

Arden Partnership (Lincolnshire) Limited
Directors' report and financial statements
for the year ended 31 December 2012

Registered Number 5999280

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Arden Partnership (Lincolnshire) Limited
Directors' report and financial statements
for the year ended 31 December 2012

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Arden Partnership (Lincolnshire) Limited

Directors and advisors

Directors

A Handford
G Mills
R Christie
R Knight
S Brand

Secretary

T Woods

Auditors

PKF (UK) LLP
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20 Farringdon Road
London
EC1M 3AP

Registered Office

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Maidenhead
Berkshire
SL6 4UB

Arden Partnership (Lincolnshire) Limited

Directors' report for the year ended 31 December 2012

The directors present their report and the audited financial statements of the company for the year ended 31 December 2012

Principal activities and business review

Arden Partnership (Lincolnshire) Limited is a wholly owned subsidiary of Arden Partnership (Lincolnshire) Holdings Limited. The company's principal activity during the year was the operation of the South Holland Community Hospital in Spalding, Lincolnshire for the Primary Care Trust.

The company completed construction of the South Holland Community Hospital on 12 March 2009 and the unit was handed over to Lincolnshire Primary Care Trust (the Trust).

Future development and performance of the business

The directors have closely monitored the performance of the business during the year together with its technical advisors and the contract has been carried out in line with expectations.

During the coming year, the company will continue with the operation of the South Holland Community Hospital in Spalding, for the Trust.

In accordance with the Government's plans for the NHS, the Lincolnshire Primary Care Trust is being dissolved on 31 March 2013, and the NHS will transfer its obligations for the Johnson Community Hospital to a new company called NHS Property Services Limited. This company is wholly owned by the NHS with the Secretary of State for Health being the single shareholder. Under the terms of the Project Agreement we believe that this is a permitted assignment as NHS Property Services Limited is covered by the NHS (Residual Liabilities) Act 1996. NHS Property Services Ltd will assume all the responsibilities of the PCT and will be responsible for payment of the Unitary Charge. This change will be effected by a Transfer Scheme currently being drafted by the Department of Health.

It is noted that the Project is underwritten by a Deed of Safeguard (which is a schedule to the Project Agreement) direct from the Secretary of State for Health and thus we do not envisage that the changes being made by the NHS will affect the cash flows to the Project Company.

Principal risks and uncertainties and financial instruments

The company is subject to certain risks during the operational phase of the contract, these risks wherever possible have been mitigated by passing the risk down to sub-contractors or by using interest rate and retail price swap instruments.

Current economic situation

The directors recognise that the current economic conditions will be very challenging. The directors are of the opinion that the business will not be affected because PFI projects have very tight controls over finances and have fixed agreements with the Lenders and the Trust.

Liquidity Risk

During the operational period the company charges the Trust a monthly Unitary Charge, which is sufficient to meet its trade creditors and other liabilities.

Credit risk

The company's main customer during operations is the Trust with which the company has a concession agreement. This concession agreement includes clauses whereby should the company not be paid by the Trust then the company does not pay the relevant supplier for the services provided if the latter is the cause of the non-payment. The risk to bank borrowings and the availability of credit for this project is not material because there are agreements set up with the lender and all drawdowns are monitored by the directors and are within credit agreement. The company therefore, does not consider its exposure to credit risk to be material.

Arden Partnership (Lincolnshire) Limited

Directors' report for the year ended 31 December 2012 (continued)

Interest rate cash flow risk

The company has in place hedging arrangements to eliminate risk from interest rate movements and fluctuations in Retail Price indices. In order to ensure stability of cash flows and hence manage interest rate risk, the company has a policy of maintaining all of its bank debt at a fixed rate.

Results and dividends

The company made profit of £227,000 (2011 £197,000) for the year. A dividend of £103,000 (2011 £190,000) was approved and paid during the year.

Directors

The directors who held office during the year are given below:

A Handford
G Mills
R Knight
R Christie
S Brand

Statement of directors' responsibilities

The directors are responsible for preparing the director's 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 judgments and estimates that are reasonable and prudent,
- 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.

Disclosure of information to auditors

Each director at the date of the approval of the financial statements has confirmed:

- a) that so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- b) that they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board



G Mills
Director

22 March 2013

Arden Partnership (Lincolnshire) Limited

Independent auditor's report to the members of Arden Partnership (Lincolnshire) Limited

We have audited the financial statements of Arden Partnership (Lincolnshire) Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes. 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 explained more fully in the statement of directors' responsibilities, 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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 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.

Opinion on other matters 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.

Arden Partnership (Lincolnshire) Limited

Independent auditor's report to the members of Arden Partnership (Lincolnshire) Limited (continued)

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

PKF(UK)LLP

Timothy Drew (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
London, UK

25 March 2013

Arden Partnership (Lincolnshire) Limited

Profit and loss account for the year ended 31 December 2012

	Notes	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Turnover		837	752
Cost of sales		(355)	(385)
Gross profit		482	367
Administrative expenses		(276)	(220)
Operating profit	2	206	147
Net interest	3	89	117
Profit on ordinary activities before taxation		295	264
Taxation	4	(68)	(67)
Profit on ordinary activities after taxation	9	227	197

The result relates solely to continuing activities in a single class of business conducted within the United Kingdom

There were no recognised gains and losses for the period other than the profit for the year


The notes on pages 8 to 14 form part of these financial statements

Arden Partnership (Lincolnshire) Limited
Registered Number 5999280

Balance sheet as at 31 December 2012

	Notes	2012 £'000	2011 £'000
Current assets			
Debtors – falling due within one year	5	1,864	1,294
Debtors – falling due after more than one year	5	26,923	27,289
Cash at bank and in hand		791	966
Total current assets		29,578	29,549
Creditors' amounts falling due within one year	6	(859)	(837)
Net current assets		28,719	28,712
Creditors' amounts falling due after more than one year	7	(28,547)	(28,664)
Net assets		172	48
Capital and reserves			
Called up share capital	8	3	3
Profit and loss account	9	169	45
Equity shareholders' funds	10	172	48

The financial statements on pages 6 to 14 were approved and authorised for issue by the board of directors on 22 March 2013 and signed on its behalf by


G Mills
Director

Arden Partnership (Lincolnshire) Limited

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies

A summary of the principal accounting policies of the company, which have been applied consistently, is set out below

Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with applicable accounting standards and the Companies Act 2006. They include the results of the activities described in the Directors' report, all of which are continuing.

Under Financial Reporting Standard (FRS) 1 "Cash flow statements", the Company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Turnover

Turnover represents the amounts due from the Trust in respect of activities described in the Directors' report. The Trust pays a monthly fee to the company for the services provided which is called the Unitary charge. The Unitary charges are allocated between turnover, interest receivable on the finance debtor and reimbursement of the finance debtor so as to generate a constant return in respect of the finance debtor over the life of the contract. Turnover reflects recharges for services provided, life cycle costs and all operating costs plus a margin apportioned to these costs.

The margin applied is calculated on an annual basis by an operating model, and is updated at the end of each year based on actual costs incurred to date. This margin is calculated as total income forecast to be receivable over the life of the project, less all service costs, life cycle costs and other operating costs forecast to be payable over the life time of the project.

All turnover originates in the United Kingdom and is stated exclusive of value added tax.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not there will be suitable taxable profits from which the future reversal of the timing differences can be deducted.

The deferred tax assets and liabilities are not discounted.

Finance debtor receivable

The accumulated costs incurred in respect of bid development, design, construction and finance costs during construction were transferred to finance debtor receivable when the facilities became available and are being recovered over the contract period on an annuity basis. Upon construction completion, occupational availability payments from the Trust are allocated between turnover in relation to the service element of the contract, reimbursement of the finance debtor receivable and finance income on the finance debtor receivable so as to generate a constant rate of return over the contract period. Interest payable and similar charges and administration costs relating to the day to day running of the company are written off as incurred.

Capitalised interest and debt issue costs

Upfront finance and arrangement costs of procuring senior debt facilities in accordance with FRS4 are charged to the profit and loss on completion of the construction phase over the life of the relevant loans.

Interest incurred during the construction phase is capitalised and amortised over the period of the concession.

Arden Partnership (Lincolnshire) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

Derivative financial instruments

The company uses financial instruments in order to manage risk arising from changes in interest rates and inflation

Accounting estimates and judgements

In applying the accounting policies detailed above decisions sometimes have to be made as to the likely outcome of future events. Those judgements and estimates are based on historical experience and assumptions that the directors believe reasonable in the circumstances. The directors consider the key judgements and estimates made in preparing the financial statements to have been those relating to the calculation of the margin applied to costs in recognising turnover. These judgements and estimates are discussed in more detail above.

Arden Partnership (Lincolnshire) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

2 Operating profit

Operating profit is stated after charging

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Auditors' remuneration		
- audit	13	12
- non-audit services	3	2
Fees payable for directors' services	25	27

The company had no employees throughout the period under review. Seconded staff that are employed by certain related parties provided management and administrative services. The employment costs relating to the secondees are recharged to the company.

3 Net interest

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Interest receivable and similar income	2	2
Finance income	1,976	1,998
Interest payable and similar charges	(1,889)	(1,883)
	89	117

4 Taxation

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Taxation on the result for the year		
Current UK corporation tax charge	70	66
Adjustment in respect of prior periods	(2)	1
	68	67

The tax assessed for the period differs to the standard rate of corporation tax. The differences are explained below.

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	295	264
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	72	70
Adjustment in respect of prior periods	(2)	1
Effect of marginal relief	(2)	(4)
	68	67

Arden Partnership (Lincolnshire) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

5 Debtors

	2012 £'000	2011 £'000
Amounts falling due within one year		
Trade debtors	287	-
Prepayments and accrued income	261	253
Finance debtor receivable	1,316	1,041
	1,864	1,294
	2012 £'000	2011 £'000
Amounts falling due after more than one year		
Finance debtor receivable	26,923	27,289
	26,923	27,289
	2012 £'000	2011 £'000
Finance debtor receivable		
Finance debtor receivable at 1 January	28,330	28,413
Finance income recognised	1,976	1,998
Repayment in the year	(2,893)	(2,767)
Accrued service income	826	686
	28,239	28,330
Finance debtor analysed as:		
Amounts falling due within one year	1,316	1,041
Amounts falling due after more than one year	26,923	27,289
	28,239	28,330

Arden Partnership (Lincolnshire) Limited

Notes to the financial statements for the period to 31 December 2012 (continued)

6 Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	1	109
Taxation	70	66
Other taxes and social security costs	33	38
Accruals and deferred income	638	537
Term loan	105	75
Subordinated loan notes	12	12
	859	837

7 Creditors: amounts falling due after more than one year

	2012 £'000	2011 £'000
Term loan	26,044	26,123
Subordinated loan notes	2,503	2,541
	28,547	28,664

Loan maturity analysis

	2012 £'000	2011 £'000
Repayable within one year	117	87
Repayable between two and five years	759	660
Repayable after five years	27,788	28,004
Total loans outstanding	28,664	28,751

Term loan

The tenure of the Term Loan from NIB Capital Bank NV is 30 years and 8 months and is repayable in 55 semi-annual instalments commencing 30 September 2010

Interest charged on amounts drawn under the loan facility is based on the floating LIBOR rate

All amounts drawn under the facility are 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 loan notes

On 3 May 2007, Arden Partnership (Lincolnshire) Limited created £2,770,000 of unsecured loan notes, constituted under Deed Polls entered into on the same date

Interest is payable on the loan notes at a rate of 11% per annum

Arden Partnership (Lincolnshire) Limited

Notes to the financial statements for the period to 31 December 2012 (continued)

Financial derivatives

The company has entered into interest rate swap contracts to hedge its exposure to fluctuations in interest rates and a RPI swap to hedge its exposure to fluctuations in the Retail Price Index. The effect of the interest rate swap is that the company pays a fixed rate of interest on its term loans. Receipts and payments on interest rate instruments are recognised on an accruals basis, over the life of the instrument.

The notional principal amount of the interest rate swap as at 31 December 2012 is £26,381,374. The interest rate swap matures on 31 January 2038. The fair value of the interest rate swap as at 31 December 2012 gives rise to a liability of £9,984,826 (2011 liability of £9,607,000). The RPI swap commenced on 30 April 2009 when construction reached completion and the operational phase began.

8 Share capital

	2012 £'000	2011 £'000
Allotted, called up and fully paid		
3,000 ordinary shares of £1 each	3	3

9 Reserves

	2012 £'000	2011 £'000
At 1 January	45	38
Retained profit for the year	227	197
Dividend	(103)	(190)
At 31 December	169	45

10 Net equity shareholders' funds

	2012 £'000	2011 £'000
At 1 January	48	41
Retained profit for the year	227	197
Dividend	(103)	(190)
At 31 December	172	48

Arden Partnership (Lincolnshire) Limited

Notes to the financial statements for the period to 31 December 2012 (continued)

11 Related party disclosures

The following companies, together with undertakings within their individual groups of companies, are considered to be related parties to the company during the year, as defined in FRS 8

- Dolphin One Limited
- Equitix Healthcare 2 Limited

The immediate parent company is Arden Partnership (Lincolnshire) Holdings Limited which is owned jointly by Dolphin One Limited and Equitix Healthcare 2 Limited

Related Party transactions in the year to 31 December 2012

	Description	2012 £'000	2011 £'000
Dolphin One Limited	Directors Fees, dividends and sub debt interest	213	146
Equitix Healthcare 2 Limited	Directors Fees, dividends and sub debt interest	213	94

Balance Sheet Related Party balances as at 31 December 2012

		2012 £'000	2011 £'000
Amount outstanding at year end	Description	Debtor (Creditors)	Debtors (Creditors)
Dolphin One Limited	Subordinated loan notes	(1,271)	(1,277)
Equitix Healthcare 2 Limited	Subordinated loan notes	(1,271)	(1,277)

The above balances are the total amounts owed to Dolphin One Limited and Equitix Healthcare 2 Limited. The total of these balances does not agree to the total of the amounts disclosed at note 6 and note 7 to the accounts owing to amortisation of the arrangement fee of £27,000 being applied

12 Ultimate controlling party

The ultimate and immediate holding Company is Arden Partnership (Lincolnshire) Holdings Limited, a Company registered in England and Wales. There is no ultimate controlling party.