Roehampton Hospital Limited

Directors' report and financial statements

Registered number 4057595

Year ended 30 September 2012

Contents

Company information

Non-Executive Directors
Sir ADT Chessells - Chairman (Resigned 31 March 2012)
TD Anderson (resigned 31 July 2012)
SA Carter (appointed 31 July 2012)
R Christie (resigned 17 January 2012)
KW Gillespie
SL Jones
AL Tennant
GB Shields (appointed 17 January 2012)
JNE Cowdell (appointed 7 March 2013)

Registered Office
30 Warwick Street
London
W1B 5NH

Company Secretary

Neil Springett
30 Warwick Street
London
W1B 5NH

Registered Auditor

KPMG Audit Plc
St James' Square
Manchester
M2 6DS

Solicitors

DLA Piper UK Ltd
101 Barbirolli Square
Manchester
M2 3DL

Bankers

Bank of Scotland
11 Earl Grey Street
Edinburgh
EH3 9BN

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2012

Principal activities

The principal activities of the company are to design, construct and operate certain facilities and provide non-clinical services at Queen Mary's Hospital, Roehampton for a period of 30 years under a concession agreement with Wandsworth Primary Care Trust The agreement to provide a new hospital, associated facilities management and hotel services and equipment services was signed on 6 May 2004 Construction of the hospital commenced on 22 September 2003 and was completed in February 2006

Business review

The results of the company for the year are set out in the profit and loss account on page 8

Development and performance of the business

Full operational services are being provided and these are generally progressing well, with minimal performance deductions

Principal risks and uncertainties

Exposure to movements in interest rates and the retail prices index was hedged at financial close via a fixed interest rate swap and an RPI swap respectively The senior debt facility was increased in 2005 year to fund a variation in part of the hospital This additional borrowing, which represents approximately 2% of total senior debt, is not hedged Directors do not consider the additional exposure to be material

Insurance cover for the year has been purchased within budgeted costs

Key performance indicators

The key indicators of performance revolve around the penalties which can be imposed for unavailability of hospital areas or for sub-standard delivery of operational services and debt service cover ratios On both these measures, directors are satisfied that budget assumptions are being met

Proposed dividend and transfer to reserves

The company made a dividend payment in the year of £124,000 (*2011 £nil*)

The profit for the year retained in the company is £1,256,000 (*2011 £1,039,000*)

Directors

The directors who held office during the year are set out on page 1

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report

Political and charitable contributions

There were no donations of a political or charitable nature made during the year (*2011 £nil*)

Directors' report *(continued)*

Financial instruments

The company's principal financial instruments comprise of a term loan, mezzanine loan and unsecured loan stock The main purpose of these financial instruments is to ensure that the profile of the debt service costs is tailored to match expected revenues arising from the concession agreement

The company does not undertake financial instrument transactions which are speculative or unrelated to the company's trading activities

The main risks arising from the company's financial instruments are interest rate risk and liquidity risk

Interest rate risk

The company has entered into a fixed interest rate swap to achieve a correlation between inflationary increases in revenue and finance charges on its floating rate term loan

The term loan and mezzanine loan are exposed to interest rate risk The unsecured loan stock is not exposed to interest rate risk

Supplier payment policy

It is company policy that payments to suppliers are made in accordance with agreed terms

Corporate Governance

The company is committed to high standards of corporate governance, as are appropriate for the longer term obligations to finance, construct and operate non-clinical services for the new Queen Mary's Hospital, Roehampton under the Private Finance Initiative programme

The Board of Directors also act as the Board of Directors of the holding company Corporate governance principles have been implemented within the framework established by agreement between the shareholding parties who have launched the company under a concession agreement with Wandsworth Primary Care Trust The Board has taken note of the UK Corporate Governance Code which applies to equity quoted plcs with certain reporting requirements, this company, not being an equity quoted plc, is not bound by the code's requirements but has voluntarily adopted those principles considered relevant

This report is a narrative on the principles of corporate governance, as applied in this company It does not provide a detailed statement to identify those provisions of the Code from which the company's governance differs

A ***The Board***

1 The Board meets quarterly and reviews operating performance against the financial model and detailed management budgets This model incorporates all aspects of the strategic business plan and associated risks, all proposals for contract variations are vetted before approval against the model

The Board reserves its own decision on all contractual expenditure and associated funding, and has established the provision of management, Company secretary and accountancy services for the implementation of the project

2 The Board comprises 6 non-executive directors nominated by each participating shareholder

3 The Board receives quarterly information which encompasses all corporate, business, financial and relationship matters which are necessary and appropriate for the purposes of monitoring and progressing the complex contractual obligations for the hospital project

4 Nominations for any changes to Board membership are subject to the shareholders' separate or collective decision

5 For the particular interests of the shareholders in the continuity of the project, no directors retire by rotation

Directors' report *(continued)*

***Corporate governance** (continued)*

B Remuneration

No directors received remuneration directly from the subsidiary companies The remuneration for the services of the Non-Executive Directors is set out in note 4

C Dialogue with Institutions

The Board maintains regular liaison with Bank of Scotland as senior lender to the company

D Financial Reporting

1 The Board, after seeking appropriate external advice, decides upon accounting policies which are appropriate for the company and ensures that they are consistently applied

2 The Board has instigated a rigorous process of internal control, under the discipline of contractual agreements, in order to safeguard the outcomes for the company in terms of operational performance, financial control, legal and regulatory compliance, provision for risk factors and longer-term relationships

3 The Board has decided to undertake the role of an Audit Committee with all directors The Audit Committee meets annually to review the Management Letter tabled by the Auditors

4 The Board continues to satisfy itself that, given the contractual and long-term funding provisions, the company will continue to trade as a going concern

E Internal Controls

1 The Board annually reviews the need for a formal internal audit function

2 The Board maintains a sound system of internal control to safeguard shareholders' investments and the company's assets

Disclosure of information to 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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company s auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in the office

By order of the board

Neil Springett
Secretary

30 Warwick Street
London
W1B 5NH

Date 3rd April 2013

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 its profit or loss for that period In preparing the financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements 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 it to ensure that its 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

KPMG Audit Plc

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditor report to the members of Roehampton Hospital Limited

We have audited the financial statements of Roehampton Hospital Limited for the year 30 September 2012 set out on pages 9 to 17 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditors' 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 Directors' Responsibilities Statement 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 and 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 APB's web-site at www frc org uk/apb/scope/private cfm

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2012 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor report to the members of Roehampton Hospital 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 by the company, 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

Mica Davies

M Davies (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, (Senior Statutory Auditor)
Chartered Accountants
St James Square
Manchester
M2 6DS

3rd April 2013

Profit and loss account
for the year ended 30 September 2012

	Note	2012 £000	2011 £000
Turnover	2	**10,977**	10,564
Net operating costs	3	**(8,593)**	(8,524)
Operating profit		**2,384**	2,040
Interest payable and similar charges	6	**(4,844)**	(4,769)
Other interest receivable and similar income	7	**4,135**	4,180
Profit on ordinary activities before taxation		**1,675**	1,451
Tax on profit on ordinary activities	8	**(419)**	(412)
Profit for the year	16	**1,256**	1,039

All amounts relate to continuing activities

The company has no recognised gains or losses other than the retained profit for the year reported above and therefore no separate statement of total recognised gains and losses has been presented

The notes on pages 11 to 18 form part of the financial statements

Balance sheet
at 30 September 2012

	Note	2012 £000	2011 £000
Current assets			
Debtors – falling due within one year	*10*	**17,804**	16,116
Debtors – falling due after more than one year	*10*	**61,506**	62,906
	9	**79,310**	79,022
Cash at bank and in hand		**7,280**	6,487
		86,590	85,509
Creditors amounts falling due within one year	*11*	**(6,302)**	(5,684)
Net current assets		**80,288**	79,825
Creditors amounts falling due after more than one year	*12*	**(70,949)**	(71,923)
Provisions for liabilities and charges	*14*	**(4,668)**	(4,363)
Net assets		**4,671**	3,539
Capital and reserves			
Called up share capital	*15*	**50**	50
Profit and loss account	*16*	**4,621**	3,489
Shareholders' funds		**4,671**	3,539

These financial statements were approved by the board of directors on 3rd April 2013 and were signed on its behalf by

Sion Jones
Director

The notes on pages 11 to 18 form part of the financial statements

Reconciliation of movements in shareholders' funds
for the year ended 30 September 2012

	2012 £000	2011 £000
Profit for the financial year	**1,256**	1,039
Net addition to shareholders' funds	**1,256**	1,039
Opening shareholders funds	**3,539**	2,500
Dividends paid	**(124)**	-
Closing shareholders' funds	**4,671**	3 539

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 financial statements, except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Roehampton Hospital Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties)

Going concern

The company currently has £71m of total debt The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facilities

The company has long-term contracts with Wandsworth Primary Care Trust As discussed further below, that entity will cease to exist at the end of March 2013, however the terms of those contracts are protected under the terms of the Deed of Safeguard As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The Directors have been notified by Wandsworth Primary Care Trust that it is going to be terminated with effect from the end of March 2013 The PFI contract is going to be transferred from the PCT to NHS Property Services Limited (NHSPS), the new property management company set up by the Department of Health to manage the NHS Estate The Trust and the Company have signed the Deed of Safeguard provided in Schedule 20 to the Project Agreement, the purpose of which is to ensure that the Company's position is no better and no worse as a result of any change in ownership on the Trust's part The Deed of Safeguard was executed on 21 March 2013 As such we believe that the Company's risk profile will be unaffected by the transfer when it takes place

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Turnover

Turnover on construction activities represents the value of work done and services rendered, excluding sales and related taxes Turnover on operational services represents the value of work performed in the period under the concession agreement, together with additional services provided to the trust

In the operational phase, the balance of unitary payments received, after accounting for the finance debtor interest and amortisation components (which together sum to a constant figure in each period, as in a lease) is accounted for as turnover This figure is adjusted in each period to ensure that income recognised more accurately reflects the value of economic benefits provided to the public sector client in each period, and is necessary due to the inflationary nature of the unitary payments As a consequence of this adjustment to turnover, which is generally positive in the first half of the concession and negative in the second half (and must net out over the whole concession), a unitary payment control account debtor is recorded on the balance sheet

Amortisation of issue costs

Issue costs are deducted against debt and amortised over the life of the instrument This amortisation is charged to the profit and loss account when incurred

Notes *(continued)*

1 Accounting policies *(continued)*

Capitalisation of interest

Loan interest incurred during the construction of the hospital is capitalised into the finance debtor

Stocks and work in progress / amounts recoverable under contracts

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 the Wandsworth Primary Care Trust As such, all construction costs incurred on the project, including interest on finance up to the date of commission and incidental costs, are recorded as construction work in progress during the construction phase of the project Costs are recognised as cost of sales to the extent that they relate to the value of work done in respect of turnover recognised

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, on a discounted basis, 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

Life cycle costs

Provisions are made in respect of life cycle maintenance to the extent that the company is obliged to undertake maintenance in future periods

Interest bearing borrowings

Immediately after issue, debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount

Classification of financial instruments issued by the company

Following the adoption of FRS 25, financial instruments issued by the company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Notes *(continued)*

2. Analysis of turnover and profit on ordinary activities before taxation

	2012 Turnover £000	2012 Attributable pre-tax profit £000	2011 Turnover £000	2011 Attributable pre-tax profit £000
Services	**10,977**	**1,675**	10,564	1,451

The turnover and profit on ordinary activities before taxation arise entirely within the United Kingdom

3. Net operating costs

	2012 £000	2011 £000
Services	**6,364**	6,310
Building insurance	**246**	260
Other charges	**536**	586
Lifecycle maintenance charge	**1,431**	1,352
	8,577	8,508
Auditors' remuneration		
Audit of these financial statements	**16**	16
	8,593	8,524

4. Remuneration of directors

	2012 £000	2011 £000
Recharges in respect of directors' services	**133**	126

None of the directors received emoluments directly from the company *(2011 £nil)* A payment is made for the services of the non-executive directors to their employer

5 Staff numbers and costs

No staff are directly employed by the company *(2011 nil)*

6. Interest payable and similar charges

	2012 £000	2011 £000
On amounts owed to group undertaking	**371**	353
On senior bank loans	**3,992**	4,019
On mezzanine bank loan	**181**	176
On RPI swap adjustment	**300**	221
	4,844	4,769

Notes *(continued)*

7. Other interest receivable and similar income

	2012 £000	2011 £000
Bank interest receivable	**159**	130
Amortisation of issue costs	**74**	75
Finance interest receivable	**3,902**	3,975
	4,135	4,180

8. Taxation

Analysis of charge in year

	2012 £000	2011 £000
UK corporation tax		
Current tax on income for the year	**(468)**	(425)
	(468)	(425)
Deferred Taxation	**49**	13
	(419)	(412)

Factors affecting the tax charge for the year

The current tax charge for the year is higher (*2011 higher*) than the standard rate of corporation tax in the UK 25% (*2011 27%*) The differences are explained below

	2012 £000	2011 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**1,675**	1,451
Current tax at 25% *(2011 27%)*	**(419)**	(392)
Effects of		
Capital allowances in excess of depreciation	**(70)**	(29)
Other timing differences	**21**	-
Adjustment in respect of prior years	**-**	(4)
Total current tax charge (see above)	**(468)**	(425)

Factors affecting the future tax charge

The 2012 Autumn Statement on 5 December 2012 announced that the UK corporation tax rate will reduce to 21% by 2014 A reduction in the rate from 26% to 25% (effective from 1 April 2011) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively

Notes *(continued)*

This will reduce the company's future current tax charge accordingly The deferred tax liability at 30 September 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly

9. Debtors

	2012 £000	2011 £000
Finance debtor	**62,904**	64,221
Trade debtors	**4,442**	4,237
Prepayments and accrued income	**11,951**	10,394
Other debtors	**13**	170
	79,310	79 022

10. Debtors: amounts falling due after more than one year

	2012 £000	2011 £000
Finance debtor	**61,506**	62,906

		2012 £000	2011 £000
Amounts due within	1 year	**17,804**	16,116
	1-2 years	**1,486**	1,398
	2-5 years	**5,044**	4,745
	Over 5 years	**54,976**	56,763
		79,310	79,022
Less amount due within 1 year		**(17,804)**	(16,116)
		61,506	62,906

11. Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	**1,113**	838
Other tax and social security	**309**	131
Senior loans	**481**	595
Mezzanine loan	**66**	60
Corporation tax	**202**	220
Accruals and deferred income	**4,131**	3,840
	6,302	5,684

Notes *(continued)*

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

	2012 £000	2011 £000
Senior loans	**64,422**	64,980
Mezzanine loan	**3,252**	3,315
Amounts owed to group undertaking	**3,275**	3,628
	70,949	71,923

13. Analysis of debt

	2012 £000	2011 £000
Debt can be analysed as falling due		
In one year or less, or on demand	**546**	655
Between one and two years	**782**	546
Between two and five years	**5,085**	4,075
In five years or more	**64,065**	66 210
	70,478	71,486
Plus issue costs	**1,017**	1,092
	71,495	72,578

Included within bank loans and overdrafts are un-amortised issue costs of £1,017,468 (*2011 £1,091,636*)

The company has a 30 year term loan The interest rate payable is LIBOR plus a 0 9% margin in the operational phase The company has entered into a swap transaction resulting in interest being charged on this loan at a rate of 5 375% The loan is secured by a fixed and floating charge over the assets of the company

The mezzanine facility carries an interest rate of LIBOR plus 4%

An unsecured loan of £3,275,253 is in place from the parent company Roehampton Hospital Holdings Limited The interest rate chargeable on the loan is 10 5% per annum until 31 March 2018 and 11 5% thereafter Interest is paid twice yearly Repayment of this loan is required by 31 March 2033

14. Provisions for liabilities and charges

	Life cycle provision £000	Deferred tax £000	Total £000
At beginning of year	4,233	130	4,363
Utilised during year	(1,077)	-	(1,077)
Charge to the profit and loss for the year	1,431	(49)	1,382
	4,587	**81**	**4,668**

Notes *(continued)*

15 Called up share capital

	2012 £000	2011 £000
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	**50**	50

16. Reserves

	Profit and loss account £000
At beginning of year	3,489
Retained profit for the year	1,256
Dividends (Note 17)	(124)
At end of year	**4,621**

17. Dividends

	2012 £000	2011 £000
Interim dividends paid	**124**	-

18 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company's ultimate holding company is Roehampton Hospital Holdings Limited, a company incorporated in England and Wales, which also heads the largest group in which the results are consolidated Copies of the group accounts of Roehampton Hospital Holdings Limited can be obtained from 30 Warwick Street, London W1B 5NH

19 Post Balance Sheet Events

The Directors have been notified by Wandsworth Primary Care Trust that it is going to be terminated with effect from the end of March 2013 The PFI contract is going to be transferred from the PCT to NHS Property Services Limited (NHSPS), the new property management company set up by the Department of Health to manage the NHS Estate The Trust and the Company have signed the Deed of Safeguard provided in Schedule 20 to the Project Agreement, the purpose of which is to ensure that the Company's position is no better and no worse as a result of any change in ownership on the Trust's part The Deed of Safeguard was executed on 21 March 2013 As such we believe that the Company's risk profile will be unaffected by the transfer when it takes place