPP Investment Partners No.2 Limited for making available the services of the directors.

6. Other interest receivable and similar income

	2015 £000	2014 £000
Bank interest receivable	4	6
Finance debtor interest receivable	2,012	2,062
	<u>2,016</u>	<u>2,068</u>

Interest is imputed on the finance debtor using the property specific rate of 7%.

7. Interest payable and similar charges

	2015 £000	2014 £000
Interest payable on bank loan	1,544	1,592
Interest payable on subordinated debt	163	160
Other interest payable and similar charges	3	1
	<u>1,710</u>	<u>1,753</u>

Interest payable and similar charges are recognised using the effective interest rate method.

8. Tax on profit on ordinary activities

Major components of tax expense

	2015 £000	2014 £000
Deferred tax:		
In respect of current year	6	409
Total deferred tax	<u>6</u>	<u>409</u>
Tax on profit on ordinary activities	<u>6</u>	<u>409</u>

Tax recognised as other comprehensive income or equity

The aggregate deferred tax relating to items recognised as other comprehensive income or equity for the year was £382,000 (2014: £(576,000)). The effect of changes in tax rates and laws is £(164,000) (2014: £(43,000)).

Gloucester Healthcare Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

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

Reconciliation of tax expense

	2015 £000	2014 £000
Profit on ordinary activities before taxation	1,076	1,700
Profit on ordinary activities by rate of tax of 20.25% (2014: 21.50%)	218	365
Adjustment to tax charge in respect of prior periods	—	15
Effect of expenses not deductible for tax purposes	60	59
Adjust closing deferred tax to 18%	(301)	143
Adjust opening deferred tax to 18%	29	(173)
Tax on profit on ordinary activities	6	409

Factors that may affect future tax expense

The reduction in the rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. In the budget on 8 July 2015, the Chancellor of the Exchequer announced that the UK Corporation Tax rate will reduce to 19% in 2017 and 18% in 2020. In the budget on 16 March 2016, the Chancellor announced a further reduction of 1% in the UK Corporation Tax rate to 17% from 1 April 2020. This will also reduce the company's future current tax charge accordingly. The deferred tax asset and liability at 31 December 2015 has been calculated based on the rate of 18% substantively enacted at the balance sheet date.

9. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2015 £000	2014 £000
Dividends on ordinary shares	97	687

During the year the company made a dividend payment of £97,000 (2014: £687,000) to its immediate parent undertaking, Healthcare Providers (Gloucester) Limited.

10. Debtors

	2015 £000	2014 £000
Trade debtors	1,555	528
Deferred tax asset	1,497	1,879
Prepayments and accrued income	2,157	1,971
Finance debtor	29,007	29,770
	34,216	34,148

Gloucester Healthcare Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

10. Debtors *(continued)*

The debtors above include the following amounts falling due after more than one year:

	2015 £000	2014 £000
Deferred tax asset	1,497	1,879
Prepayments and accrued income	2,044	1,807
Finance debtor	28,189	29,007
	<u>31,730</u>	<u>32,693</u>

11. Creditors: amounts falling due within one year

	2015 £000	2014 £000
Accruals and deferred income	106	168
Other taxation	161	32
Bank loan	573	647
	<u>840</u>	<u>847</u>

12. Creditors: amounts falling due after more than one year

	2015 £000	2014 £000
Bank loan	23,588	24,147
Subordinated debt	2,382	2,382
Accruals and deferred income	375	433
SWAP liability	8,316	9,394
	<u>34,661</u>	<u>36,356</u>

Included within Bank loan is an amount repayable after five years of £20,648,000 (2014: £21,250,000) and included within subordinated debt are amounts repayable after five years of £2,382,000 (2014: £2,382,000) respectively.

Bank loan relates to senior secured funding granted by a consortium of banks led by Helaba (Landesbank Hessen-Thüringen Girozentrale). The senior loan facility is for a total value of £35,600,000.

The senior loan facility consists of a term loan facility of £34,500,000 which is repayable in fifty six, six-monthly instalments ending 21 August 2032. At 31 December 2015, the total amount outstanding is £23,991,000 (2014: £24,639,000) and is based on the contractual loan agreement.

Interest is charged on amounts drawn under the facility at LIBOR + 0.75%.

The senior loan facility is secured by a fixed charge over all leasehold interests, book debts, project accounts and intellectual property of the company and by a floating charge over the company's undertakings and assets.

Subordinated debt represents a £2,382,000 (2014: £2,382,000) unsecured loan facility due to Healthcare Providers (Gloucester) Limited, and is based on the contractual loan agreement. The subordinated loan facility bears interest at LIBOR + 4% and is fully repayable by 2034.

Gloucester Healthcare Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

13. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2015 £000	2014 £000
Deferred tax on revaluation of fair value of derivatives	1,497	1,879
Included in provisions (note 14)	(2,413)	(2,407)
	<u>(916)</u>	<u>(528)</u>

14. Provisions

The movement in the deferred taxation provision during the year was:

	2015 £000
Provision brought forward	2,407
Profit and loss account movement arising during the year	6
Provision carried forward	<u>2,413</u>

15. Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2015 £000	2014 £000
Financial assets		
Financial assets measured at amortised cost - finance debtor, trade and other debtors	30,562	30,298
Financial assets measured at cost less impairment - cash and cash equivalents	<u>1,980</u>	<u>2,075</u>
Financial liabilities		
Financial liabilities measured at fair value - interest rate swap	(8,316)	(9,394)
Financial liabilities measured at amortised cost - trade and other payables, bank loan and subordinated debt	<u>(26,543)</u>	<u>(27,176)</u>

Gloucester Healthcare Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

15. Financial instruments *(continued)*

(b) Financial instruments measured at fair value

Derivative financial instruments

Market values have been used to determine the fair value of the swap arrangement.

(c) Hedge accounting

The following table indicates the periods in which the cash flows associated with the cash flow hedging instrument are expected to occur as required by FRS102.29(a) for the cash flow hedge accounting models and also the associated cash flow hedging instruments are expected to affect profit and loss:

	Carrying Amount £000	Within 1 year £000	Between 1-2 years £000	Between 2-5 years £000	5 years and over £000
31 December 2015					
Interest rate swap	<u>(8,316)</u>	<u>(1,135)</u>	<u>(1,111)</u>	<u>(3,142)</u>	<u>(7,272)</u>
31 December 2014					
Interest rate swap	<u>(9,394)</u>	<u>(1,185)</u>	<u>(1,135)</u>	<u>(3,235)</u>	<u>(8,290)</u>

The company has entered into an interest rate swap agreement under the bank loan in order to fix the base interest rate (LIBOR) at 5.595% on the facilities to 2032. At the year end all the company's floating rate borrowings were at fixed rates after taking account of interest rate swaps.

(d) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	2015 £000	2014 £000
Interest rate swap contract	<u>(8,316)</u>	<u>(9,394)</u>

16. Called up share capital

Issued, called up and fully paid

	2015		2014	
	No	£000	No	£000
Ordinary shares of £1 each	<u>37,884</u>	<u>38</u>	<u>37,884</u>	<u>38</u>

17. Reserves

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Gloucester Healthcare Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

18. Related parties

During the year the company entered into the following transactions with related parties:

	Transaction with related parties		Payables to	
	2015	2014	2015	2014
	£000	£000	£000	£000
BBGI Management HoldCo S.a.r.l.	74	73	18	37
BBGI Investments S.C.A.	82	80	1,191	1,191
Semperian PPP Investment Partners No.2 Limited	170	167	1,216	1,228
BBGI SICAV S.A.	15	14	7	–

19. Parent undertaking

The company is a wholly owned subsidiary of Healthcare Providers (Gloucester) Limited ('the immediate parent undertaking').

At 31 December 2015, 50% of the share capital in the immediate parent undertaking was held by BBGI Investments S.C.A., with the remaining 50% held by Semperian PPP Investment Partners No.2 Limited.

BBGI Investments S.C.A. is an indirect and wholly owned subsidiary of BBGI SICAV S.A., a Luxembourg investment company listed on the London Stock Exchange. Semperian PPP Investment Partners No.2 Limited is a wholly owned subsidiary of Semperian PPP Investment Partners Holdings Limited, a company incorporated in Jersey.

The largest group in which the results of the company are consolidated is that headed by Healthcare Providers (Gloucester) Limited, incorporated in the United Kingdom.

20. Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

In preparing its FRS 102 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 102 has affected the company's financial position and financial performance is set out in the following tables.

Gloucester Healthcare Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

20. Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Reconciliation of equity as at 1 January 2014

	Note	UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000
Current assets				
Debtors	b	30,532	1,483	32,015
Cash at bank and in hand		3,629	–	3,629
		<u>34,161</u>	<u>1,483</u>	<u>35,644</u>
Creditors: amounts due within one year	c	(1,751)	406	(1,345)
Net current assets		<u>32,410</u>	<u>1,889</u>	<u>34,299</u>
Creditors: amounts falling due after more than one year	a, c	(27,392)	(6,599)	(33,991)
Provisions	d	(1,896)	(101)	(1,997)
Net liabilities		<u>3,122</u>	<u>(4,811)</u>	<u>(1,689)</u>
Capital and reserves				
Called up share capital		38	–	38
Cash flow hedge reserve	a, b	–	(5,213)	(5,213)
Profit and loss account	c	3,084	402	3,486
Shareholder's equity		<u>3,122</u>	<u>(4,811)</u>	<u>(1,689)</u>

Reconciliation of equity as at 31 December 2014

	Note	UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000
Current assets				
Debtors	b	32,141	2,007	34,148
Cash at bank and in hand		2,075	–	2,075
		<u>34,216</u>	<u>2,007</u>	<u>36,223</u>
Creditors: amounts due within one year	c	(1,385)	538	(847)
Net current assets		<u>32,831</u>	<u>2,545</u>	<u>35,376</u>
Creditors: amounts falling due after more than one year	a, c	(26,700)	(9,656)	(36,356)
Provisions	d	(2,326)	(81)	(2,407)
Net liabilities		<u>3,805</u>	<u>(7,192)</u>	<u>(3,387)</u>
Capital and reserves				
Called up share capital		38	–	38
Cash flow hedge reserve	a, b	–	(7,515)	(7,515)
Profit and loss account	c	3,767	323	4,090
Shareholder's equity		<u>3,805</u>	<u>(7,192)</u>	<u>(3,387)</u>

Gloucester Healthcare Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

20. Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Notes to the reconciliation of equity

a) The derivative held by the entity, being an interest rate SWAP, has been recognised in the balance sheet at fair value under FRS 102. The fair value of the SWAP arrangement is £(9,394,000) (1 January 2014: £(6,516,000)). This has been accounted for as a cash flow hedge and therefore been recognised in a separate cash flow hedge reserve.

b) A deferred tax asset of £1,879,000 (1 January 2014: £1,303,000) has been recognised on the fair value of the SWAP arrangement within current assets. The deferred tax movement of £576,000 (1 January 2014: £1,303,000) on the fair value of the SWAP arrangement is taken to the cash flow hedge reserve.

The transition to FRS 102 has resulted in a prepayment on the subordinated loan facility of £128,000 (1 January 2014: £180,000) and is recognised within current assets.

c) The effective interest rate adjustment within creditors: amounts due within one year is £538,000 (1 January 2014: £406,000) of which £(262,000) (1 January 2014: £(83,000)) is included within creditors: amounts falling due after more than one year. Within the profit and loss account the effective interest rate adjustment is £323,000 (1 January 2014: £402,000).

d) The transition to FRS 102 has resulted in a tax adjustment of £(81,000) (1 January 2014: £(101,000)) and is recognised within provisions.

Reconciliation of profit for the year ended 31 December 2014

	Note	UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000
Turnover		4,418	–	4,418
Operating costs		(3,033)	–	(3,033)
Operating profit		1,385	–	1,385
Other interest receivable and similar income		2,068	–	2,068
Interest payable and similar charges	c	(1,654)	(99)	(1,753)
Profit on ordinary activities before taxation		1,799	(99)	1,700
Taxation	d	(429)	20	(409)
Profit for the year		1,370	(79)	1,291
Fair value movements on cash flow hedging instruments	a	–	(2,878)	(2,878)
Tax recognised in relation to change in fair value cash flow hedges	b	–	576	576
Other comprehensive income for the year		–	(2,302)	(2,302)
Total comprehensive income for the year		1,370	(2,381)	(1,011)

Gloucester Healthcare Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

20. Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Notes to the reconciliation of profit

a) The fair value movement of £(2,878,000) on the SWAP arrangement is recognised as other comprehensive income.

b) The deferred tax asset movement of £576,000 on the fair value of the SWAP arrangement is recognised as other comprehensive income.

c) Interest payable and similar charges are recognised using the effective interest rate method. The effective interest rate adjustment is £(99,000) and is taken to the profit and loss account.

d) The transition to FRS 102 has resulted in a tax adjustment of £20,000 and is taken to the profit and loss account.

21. Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. Certain critical accounting judgements in applying the company's accounting policies are described below:

Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the PFI contract. Monthly management accounts are produced, which compare actual financial performance with a defined financial model. Variations are investigated and consideration given to the impact of any major variances. The financial model is updated on a six-monthly basis, to reflect actual performance to date and accommodate any changes in economic assumptions. These processes ensure that the project remains robust and viable throughout the life of the contract.