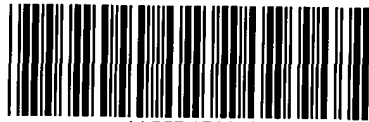


Company Registration No. 04668140 (England and Wales)

DERBY HEALTHCARE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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DERBY HEALTHCARE PLC

COMPANY INFORMATION

Directors	Mrs G Birley-Smith Mr R Sheehan
Secretary	HCP Social Infrastructure (UK) Limited
Company number	04668140
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditors	KPMG LLP 100 Temple Street Bristol BS1 6AG

DERBY HEALTHCARE PLC

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DERBY HEALTHCARE PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present the strategic report and financial statements for the year ended 31 December 2015.

Business Review

The principal activity of the company is to design, build, finance and operate a Hospital in accordance with a forty year contract (the "Project Agreement") with Derby Teaching Hospitals NHS Foundation Trust (the "Trust"). Contract negotiations were successfully completed in September 2003 and construction commenced immediately. The project has been fully operational since 2008.

The directors do not foresee any change in the activities of the company.

Development and performance

The company made a loss of £902,000 (2014: profit of £98,000) for the year on a turnover of £43,739,000 (2014: £42,436,000). At the 31 December 2015 the company had net liabilities of £34,878,000 (2014: net liabilities of £33,976,000).

Financial covenants have been met during the year and having considered the anticipated future performance and position of the company, the directors are of the opinion that the covenants will continue to be met in the future.

The financial asset amortisation during the year was £4,249,000 (2014: £3,995,000). This is being amortised over the life of the concession and the carrying value at the reporting date is £327,780,000, (2014: £332,029,000)

During the year, the company has repaid £1,338,000 of the Secured Guaranteed Bonds (the "Bonds"). Scheduled loan repayment dates are 30 June and 31 December each year. In the previous financial year, the company repaid a total of £1,148,000.

During the year the company has not repaid any of the subordinated unsecured loan stock as scheduled repayments do not commence until 2041.

The directors believe the financial asset to be recoverable over the term of the Project Agreement.

Key performance indicators

Financial penalties are levied by the Trust in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service providers but the quantum is an indication of unsatisfactory performance. During the financial year deductions of £18,000 (2014: £4,000) were levied by the Trust and passed onto the service providers to the fullest extent possible. This deduction amounts to only 0.08% (2014: 0.01%) of the total fees charged by the service providers. The directors consider this low level of deduction to be satisfactory.

The directors have modelled the anticipated financial outcome of the project across the term of the contract up to the end of the concession. The directors monitor actual performance against this anticipated performance. As discussed above the company's performance as at 31 December 2015 against this measure was considered satisfactory.

The company is providing a full range of facilities management services as required under the Project Agreement at a satisfactory level.

DERBY HEALTHCARE PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Principal risks and uncertainties

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:

Major maintenance

The principal risk borne by the company is that maintenance costs exceed those forecast in the financial model agreed at financial close. This risk is mitigated by regular management review of actual expenditure against budget and technical evaluations of the physical condition of the facilities.

Availability

Investment in the project is funded primarily by the Bonds and subordinated unsecured loan stock. During the operational phase the principal source of funds available to meet its liabilities under the Bonds will be unitary charge received from the Trust under the Project Agreement. Failure to achieve the forecast levels of availability would result in lower than forecast revenues and this may adversely affect the company's ability to make payments to Bondholders. Deductions incurred in the year were recovered from the service provider, resulting in a net deduction of £18,000 (2014: £4,000).

Service performance

Performance risk under the Project Agreement and related contracts are substantially passed on to the service providers. The obligations of these subcontractors are underwritten by parent company guarantees. Ultimately, poor performance may result in the Trust having the right to terminate the Project Agreement. As noted in the discussion of the company's KPIs, the levels of deductions levied in the year were low and are not considered to pose a risk to the project.

On behalf of the board



Mr R Sheehan

Director

15 April 2016

DERBY HEALTHCARE PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mrs G Birley-Smith

Mr R Sheehan

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Supplier payment policy

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Trade creditors of the company at the year end were equivalent to 23 (2014: 20) day's purchases, based on the average daily amount invoiced by suppliers during the year.

Financial instruments

Treasury operations and financial instruments

The company's financial instruments result in the company's exposure to liquidity, credit rate and interest rate risks. Further information on the financial instruments employed by the company can be seen in the notes to these financial statements.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by closely monitoring the timing of cash flows within the company.

Interest rate risk

The company is exposed to interest rate risk on bank balances with floating interest rates, however the directors do not consider this exposure to be significant.

The guaranteed secured bonds and unsecured subordinated loan notes both have a fixed rate until 2041, thus there is no interest rate risk associated with these financial liabilities.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. The Trust is the sole client of the company. The directors consider that no significant risk arises from such a small client base since there are no indications that the Trust will not be able to fulfil their obligations. In addition the Secretary of State for Health has underwritten the Trust's obligations. The carrying value of the financial asset of £327,780,000 (2014: £332,029,000) is the maximum credit exposure.

DERBY HEALTHCARE PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Financial reporting risk and internal control

The company has outsourced the financial reporting function to HCP Social Infrastructure (UK) Limited ("HCP"). Authorities remain vested in the board members of the company. HCP reports regularly to the board of the company. The Board receives monthly reports from HCP which specifically summarise and address the financial, contractual and commercial risks that the company is exposed to, and are pertinent to the industry in which the company operates. The board also receives monthly management accounts with explanations of variances from annual budgets and forecasts, which are in turn compared to the Financial Model, which represents the long term business plan of the company and outlines its ability to comply with its debt obligations and covenants. Material deviations from the business plan are investigated and reported on. Supporting this process, HCP evaluates its performance under the framework of an Internal Audit and Assessment programme which sits within its own Corporate Governance framework. This process ensures that the project remains robust and viable throughout the life of the contract.

Auditor

KPMG LLP has indicated its willingness to continue in office and a resolution to reappoint it as auditor will be proposed at the next annual general meeting.

Statement of disclosure to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the strategic report.

After making enquiries, the directors have a reasonable expectation that the company and the group have 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.

DERBY HEALTHCARE PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Significant shareholdings and special rights

The company is a subsidiary undertaking of Derby Healthcare (Holdings) Limited. Derby Healthcare (Holdings) Limited is owned by Innisfree PFI Continuation Fund (75%), Innisfree PFI Secondary Fund (8%) and Innisfree PFI Secondary Fund 2 PL (17%). Each of the shareholders holds its shareholdings as a long term investment.

None of the company's ordinary shares carry any special rights with regard to the control of the company. There are no known arrangements under which financial rights are held by a person other than the beneficial owner of the shares and no known agreements on restrictions on share transfers (other than pre-emption rights between existing shareholders) or on voting rights.

Directors Appointment and Replacement, Allotments of Shares and Control Provisions

The rules about the appointment and replacement of directors are contained in the company's Articles of Association. Changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force at the time. The powers of the directors and authority to issue and allot ordinary shares are determined by UK legislation and the Memorandum and Articles of Association of the company in force from time to time. Subject to UK legislation the directors are empowered by the Articles to authorise the company to purchase its own shares.

The company does not have agreements with any director that would provide compensation for loss of office or employment following a takeover.

On behalf of the board



Mr R Sheehan

Director

15 April 2016

DERBY HEALTHCARE PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors are responsible for preparing the Annual 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 including FRS 102, the financial reporting standard applicable in the UK and the Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

DERBY HEALTHCARE PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DERBY HEALTHCARE PLC

We have audited the financial statements of Derby Healthcare Plc for the year ended 31 December 2015 set out on pages 9 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102, The Financial Reporting Standard applicable in the UK and the Republic of Ireland.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

DERBY HEALTHCARE PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DERBY HEALTHCARE PLC

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.



Huw Brown (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

20 April 2016

DERBY HEALTHCARE PLC

STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £000	2014 £000
Turnover	3	43,739	42,436
Operating costs		(35,997)	(34,690)
Operating profit		7,742	7,746
Interest receivable and similar income	7	20,912	21,124
Interest payable and similar charges	8	(28,717)	(28,745)
(Loss)/profit before taxation		(63)	125
Taxation	9	(839)	(27)
(Loss)/profit for the financial year		(902)	98
Other comprehensive income for the year		-	-
Total comprehensive (loss)/profit for the year		(902)	98

The profit and loss account has been prepared on the basis that all operations are continuing operations.

DERBY HEALTHCARE PLC

BALANCE SHEET

AS AT 31 DECEMBER 2015

		2015		2014	
	Notes	£000	£000	£000	£000
Current assets					
Debtors falling due after one year	10	330,890		336,247	
Debtors falling due within one year	10	47,657		44,323	
Cash at bank and in hand		25,491		24,021	
		<u>404,038</u>		<u>404,591</u>	
Creditors: amounts falling due within one year	12	(14,283)		(12,932)	
Net current assets			389,755		391,659
Creditors: amounts falling due after more than one year	13		(424,633)		(425,635)
Net liabilities			<u>(34,878)</u>		<u>(33,976)</u>
Capital and reserves					
Called up share capital	15		50		50
Profit and loss reserves			(34,928)		(34,026)
Total equity			<u>(34,878)</u>		<u>(33,976)</u>

The financial statements were approved by the board of directors and authorised for issue on 15 April 2016 and are signed on its behalf by:



Mr R Sheehan
Director

Company Registration No. 04668140

DERBY HEALTHCARE PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Share capital £000	Profit and loss reserves £000	Total £000
Balance at 1 January 2014		50	(34,124)	(34,074)
Period ended 31 December 2014:				
Profit and total comprehensive income for the year		-	98	98
Balance at 31 December 2014		50	(34,026)	(33,976)
Period ended 31 December 2015:				
Loss and total comprehensive loss for the year		-	(902)	(902)
Balance at 31 December 2015		50	(34,928)	(34,878)

DERBY HEALTHCARE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

Company information

Derby Healthcare Plc is a limited company domiciled and incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 December 2015 are the first financial statements of Derby Healthcare Plc prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 January 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

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

Service concession arrangements

The company entered into its service concession arrangement before the date of transition to this FRS. Therefore its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS.

The company's parent undertaking, Derby Healthcare (Holdings) Limited, includes the company in its consolidated financial statement. The consolidated financial statements of Derby Healthcare (Holdings) Limited are prepared in accordance with FRS 102 and are available to the public and maybe obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

In these financial statements, the company is considered a qualifying entity (for the purpose of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of number of shares outstanding from the beginning to the end of the period;
- Cash flow statement and related notes; and
- Key management personnel compensation.

As the company is a wholly owned subsidiary of Derby Healthcare (Holdings) Limited, the company has taken advantage of the exemption in section 33 of FRS 102 to not disclose transactions entered into between itself and the other members of the group.

1.2 Going concern

The directors have reviewed a cash flow forecast covering the remainder of the company's contract period and taking into account reasonable possible risks in operations and the fact the obligations of the company's sole customer are underwritten by the Secretary of State for Health, believe that the company will be able to settle its liabilities as they fall due for the foreseeable future and therefore it is appropriate to prepare these financial statements on the going concern basis.

DERBY HEALTHCARE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.3 Turnover

Turnover is recognised in accordance with the service concession contract accounting policy. Turnover represents value of work done entirely in the United Kingdom and excludes value added tax.

1.4 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Restricted cash

The company is obligated to keep a separate cash reserves in respect of requirements in the company's funding agreements. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £23,465,000 at the year end (2014: £22,600,000).

Finance debtor

The finance debtor is classified as a debt instrument, which is initially measured at transaction price including transaction costs and subsequently carried at amortised cost using the effective interest method 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

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

DERBY HEALTHCARE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, Bonds and subordinated loans, 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.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings classified as basic financial instruments

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

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.5 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.6 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

DERBY HEALTHCARE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.7 Service Concession Accounting

The company is an operator of a Public Finance Initiative ("PFI") contract. The underlying asset is not deemed to be an asset of the company under old UK GAAP, because the risks and rewards of ownership as set out in that standard are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

1.8 Interest Receivable and Payable

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

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

DERBY HEALTHCARE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

2 Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the company's accounting policies are described below:

Critical judgements

Service concession accounting

Accounting for the service concession contract and finance debtors requires of estimation of service margins, finance debtors interest rates and associated amortisation profile which is based on forecasted results of the PFI contract.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2015 £000	2014 £000
Turnover		
Services Income	43,607	42,307
Rental Income	132	129
	<u>43,739</u>	<u>42,436</u>

4 Auditor's remuneration

	2015 £000	2014 £000
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the company's financial statements	<u>18</u>	<u>17</u>
For other services		
Taxation compliance services	<u>8</u>	<u>8</u>

5 Employees

The company had no employees during the year (2014: nil).

DERBY HEALTHCARE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

6 Directors' remuneration

	2015 £000	2014 £000
Sums paid to related parties for directors' services	29	28

7 Interest receivable and similar income

	2015 £000	2014 £000
Interest income		
Interest on bank deposits	215	173
Interest on finance debtor	20,697	20,951
Total income	20,912	21,124

8 Interest payable and similar charges

	2015 £000	2014 £000
Interest on financial liabilities measured at amortised cost:		
Interest on bonds	22,579	22,606
Interest on subordinated loans	5,261	5,261
Amortisation of finance arrangement costs	877	878
	28,717	28,745

9 Taxation

	2015 £000	2014 £000
Current tax		
UK corporation tax on profits for the current period	-	27
Deferred tax		
Decrease in deferred tax asset	839	-
Total tax charge	839	27

A deferred tax asset in respect of tax losses has been recognised as the Directors consider the balance to be recoverable over the life of the PFI contract.

DERBY HEALTHCARE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

9. Taxation

(Continued)

The charge for the year can be reconciled to the (loss)/profit per the profit and loss account as follows:

	2015 £000	2014 £000
(Loss)/profit before taxation	(63)	125
Expected tax charge based on a corporation tax rate of 20.25% (2014 - 21.49%)	(13)	27
Effect of change in corporation tax rate	848	-
Deferred tax adjustments in respect of prior years	4	-
Tax expense for the year	839	27

The total tax charge as stated above has been recorded in the profit and loss account.

Factors that may affect the future tax charge

The company has tax losses of £42,380,000 (2014: £42,318,000) which have been carried forward and will be offset against future trading profits.

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantially enacted on 2 July 2013 and as such a blended rate of 20.25% has been used for the calculation of current tax in 2015.

Further reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantially enacted on 26 October 2015. The latest budget announcement on 16 March 2016 has proposed a further reduction to 17% effective from 1 April 2020. This will reduce the company's future tax accordingly.

DERBY HEALTHCARE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

10 Debtors

	2015 £000	2014 £000
Amounts falling due within one year:		
Trade debtors	7,278	6,847
Unitary charge control account	35,374	32,823
Corporation tax recoverable	10	-
Finance debtor	4,518	4,249
Prepayments and accrued income	477	404
	<u>47,657</u>	<u>44,323</u>
Amounts falling due after one year:		
Finance debtor	323,262	327,780
Deferred tax asset (note 14)	7,628	8,467
	<u>330,890</u>	<u>336,247</u>
Total debtors	<u>378,547</u>	<u>380,570</u>

11 Loans and borrowings

	2015 £000	2014 £000
Bonds	388,705	389,386
Subordinated loans	38,233	37,587
	<u>426,938</u>	<u>426,973</u>
Payable within one year	2,305	1,338
Payable after one year	<u>424,633</u>	<u>425,635</u>

DERBY HEALTHCARE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

11 Loans and borrowings

(Continued)

Guaranteed secured bonds 2041

The company has created £446,588,000 5.564% guaranteed secured bonds 2041 pursuant to a Trust Deed and Collateral Deed dated 9 September 2003 of which £411,588,000 were issued for cash on 9 September 2003 at an issue price of 99.993%.

The bonds bear interest at 5.564% which is payable semi - annually in arrears on 30 June and 31 December each year. The bonds are repayable in instalments which commenced in June 2009 and end in June 2041.

The company retained £35,000,000 of bonds (the "variation bonds") which it may sell, subject to certain restrictions in the Collateral Deed, to fund variations to the project.

The bonds, excluding the variation bonds, have the benefit of an unconditional and irrevocable financial guarantee issued by MBIA Assurance S.A. in favour of BNP Paribas Trust Corporation UK Limited as security trustee over all of the undertaking and assets of the Company.

Unsecured subordinated 13.465% loan notes 2041

Under the terms of Deed Polls made on 9 September 2003 both Derby Healthcare (Holdings) Limited and the company authorised and approved the issue of up to £39,070,000 unsecured subordinated loan notes 2041 on like terms. Under the terms of an Equity Subscription Agreement dated 9 September 2003 the shareholders of Derby Healthcare (Holdings) Limited each agreed to subscribe in instalments between December 2003 and December 2008 for £39,070,000 of the loan notes in Derby Healthcare (Holdings) Limited, which in turn agreed to subscribe for the £39,070,000 loan notes in the company.

Derby Healthcare (Holdings) Limited and the Company have each issued £39,070,000 of loan notes at par for cash. The loan notes bear interest at 13.465% which is payable semi-annually on 30 June and 31 December each year. The loan notes are repayable in instalments on 30 June and 31 December 2041.

12 Creditors: amounts falling due within one year

	Notes	2015 £000	2014 £000
Guaranteed Secured 5.564% Bonds	11	2,305	1,338
Trade creditors		2,271	1,835
Corporation tax payable		-	17
Other taxation and social security		1,062	1,115
Accruals and deferred income		8,645	8,627
		<u>14,283</u>	<u>12,932</u>

13 Creditors: amounts falling due after more than one year

	Notes	2015 £000	2014 £000
Loans and overdrafts	11	<u>424,633</u>	<u>425,635</u>

DERBY HEALTHCARE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

14 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2015 £000	Assets 2014 £000
Balances:		
Tax losses	7,628	8,467
	<u>7,628</u>	<u>8,467</u>
Movements in the year:		2015 £000
Liability/(Asset) at 1 January 2015		(8,467)
Credit to profit and loss		(9)
Effect of change in tax rate - profit or loss		848
		<u>(7,628)</u>
Liability/(Asset) at 31 December 2015		<u>(7,628)</u>

The deferred tax asset expected to be utilised in the forthcoming financial year is £nil.

15 Share capital

	2015 £000	2014 £000
Ordinary share capital		
Issued and fully paid		
50,000 Ordinary shares of £1 each	50	50
	<u>50</u>	<u>50</u>

16 Contract commitments

	2015 £000	2014 £000
Amounts contracted for but not provided for in the financial statements	-	50
	<u>-</u>	<u>50</u>

DERBY HEALTHCARE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

17 Controlling party

The company is a wholly owned subsidiary of Derby Healthcare (Holdings) Limited incorporated in the United Kingdom. Innisfree Nominees Limited, acting on behalf of Innisfree PFI Continuation Fund (75%), Innisfree PFI Secondary Fund (8%) and Innisfree PFI Secondary Fund 2 LP (17%), holds legal title to the entire issued share capital of Derby Healthcare (Holdings) Limited.

The ultimate controlling party is Innisfree PFI Continuation Fund.

The largest and smallest group in which the results of the company are consolidated is that headed by Derby Healthcare (Holdings) Limited. The consolidated accounts of this group are available to the public and may be obtained from 8 White Oak Square, London Road, Swanley, Kent BR8 7AG.