

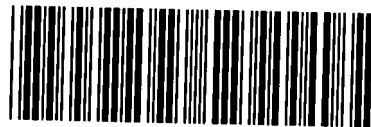
Registration number: 4495459

# Albion Healthcare (Doncaster) Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2018

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# **Albion Healthcare (Doncaster) Limited**

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# **Albion Healthcare (Doncaster) Limited**

## **Company Information**

<b>Directors</b>	J P George A Mills C J Anderson A C Ritchie
<b>Company secretary</b>	SPC Management Limited
<b>Registered office</b>	Third Floor Broad Quay House Prince Street Bristol BS1 4DJ
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR

## **Albion Healthcare (Doncaster) Limited**

### **Strategic Report for the Year Ended 31 March 2018**

The directors present their strategic report for the year ended 31 March 2018.

#### **Principal activity**

The company is a special purpose company that has been incorporated solely to enter into a contract under the framework of the Private Finance Initiative ("PFI").

The company is engaged under a 29 year contract, signed 11 August 2003, with Rotherham Doncaster and South Humber Mental Health NHS Foundation Trust ("Doncaster and South Humber NHS Trust"), for the provision of design, construction and management services, including related financing arrangements, for serviced accommodation for an elderly mental health unit in Doncaster, together with associated development and facilities and the provision of maintenance and operation of the same. The Project entered the operational phase on 10 May 2005. On 10 July 2017 the Project Agreement was amended, with the removal of facilities management, insurance and major maintenance services, and the contract with the facilities management provider was terminated.

#### **Results and review of business**

The profit for the year is set out in the profit and loss account on page 8. The directors consider the performance of the company during the year and the financial position at the end of the year, to be in line with the long term expected performance of the project, and its prospects for the future to be satisfactory.

On 10 July 2017, the Project Agreement was amended, with the removal of facilities management, insurance and major maintenance services, and the contract with the facilities management provider was terminated. Compensation of £150,000 was received by the Company and £300,000 was paid by the Company in relation to these changes, with other exceptional costs of £184,199 being incurred and reported within Administrative expenses.

The change in the Project Agreement resulted in removal of deduction and maintenance risk from the Company and a reduction in the ongoing level of activity of the Company, such that Turnover has been reduced by £455,986 and Cost of Sales by £203,636 per annum, compared to the prior year.

#### **Principal risks and uncertainties**


The company has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customer, funders and sub-contractors as determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the company could be exposed to subcontractor failure to perform their obligations. The Board monitors the financial stability of its subcontractor and has contingency plans in place to ensure the continuity of service provision to its client, should the subcontractor become unable to perform its obligations. The financial risks and the measures taken to mitigate them are as detailed in the Directors' report.

#### **Key performance indicators ('KPIs')**

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities as managed by the sub-contractor. For this reason, the company's directors believe that further operational key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business. In addition the directors monitor compliance with debt covenant ratios as specified in the senior loan agreement, in particular the Debt Service Cover Ratio, and no non-compliance has been noted.

**22 AUG 2018**

Approved by the Board on ..... and signed on its behalf by:

  
.....  
SPC Management Limited  
Company secretary

## **Albion Healthcare (Doncaster) Limited**

### **Directors' Report for the Year Ended 31 March 2018**

**Registration number: 4495459**

The directors present their report and the audited financial statements for the year ended 31 March 2018.

#### **Future developments**

No significant changes are expected to the company's activities, as set out in the Strategic Report, in the foreseeable future.

#### **Dividends**

No dividend was paid during the year (2017: £nil, £nil per ordinary share).

#### **Financial risk management**

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The directors have policies for managing each of these risks and they are summarised below:

##### ***Interest rate risk***

50% of the senior debt interest rate has been linked to inflation, plus a fixed margin, whilst the remaining 50% has been linked to a fixed interest rate. The subordinated interest has been fixed through the use of a fixed funding rate as set out in note 13.

##### ***Inflation risk***

The company's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation.

##### ***Liquidity risk***

The company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

##### ***Credit risk***

The company receives the majority of its revenue from Doncaster and South Humber NHS Trust and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

#### **Directors of the company**

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

K A McLellan (resigned 1 April 2017)

J P George

P J Dodd (resigned 7 September 2017)

A Mills

C J Anderson (appointed 1 April 2017)

A C Ritchie (appointed 7 September 2017)

## **Albion Healthcare (Doncaster) Limited**

### **Directors' Report for the Year Ended 31 March 2018 (continued)**

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, 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.

The directors 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.

#### **Going concern**

Although the company's balance sheet reflects net liabilities, this is primarily caused by negative profit and loss reserves and the recognition of derivative financial instruments at their fair values. These derivative financial instrument liabilities are unrealised and are part of hedging arrangements that help to reduce volatility in the company's cash flows over the duration of the PFI project. Having reviewed the company's projected profits and cash flows by reference to a financial model, that includes the impact of these instruments, the directors consider that the company will be able to settle its debts as they fall due and accordingly the financial statements have been prepared on a going concern basis.

#### **Disclosure of information to the auditors**


Each director has taken 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. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

#### **Reappointment of auditors**

The independent auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, have signified their willingness to continue in office.

**22 AUG 2018**

Approved by the Board on ..... and signed on its behalf by:

  
.....  
SPC Management Limited  
Company secretary

## **Albion Healthcare (Doncaster) Limited**

### **Independent Auditors' Report to the members of Albion Healthcare (Doncaster) Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Albion Healthcare (Doncaster) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2018; the profit and loss account, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

##### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

## **Albion Healthcare (Doncaster) Limited**

### **Independent Auditors' Report to the members of Albion Healthcare (Doncaster) Limited (continued)**

#### **Reporting on other information (continued)**

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

##### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



**Albion Healthcare (Doncaster) Limited**

**Independent Auditors' Report to the members of Albion Healthcare (Doncaster)  
Limited (continued)**

**Other required reporting**

**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to prepare financial statements in accordance with the small companies regime. We have no exceptions to report arising from this responsibility.



Nick Muzzlewhite (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

Date: 21/09/18

# **Albion Healthcare (Doncaster) Limited**

## **Profit and Loss Account for the Year Ended 31 March 2018**

	Note	2018 £	2017 £
<b>Turnover</b>	4	286,199	834,669
Cost of sales		<u>(121,274)</u>	<u>(517,568)</u>
<b>Gross profit</b>		164,925	317,101
Administrative expenses		<u>(364,277)</u>	<u>(410,428)</u>
<b>Operating loss</b>	5	(199,352)	(93,327)
Unrealised gain/(loss) on derivative financial instruments	16	440,692	(162,643)
Interest receivable and similar income	6	1,147,080	1,186,377
Interest payable and similar charges	7	<u>(975,088)</u>	<u>(914,574)</u>
<b>Profit on ordinary activities before taxation</b>		413,332	15,833
Taxation	8	<u>(70,077)</u>	<u>(26,927)</u>
<b>Profit/(loss) for the financial year</b>		<u>343,255</u>	<u>(11,094)</u>

## **Statement of Comprehensive Income for the Year Ended 31 March 2018**

	Note	2018 £	2017 £
<b>Profit/(loss) for the financial year</b>		<u>343,255</u>	<u>(11,094)</u>
<b>Other comprehensive income:</b>			
Change in value of hedging instrument	16	104,616	(174,669)
Reclassifications to profit and loss	16	267,122	268,530
Deferred tax arising on unrealised movements on cash flow hedges	8	<u>(63,195)</u>	<u>(33,094)</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>308,543</u>	<u>60,767</u>
<b>Total comprehensive income for the year</b>		<u>651,798</u>	<u>49,673</u>

The notes on pages 11 to 22 form an integral part of these financial statements.

# Albion Healthcare (Doncaster) Limited

## Balance Sheet as at 31 March 2018

	Note	2018 £	2017 £
<b>Current assets</b>			
Debtors: Amounts falling due after more than one year	9	13,678,367	14,358,793
Debtors: Amounts falling due within one year	11	718,091	768,517
Cash at bank and in hand		<u>1,154,333</u>	<u>1,790,552</u>
		15,550,791	16,917,862
<b>Creditors: Amounts falling due within one year</b>	12	<u>(962,907)</u>	<u>(1,476,257)</u>
<b>Total assets less current liabilities</b>		14,587,884	15,441,605
<b>Creditors: Amounts falling due after more than one year</b>	12	<u>(15,833,467)</u>	<u>(17,338,986)</u>
<b>Net liabilities</b>		<u>(1,245,583)</u>	<u>(1,897,381)</u>
<b>Capital and reserves</b>			
Called up share capital	14	100	100
Cash flow hedge reserve		(1,036,025)	(1,344,568)
Profit and loss account		<u>(209,658)</u>	<u>(552,913)</u>
<b>Total equity</b>		<u>(1,245,583)</u>	<u>(1,897,381)</u>

The financial statements have been prepared in accordance with the special provisions of the Companies Act 2006 related to small companies.

**22 AUG 2018**

Approved and authorised by the Board on ..... and signed on its behalf by:

..... 

A C Ritchie  
Director

The notes on pages 11 to 22 form an integral part of these financial statements.

# **Albion Healthcare (Doncaster) Limited**

## **Statement of Changes in Equity for the Year Ended 31 March 2018**

	<b>Called up Share capital £</b>	<b>Cash flow hedge reserve £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
At 1 April 2016	<u>100</u>	<u>(1,405,335)</u>	<u>(541,819)</u>	<u>(1,947,054)</u>
Loss for the financial year	-	-	(11,094)	(11,094)
Other comprehensive income	-	60,767	-	60,767
Total comprehensive income	-	60,767	(11,094)	49,673
At 31 March 2017	<u>100</u>	<u>(1,344,568)</u>	<u>(552,913)</u>	<u>(1,897,381)</u>
	<b>Called up Share capital £</b>	<b>Cash flow hedge reserve £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
At 1 April 2017	<u>100</u>	<u>(1,344,568)</u>	<u>(552,913)</u>	<u>(1,897,381)</u>
Profit for the financial year	-	-	343,255	343,255
Other comprehensive income	-	308,543	-	308,543
Total comprehensive income	-	308,543	343,255	651,798
At 31 March 2018	<u>100</u>	<u>(1,036,025)</u>	<u>(209,658)</u>	<u>(1,245,583)</u>

The notes on pages 11 to 22 form an integral part of these financial statements.

## **Albion Healthcare (Doncaster) Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2018**

#### **1 General information**

The company is a special purpose company that has been incorporated solely to enter into a contract under the framework of the Private Finance Initiative ("PFI").

The company is engaged under a 29 year contract, signed 11 August 2003, with Rotherham Doncaster and South Humber Mental Health NHS Foundation Trust ("Doncaster and South Humber NHS Trust"), for the provision of design, construction and management services, including related financing arrangement, for serviced accommodation for elderly mental health unit in Doncaster. The project entered the operational phase on 10 May 2005.

The company is a private company limited by shares and is incorporated and domiciled in England.

The address of its registered office is:

Third Floor  
Broad Quay House  
Prince Street  
Bristol  
BS1 4DJ

The company's functional and presentation currency is the pound sterling.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' Section 1A and the Companies Act 2006.

##### **Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

##### **Cash flow statement**

In accordance with the small companies regime, no cash flow statement is required as the company qualifies as a small entity as defined in sections 382 of the Companies Act 2006.

## **Albion Healthcare (Doncaster) Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

#### **2 Accounting policies (continued)**

##### **Going concern**

Although the company's balance sheet reflects net liabilities, this is primarily caused by negative profit and loss reserves and the recognition of derivative financial instruments at their fair values. These derivative financial instrument liabilities are unrealised and are part of hedging arrangements that help to reduce volatility in the company's cash flows over the duration of the PFI project. In addition, the company also has a net deficit on retained earnings, caused by ineffectiveness in one of its derivative financial instruments. Having reviewed the company's projected profits and cash flows by reference to a financial model, that includes the impact of these instruments, the directors consider that the company will be able to settle its debts as they fall due and accordingly the financial statements have been prepared on a going concern basis.

##### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company recognises income when it has fully fulfilled its contractual obligations. The company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the company, within the financial statements as turnover and operating costs.

Transactions to which the company does not have access to all the significant benefits and risks are excluded from the financial statements.

##### **Finance debtor and interest receivable**

The company has elected to take the exemption under FRS 102 paragraph 35.10 (i) to continue to apply its previous accounting treatment in respect of Service Concession Arrangements entered into prior to the date of transition to FRS 102. The costs incurred in constructing the assets have been treated as a finance debtor. This treatment arose from applying the guidance within previous UK GAAP which indicated that the project's principal agreements transfer substantially all the risks and rewards relating to the property to the customer.

The finance debtor represents the costs arising on the construction of the assets including initial tender costs. During asset construction, finance debtor interest income is recognised on an accruals basis and is capitalised within the finance debtor receivable. Once the project reached its operational phase and was accepted by the customer a constant proportion of the planned net revenue arising from the project was allocated to remunerate the finance debtor. Imputed interest receivable is allocated to the finance debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term the finance debtor is expected to be fully repaid.

##### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

## **Albion Healthcare (Doncaster) Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

#### **2 Accounting policies (continued)**

Deferred tax 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 is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Cash balances are held in bank accounts which are subject to controls, exercised by the providers of the company's long term debt facilities, under the terms of its facility agreements.

#### **Financial Instruments**

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### ***(i) Financial assets***

Basic financial assets, including trade and other receivables, finance debtors, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

##### ***(ii) Financial liabilities***

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

## **Albion Healthcare (Doncaster) Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

#### **2 Accounting policies (continued)**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

#### ***(iii) Offsetting***

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### ***(iv) Derivatives and Hedging arrangements***

Derivatives, which may include interest rate swaps and RPI swaps, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate, unless they are included in hedging arrangements.

The company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss account in the same period in which the hedged transaction is recognised in the profit and loss account or when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

#### **Called up share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### **Dividends**

Final dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. Interim dividends are recognised when paid. These amounts are recognised in the statement of changes in equity.

#### **Exemptions for qualifying entities under FRS 102**

FRS 102 Section 1A allows a qualifying entity certain disclosure exemptions. The exemptions which the company has taken are:

- (i) the requirement to prepare a statement of cash flows;
- (ii) certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- (iii) the requirement to disclose related party transactions, with the members of the same group, that are wholly owned;



## **Albion Healthcare (Doncaster) Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

#### **3 Critical accounting judgements and estimation uncertainty**

Judgements, 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 subsequently differ from these estimates.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates made 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, adopted by management, in applying the company's accounting policies are described below:

##### *Finance Debtor*

The company has elected to continue to apply its previous accounting treatment in respect of service concession arrangements entered into prior to the date of transition to FRS 102. This has resulted in the measurement of the finance debtor being different from that which would have resulted had the requirements of FRS 102 Section 34 been fully adopted. The accounting for service concession contracts and finance debtors requires estimation of service margins, finance debtors interest rates and associated amortisation profile which are based on the forecast results of the PFI contracts over the respective concession length. See notes 9 and 11 for the carrying value of the finance debtor.

##### *Impairment of debtors*

Management makes an estimate of the likely recoverable value of trade and other debtors by considering factors including the current credit rating, the ageing profile and the historic experience of the respective debtor. See notes 9 and 11 for the carrying value of the debtors.

##### *Treatment and Measurement of derivatives*

The directors have adopted a policy of cash flow hedge accounting for certain derivative financial instruments and have assessed that the company's fixed interest rate swap meets the criteria for hedge accounting under FRS 102. This allows unrealised gains and losses to be deferred in a cash flow hedge reserve and only recognised through the profit and loss account at the same time as the hedged cash flows.

The derivative financial instruments are recognised at fair value. The measurement of fair value is based on estimates of future market interest and inflation rates and will therefore be subject to change. The company has used a third party expert to assist with valuing such instruments.

##### *Taxation*

The assessment of the tax charge may include uncertain tax positions where the tax treatment has not yet been agreed with the taxation authorities. Management make an estimate of the taxation charge for the period and the value of balances, with reference to legislation, discussions with taxation authorities, advice from taxation advisors, and the determination of similar taxation cases.

Deferred tax is recognised at tax rates that are expected to be applicable when the timing differences reverse, to the extent that such rates have been substantially enacted. Given the phased reduction in future tax rates in the UK, the deferred tax asset or liability recognised is therefore dependent upon an estimate of the timing of such reversals.

## Albion Healthcare (Doncaster) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

#### 4 Turnover

The company has been engaged solely in continuing activities in a single class of business within the United Kingdom.

#### 5 Operating loss

The company had no employees, other than the directors, during the year (2017: none). The emoluments of the directors are paid by the controlling parties. The directors services to this company and to a number of fellow group companies are primarily of a non executive nature and their emoluments are deemed to be wholly attributable to the controlling parties. The controlling parties charged £91,005 (2017: £88,711) to the company in respect of these services.

The audit fee in respect of the company was £7,901 for the year (2017: £7,670). The company bore costs of £2,251 (2017: £2,185) in respect of the audit fee for its parent company during the year, for which no recharge was made.

Included in Administrative expenses, for the year ended 31 March 2018 are exceptional costs of £184,199 (2017: £174,587), relating to costs associated with negotiations between the Company, the Trust and the company's supply chain over the return of certain services to the Trust. Negotiations were concluded on 10 July 2017, with the facilities management and maintenance services removed from the Project Agreement.

#### 6 Interest receivable and similar income

	2018 £	2017 £
Imputed interest receivable on finance debtor	1,146,868	1,186,377
Other finance income	212	-
	<u>1,147,080</u>	<u>1,186,377</u>

#### 7 Interest payable and similar charges

	2018 £	2017 £
Interest on bank borrowings	168,492	195,976
Interest rate swap costs - effective hedge	267,122	268,530
Interest rate swap costs - ineffective hedge	312,606	223,199
Other finance costs	1,880	1,880
Interest payable on loans from group undertakings	224,988	224,989
	<u>975,088</u>	<u>914,574</u>

# **Albion Healthcare (Doncaster) Limited**

## **Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

### **8 Tax on profit on ordinary activities**

#### **(a) Tax expense included in profit or loss**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Current taxation</b>		
UK corporation tax	-	35,650
UK corporation tax adjustment to prior periods	44	-
	<u>44</u>	<u>35,650</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	70,033	(27,649)
Arising from changes in tax rates and laws	-	18,926
Total deferred taxation	<u>70,033</u>	<u>(8,723)</u>
Tax on profit on ordinary activities	<u>70,077</u>	<u>26,927</u>

#### **(b) Tax relating to items recognised in other comprehensive income or equity**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Deferred tax</b>		
Arising from origination and reversal of timing differences	63,195	15,956
Arising from changes in tax rates and laws	-	17,138
Total tax expense included in other comprehensive income	<u>63,195</u>	<u>33,094</u>

#### **(c) Reconciliation of tax charge**

The tax on profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK (2017: higher than the standard rate of corporation tax in the UK) of 19% (2017: 20%).

The differences are reconciled below:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before taxation	<u>413,332</u>	<u>15,833</u>
Corporation tax at standard rate	78,533	3,167
Re-measurement of deferred tax - change in UK tax rates	(8,814)	23,760
Tax increase from other short-term timing differences	358	-
Total tax charge	<u>70,077</u>	<u>26,927</u>

# **Albion Healthcare (Doncaster) Limited**

## **Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

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

#### **(d) Tax rate changes**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. From 1 April 2017, changes to the legislation in respect of the utilisation of carried forward tax losses and the restriction of interest deductions have come into force. Changes to the rules governing the treatment of hybrids were also adopted from 1 January 2017. We have therefore reviewed the impact of these changes, with the encompassed figures reflecting their implementation.

### **9 Debtors: Amounts falling due after more than one year**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Finance debtor	13,186,816	13,734,014
Deferred tax assets	<u>491,551</u>	<u>624,779</u>
Total current trade and other debtors	<u><u>13,678,367</u></u>	<u><u>14,358,793</u></u>

### **10 Deferred tax asset**

	<b>Deferred tax</b>
	<b>£</b>
At 1 April 2017	624,779
Charged to profit or loss	(70,033)
Charged to other comprehensive income	<u>(63,195)</u>
At 31 March 2018	<u><u>491,551</u></u>

The provision for deferred tax consists of the following deferred tax assets:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Tax losses recognised	4,885	-
Fair value of financial instruments	<u>486,666</u>	<u>624,779</u>
	<u><u>491,551</u></u>	<u><u>624,779</u></u>

### **11 Debtors: Amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Trade debtors	168,169	255,518
Finance debtor	547,197	504,324
Amounts owed by group undertakings	2,725	-
Prepayments and accrued income	<u>-</u>	<u>8,675</u>
	<u><u>718,091</u></u>	<u><u>768,517</u></u>

# **Albion Healthcare (Doncaster) Limited**

## **Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

### **12 Creditors**

	<b>Note</b>	<b>2018 £</b>	<b>2017 £</b>
<b>Amounts falling due within one year</b>			
Senior debt	13	695,252	439,622
Trade creditors		1,983	179,460
Amounts owed to group undertakings		-	264,914
Other creditors including taxation and social security		82,575	67,052
Accruals and deferred income		183,097	450,317
Group relief		-	74,892
		<u>962,907</u>	<u>1,476,257</u>
<b>Amounts falling due after more than one year</b>			
Senior debt	13	11,095,824	11,788,911
Subordinated debt	13	1,874,900	1,874,900
Derivative financial instruments	16	<u>2,862,743</u>	<u>3,675,175</u>
		<u>15,833,467</u>	<u>17,338,986</u>

### **13 Loans and borrowings**

	<b>2018 £</b>	<b>2017 £</b>
<b>Loans and borrowings falling due within one year</b>		
Senior debt	<u>695,252</u>	<u>439,622</u>
<b>Loans and borrowings falling due between one and five years</b>		
Senior debt	<u>3,078,453</u>	<u>3,223,952</u>
<b>Loans and borrowings falling due after more than five years</b>		
Senior debt	8,017,371	8,564,959
Subordinated debt	<u>1,874,900</u>	<u>1,874,900</u>
	<u>9,892,271</u>	<u>10,439,859</u>

## Albion Healthcare (Doncaster) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

#### 13 Loans and borrowings (continued)

The senior loan relates to term loan facilities granted by Dexia Credit Local. The senior loan facilities are repayable in forty-eight semi-annual instalments which commenced in 2005. Interest is charged on amounts drawn under the facilities based on floating LIBOR plus a margin. The company has entered into interest hedging agreements to be applied to the expected future borrowings under the facilities as disclosed in note 17.

The facilities are secured by a fixed charge over all book debts, investments, loan notes, intellectual property and plant and machinery of the company and its parent undertaking, and by a floating charge over the undertaking and assets of the company and its parent undertaking and by an assignment of all insurances, all bank accounts, certain contracts and all freehold and leasehold property (except that secured by a charge) of the company and its parent undertaking.

Albion Healthcare (Doncaster) Holdings Limited subscribed for £1,874,900 12% coupon loan notes in February 2006. Albion Healthcare (Doncaster) Holdings Limited has in turn received corresponding subscriptions from its shareholders in proportion to their shareholdings. Interest is payable at 12%, commencing on 1 April 2008, half yearly in arrears on 31 March and 30 September each year. The loan notes are not to be redeemed until 2032 when they will be repaid in full and are unsecured. All other amounts owed to or owed by group undertakings are interest free, unsecured and repayable on demand.

All other amounts owed to or owed by group undertakings are interest free, unsecured and repayable on demand.

#### 14 Called up share capital

##### Allotted, called up and fully paid shares

	2018		2017	
	No.	£	No.	£
Ordinary shares of £0.01 each	<u>10,000</u>	<u>100</u>	<u>10,000</u>	<u>100</u>

#### 15 Related party transactions

The company's immediate parent is Albion Healthcare (Doncaster) Holdings Limited, incorporated in England and Wales.

The share capital of Albion Healthcare (Doncaster) Holdings Limited is held equally by Semperian Health Projects Limited and Infrastructure Investments (Portal) GP Limited (as general partner to Infrastructure Investments (Portal) L.P.).

Directors' fees were invoiced by both Semperian Health Projects Limited and Infrastructure Investments (Portal) GP Limited (as general partner to Infrastructure Investments (Portal) L.P.), for the year. Fees charged were £45,503 (2017: £44,356) for each company.

As at 31 March 2018, £1,684 (2017: £29,591 owed to) was owed by companies related to Semperian Health Projects Limited and £nil (2017: £21,629) was owed to companies related to Infrastructure Investments (Portal) GP Limited (as general partner to Infrastructure Investments (Portal) L.P.).

## Albion Healthcare (Doncaster) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

#### 15 Related party transactions (continued)

During the year SPC Management Limited charged fees for the provision of management services to the company of £87,085 (2017: £102,994).

All transactions with related parties were carried out on arms length terms.

#### 16 Financial instruments

##### Fair value of derivatives used for hedging in the Balance Sheet

	Note	2018 £	2017 £
Creditors: Amounts falling due after more than one year - Fair value of swaps	12	(2,862,743)	(3,675,175)
Net Fair value of swaps in the Balance Sheet		<u>(2,862,743)</u>	<u>(3,675,175)</u>

##### Movement in Fair value of derivatives used for hedging

	2018 £	2017 £
Recognised through the Profit and Loss Account	440,692	(162,643)
Recognised through Other Comprehensive Income	<u>371,738</u>	<u>93,861</u>
	<u>812,430</u>	<u>(68,782)</u>

The company has entered into interest hedging agreements to be applied to the expected future borrowings under the facilities. There is a swap agreement that fixes the interest rate at 5.00% per annum to 30 September 2029 in respect of 50% of the facilities. The fair value of this class of derivative financial instruments at 31 March 2018 is a liability of (£1,248,224) (31 March 2017 - a liability of £1,619,962).

This swap qualifies for hedge accounting under FRS 102 and therefore the unrealised hedging gain of £104,616 (2017: £174,669 loss) has been recognised in the other comprehensive income for changes in the fair value of the swap and £267,122 (2017: £268,530) was reclassified from the hedge reserve to interest payable in respect of amounts settled during the year.

There is a further derivative financial instrument held which is an RPI/interest rate swap which converts the variable rate linked to LIBOR to a rate of 2.67% plus RPI on the remaining 50% of the facilities, plus a margin. The fair value of this class of derivative financial instruments at 31 March 2018 is a liability of £1,614,519, (31 March 2017: a liability of £2,055,212).

Although this Libor to RPI swap is an economic hedge, it does not qualify for hedge accounting under FRS 102. Accordingly, the realised loss during the year of £312,606 (2017: £223,199 ) has been recognised within interest payable and the unrealised change in fair value of £440,692 gain (2017: £162,642 loss) has been recognised separately in the profit and loss account.

The facilities are secured by a fixed charge over all book debts, investments, loan notes, intellectual property and plant and machinery of the company and its parent undertaking, and by a floating charge over the undertaking and assets of the company and its parent undertaking and by an assignment of all insurances, all bank accounts, certain contracts and all freehold and leasehold property (except that secured by a charge) of the company and its parent undertaking.

## **Albion Healthcare (Doncaster) Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

#### **17 Parent and ultimate parent undertaking**

The company's immediate parent undertaking is Albion Healthcare (Doncaster) Holdings Limited, a company registered in England and Wales.

The share capital of Albion Healthcare (Doncaster) Holdings Limited is held equally by Semperian Health Projects Limited and Infrastructure Investments (Portal) GP Limited (as general partner to Infrastructure Investments (Portal) L.P.).

The directors consider Semperian Health Projects Limited and Infrastructure Investments (Portal) GP Limited (as general partner to Infrastructure Investments (Portal) L.P.), by virtue of a joint venture agreement, to be the controlling entities. In the opinion of the directors, there is no single ultimate controlling party.