Registered No. 6409008

# Spire Property 13 Limited

## Report and Financial Statements
## For the year ended 31 December 2015

**Spire Property 13 Limited**
**Registered No. 6409008**

As required by the Companies Act 2006, the directors of Spire Property 13 Limited ("the company") present the annual report containing a Strategic report, Report of the directors and the financial statements for the year ended 31 December 2015.

## Strategic report
## For the year ended 31 December 2015

1. **Review of the business**

   The principal activity of the company is the leasing of hospital property.

   The company leases the Spire Norwich Hospital to Spire Healthcare Limited under a long lease, further details of which are contained in note 15. There were no changes in its activities during the year.

   During the year, the company transitioned from previously extant United Kingdom Accounting Standards ('UK GAAP') to FRS 101 - Reduced Disclosure Framework and has taken advantage of the disclosure exemptions allowed under this standard. The company's parent undertaking Spire Healthcare Holdco 4 Limited was notified and did not object to the use of the EU-adopted IFRS disclosure exemptions. Details of the measurement differences arising on the adoption of FRS 101 are included in note 17 of these financial statements.

   At the balance sheet date, the company had net assets of £58,082,000 (2014: £59,591,000).

### Results and dividends
The profit for the year, after taxation, amounted to £3,295,000 (2014: £794,620).

### Key performance indicators
In view of the straight forward nature of the business, the directors do not consider the use of key performance indicators necessary to provide an understanding of the development, performance or position of the business.

2. **Principal risks and uncertainties**

The company's activities expose it to a number of risks which are discussed below:

*Credit risk*

Credit risk arises principally from the company's receivables of rent from Spire Healthcare Limited, a fellow group undertaking of Spire Healthcare Group plc, which, as the principal operating company of the Group, has leased the hospital property for a term of up to 35 years, which commenced on 21 December 2007.

*Interest rate risk*

As the company's liabilities outstanding under bank loans were fully repaid in the year, it no longer has exposure to interest rate risk. Previously its bank loans were subject to floating rates of interest and it entered into an interest rate swap in order to fix the rate of interest applicable to bank loans, which terminated when the debt was repaid.

*Overall risk management*

Overall risk is managed with reference to Spire Healthcare Group plc and its subsidiaries (the "Group") and the principal risks and uncertainties facing the company are therefore integrated with those facing the Group as a whole. Further information is provided in the 2015 Annual Report and Accounts of Spire Healthcare Group plc, which are available at www.spirehealthcare.com.

On behalf of the board

D F Toner
Director & secretary

22 April 2016

**Spire Property 13 Limited**
**Registered No. 6409008**

**Report of the directors**
**For the year ended 31 December 2015**

1. **Directors**
   The names of directors who have held office since 1 January 2015 and up to the date of this report are as follows:

   S Gordon
   R Roger
   D F Toner

2. **Dividends**
   An ordinary dividend of £4,804,000 was paid in the year (2014: £2,394,000).

3. **Future developments**
   The directors do not foresee any changes in the company's activities in the foreseeable future.

4. **Financial instruments**
   The company's financial risk management objectives and policies, including the exposure to credit risk and interest rate risk are set out in the Strategic report.

5. **Going concern**
   The directors have reviewed the current and projected financial position of the company, making reasonable assumptions about future performance. On the basis of this review, and after making due enquiries, the directors have a reasonable expectation that the company has adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

6. **Companies (Audit, Investigations and Community Enterprise) Act 2004**
   As at the date of this report and during the financial period, indemnities are in force under which the company has agreed to indemnify certain directors, to the extent permitted by law (and subject to the conditions set out in section 234 of the Companies Act 2006) and the company's articles of association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as directors of the company.

7. **Auditor**
   The auditor, Ernst & Young LLP, was the company's auditor during the year and is deemed to be reappointed under section 487(2) of the Companies Act 2006.

**8. Disclosure of Information to Auditor**

The directors who were members of the board at the time of approving the Report of the directors are listed on page 3. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditor is unaware; and
- Each director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

Registered Office:

3 Dorset Rise
London
EC4Y 8EN

22 April 2016

On behalf of the board

D F Toner
Director & secretary

**Spire Property 13 Limited**
**Registered No. 6409008**

## Statement of directors' responsibilities
## For the year ended 31 December 2015

The directors are responsible for preparing the Strategic report, Report of the directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of its profit or loss for the period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- 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 proper 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 to 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.

**Spire Property 13 Limited**
**Registered No. 6409008**

**Independent auditor's report**
**to the members of Spire Property 13 Limited**

We have audited the financial statements of Spire Property 13 Limited for the year ended 31 December 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

**Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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**

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

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Spire Property 13 Limited**
**Registered No. 6409008**

**Independent auditor's report**
**to the members of Spire Property 13 Limited - continued**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Ernst & Young LLP

Matthew Williams (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London
22 April 2016

**Spire Property 13 Limited**
**Registered No. 6409008**

**Income statement**
**For the year ended 31 December 2015**

| | Note | 2015 £000 | 2014 £000 |
|---|---|---|---|
| **Rental income** | | 4,711 | 4,615 |
| Depreciation | 9 | (1,107) | (1,121) |
| **Operating profit** | | 3,604 | 3,494 |
| Interest receivable and similar income | 5 | - | 5 |
| Interest payable and similar charges | 6 | - | (2,698) |
| **Profit before taxation** | | 3,604 | 801 |
| Taxation | 8 | (309) | (6) |
| **Profit for the year** | | 3,295 | 795 |

The operating profit is all derived from continuing operations.

Spire Property 13 Limited
Registered No. 6409008

**Statement of comprehensive income**
**For the year ended 31 December 2015**

The company has no other gains and losses and therefore no statement of total comprehensive income has been presented.

**Statements of changes in equity**
**For the year ended 31 December 2015**

| | Share capital £000 | Share premium £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|
| **Balance at 1 January 2014** | 1,236 | - | (20,796) | (19,560) |
| Profit for the year | - | - | 795 | 795 |
| **Total comprehensive income for the year** | - | - | 795 | 795 |
| Shares issued in the year | - | 80,750 | - | 80,750 |
| Reduction of capital in the year | (236) | (80,750) | 80,986 | - |
| Dividend paid in the year | - | - | (2,394) | (2,394) |
| **Balance at 31 December 2014** | 1,000 | - | 58,591 | 59,591 |
| Profit for the year | - | - | 3,295 | 3,295 |
| **Total comprehensive income for the year** | - | - | 3,295 | 3,295 |
| Dividend paid in the year | - | - | (4,804) | (4,804) |
| **Balance at 31 December 2015** | 1,000 | - | 57,082 | 58,082 |

On 11 September 2014, the board of the company approved a reduction in capital, following which the share premium account of £80,750,000 was cancelled.

**Spire Property 13 Limited**
**Registered No. 6409008**

## Balance sheet
**as at 31 December 2015**

| | *Note* | 2015 £000 | 2014 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investment property | *9* | 56,626 | 57,733 |
| Deferred tax | *13* | 966 | 1,275 |
| | | 57,592 | 59,008 |
| **Current assets** | | | |
| Debtors | *10* | 1,471 | 1,582 |
| **Creditors**: amounts falling due within one year | *11* | (981) | (999) |
| **Net current assets** | | 490 | 583 |
| **Total assets less current liabilities** | | 58,082 | 59,591 |
| **Capital and reserves** | | | |
| Called up share capital | *14* | 1,000 | 1,000 |
| Share premium | | - | - |
| Profit and loss account | | 57,082 | 58,591 |
| **Equity shareholders' funds** | | 58,082 | 59,591 |

These financial statements were approved and authorised for issue by the board of directors on 22 April 2016 and were signed on its behalf by

S Gordon
Director

## 1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Spire Property 13 Limited (the 'company') for the year ended 31 December 2015 were authorised for issue by the board of directors on 22 April 2016 and the balance sheet was signed on the board's behalf by Simon Gordon. Spire Property 13 Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The principal accounting policies adopted by the company are set out in note 2.

## 2. Accounting policies

### Basis of preparation

The company transitioned from previously extant UK GAAP to FRS 101for all periods presented. The required adjustments are disclosed in Note 17. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015.

As described in note 3 the company is a wholly owned subsidiary undertaking of Spire Healthcare Group plc, a public limited company registered in England and Wales, which accounts that are publicly available from the Spire Healthcare website (www.spirehealthcare.com). The company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of IFRS 7 *Financial Instruments: Disclosures*
(b) the requirements of IAS 7 *Statement of Cash Flows*
(c) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*
(d) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

### Going concern

The directors have reviewed the current and projected financial position of the company, making reasonable assumptions about future performance. On the basis of this review, and after making due enquiries, the directors have a reasonable expectation that the company has adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

### Rental income

Rent arising on leased properties is accounted for on a straight line basis over the lease term.

**2. Accounting policies - continued**

**Taxation including deferred taxation**
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except that:

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

- deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

- the carrying amount of deferred tax assets is reviewed at the balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforceable right exists to set off tax assets against tax liabilities and the deferred taxes relate to the same taxation authority.

**Derivative financial instruments**
Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently remeasured to their fair value at each balance sheet date.

**Interest-bearing loans and borrowings**
Interest-bearing borrowings are recognised initially at their fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost on an effective interest basis.

**Investment properties**
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties continue to be accounted for at cost less accumulated depreciation, depreciated over their useful economic lives, as follows:

| | | |
|---|---|---|
| Freehold buildings | - | 5 - 50 years |
| Fixtures & fittings | - | 3 - 10 years |

The useful economic lives of the investment properties are reviewed annually and revised as appropriate, taking into consideration the levels of expenditure incurred on an ongoing basis to maintain the properties in a fit and proper state for their ongoing use as hospitals.

## 2. Accounting policies - continued

**Significant judgements and estimates**
In the application of the company's accounting policies, the directors are required to make judgements, and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The following accounting policies have been identified as involving particularly complex judgements or subjective estimates:

**Judgements**
**a) Leases**
In the determination of the classification of the lease as an operating lease, assumptions have been made about the discount rate applied to minimum lease payments over the remainder of the lease term and of the useful economic life of the hospitals.

**Estimates**
**a) Estimation of useful lives and residual values**
Investment property is depreciated over their useful lives, taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining lives of the assets and projected disposal values. The estimated useful life of investment property is set out in note 2.

**b) Investment property disclosed valuations**
In valuing investment properties judgements are required about the assumptions, in particular regarding the market rent and market yield. Further details are provided in note 9.

## 3. Immediate and ultimate parent undertakings and controlling party

The immediate parent undertaking of Spire Property 13 Limited is Spire UK Holdco 4 Limited, a company registered in England and Wales, which is an indirect subsidiary undertaking of Spire Healthcare Group plc, the ultimate parent undertaking of the company. The results of Spire Property 13 Limited are included in the consolidated financial statements of Spire Healthcare Group plc, which publishes consolidated accounts that are publicly available from the Spire Healthcare website (www.spirehealthcare.com).

## 4. Staff costs and directors' remuneration

The company had no employees during the year (2014: nil) and consequently incurred no staff costs.

Emoluments for the directors of the company are paid for by Spire Healthcare Limited, a fellow subsidiary of Spire Healthcare Group plc. Spire Healthcare Limited has not recharged any amount to the company (2014: nil) on the basis that the amount attributable to the

## 5. Interest receivable and similar income

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Bank interest receivable | - | 5 |

## 6. Interest payable and similar charges

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Payable to other Group undertakings | - | 1,301 |
| Loan interest | - | 1,397 |
| | - | 2,698 |

## 7. Auditor's remuneration

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Fees for the audit of the company | 3 | 3 |

Fees for the audit of the company are borne by other group companies.

## 8. Taxation

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| (i) Analysis of tax charge in year | | |
| Current tax | | |
| UK corporation tax on losses for the year | - | (166) |
| Deferred tax | | |
| Origination and reversal of temporary differences | 309 | 172 |
| | 309 | 6 |

(ii) Factors affecting the tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below:

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| Profit before taxation | 3,604 | 801 |
| Applying the profit before tax to the UK corporation tax rate of 20.25% (2014: 21.5%) | 730 | 172 |
| Effects of: | | |
| Non taxable expenses not deductible for tax purpose | 224 | 218 |
| Adjustments to tax charge in respect of prior years | (633) | (446) |
| Effect of change in tax rate | (12) | 62 |
| Total tax for the year | 309 | 6 |

## 9. Investment properties

| | Freehold land & buildings £000 | Fixtures & Fittings £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2015 | 65,104 | 914 | 66,018 |
| Disposals | - | (601) | (601) |
| At 31 December 2015 | 65,104 | 313 | 65,417 |
| **Depreciation** | | | |
| At 1 January 2015 | 7,449 | 836 | 8,285 |
| Charge for the year | 1,064 | 43 | 1,107 |
| On disposals | - | (601) | (601) |
| At 31 December 2015 | 8,513 | 278 | 8,791 |
| **Net Book Value** | | | |
| **At 31 December 2015** | 56,591 | 35 | 56,626 |
| At 31 December 2014 | 57,655 | 78 | 57,733 |

**Fair value of investment property**
Valuations are the responsibility of the directors. They are prepared and reviewed internally by senior management and property managers within the Group, after taking advice from external advisors about key market conditions, including yields. This includes discussions of the key assumptions used, as well as a review of the resulting valuations.

The fair value of investment properties is determined using the income capitalisation approach. Under this approach, forecast earnings are used to estimate the sustainable market rents applicable to the hospital property, which together with the estimated costs are discounted at market derived capitalisation rates to produce the director's opinion of the fair

The capitalisation rate which, if applied to rental cashflows would produce the fair value, is described as the equivalent yield.

The company considers its investment property falls within 'Level 3', as defined by IFRS 13. There has been no transfer of the property within the fair value hierarchy in the financial year.

## 9. Investment properties - continued

The table below summarises the key unobservable inputs used in the valuation of the company's wholly owned investment property at 31 December 2015:

| | Market value 2015 £000 | Estimated rental value 2015 £000 | Equivalent yield 2015 % |
|---|---|---|---|
| Hospital property: | | | |
| Spire Norwich Hospital | 72,689 | 4,230 | 5.50% |

| | Market value 2014 £000 | Estimated rental value 2014 £000 | Equivalent yield 2014 % |
|---|---|---|---|
| Hospital property: | | | |
| Spire Norwich Hospital | 76,025 | 4,826 | 6.00% |

## 10. Debtors

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Amounts due from other Group undertakings | 138 | - |
| Corporation tax | - | 166 |
| Accrued income | 1,333 | 1,416 |
| | 1,471 | 1,582 |

Included in accrued income is £1,333,000 (2014: £1,416,000) that will reverse in more than one year.

## 11. Creditors - amounts falling due within one year :

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Amounts owed to other Group undertakings | 981 | 999 |

## 12. Derivative fair value

The company previously entered into an interest swap agreement to mitigate the risk of losses through interest rate rises on its variable rate bank loans.

The interest rate swap liability was settled in 2014.

## 13. Deferred taxation

Deferred tax assets/(liabilities) are analysed as follows:

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| Trading losses | 966 | 1,275 |
| Presented as: | | |
| Deferred tax liability | 966 | 1,275 |

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. The Finance Bill 2015, which includes a stepped reduction in the UK corporate tax from 20% rate to 18% on 1 April 2020, has been enacted and so UK deferred tax assets and liabilities have been calculated at this rate unless the timing difference is expected to reverse sooner than 1 April 2020 in which case the applicable rate of 20% or 19% has been used.

The company has losses carried forward of £4,831,000 (2014: £8,564,000) to offset against future profits.

## 14. Share capital

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| **Allotted, called-up and fully paid** | | |
| 1,000,000 ordinary shares of £1 each | 1,000 | 1,000 |

On 23 July 2014 the company issued 1 ordinary share of £1 at a premium to its immediate parent company, Spire UK Holdco 4 Limited, for a cash consideration of £59.5 million.

On the same date, the company issued a further 1 ordinary share of £1 at a premium to its immediate parent company, Spire UK Holdco 4 Limited, as settlement for its loan amount due of £21.3 million.

On 11 September 2014, the board of the company approved a reduction in capital, following which 236,328 ordinary shares were cancelled and extinguished.

## 15. Operating lease arrangements - as lessor

The company has entered into an operating lease on its investment property. The lease has a term of 35 years up to December 2042, which, subject to due notice being provided, may be extended by the tenant for a further period of 35 years.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| Within one year | 5,143 | 4,845 |
| After one year but not more than five years | 20,570 | 19,379 |
| More than five years | 138,848 | 135,650 |
| | 164,561 | 159,874 |

## 16. Contingent liabilities

On 11 July 2014, Spire Healthcare Group plc entered into a Senior Facility Agreement in the amount of £525,000,000 which has been guaranteed by the company and other material subsidiaries of the Group. The loan amounts outstanding at the balance sheet date were £425,000,000 (2014: £425,000,000).

## 17. Transition to FRS 101

For all periods up to and including the year ended 31 December 2014, the company prepared its financial statements in accordance with previously extant United Kingdom Generally Accepted Accounting Practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the company has prepared in accordance with FRS 101.

Accordingly, the company has prepared financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the company has started from an opening balance sheet as at 1 January 2014, the company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the company in restating its balance sheet as at 1 January 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

## 17. Transition to FRS 101 (continued)

| ***Reconciliation of equity as at 1 January 2014*** | Notes | UK GAAP £000 | FRS 101 Reclassifications £000 | FRS 101 Remeasurements £000 | FRS 101 £000 |
|---|---|---|---|---|---|
| *Fixed assets* | | | | | |
| Investment properties | 1 | - | 58,854 | - | 58,854 |
| Tangible fixed assets | 1 | 58,854 | (58,854) | - | - |
| | | 58,854 | - | - | 58,854 |
| *Current assets* | | | | | |
| Debtors | | 2,634 | - | - | 2,634 |
| Deferred tax asset | 3 | - | - | 1,447 | 1,447 |
| | | 2,634 | - | 1,447 | 4,081 |
| *Creditors - amounts falling due within one year* | | | | | |
| Amounts due to Group undertakings | | | | | |
| Accruals and deferred income | 4 | (1,238) | 294 | - | (944) |
| Borrowings | 4 | (53,750) | 645 | - | (53,105) |
| Derivatives | 2 | - | (939) | - | (939) |
| | | (54,988) | - | - | (54,988) |
| *Total assets less current assets/(liabilities)* | | 6,500 | - | 1,447 | 7,947 |
| *Creditors - amounts falling due after more than one year* | | | | | |
| Amounts due to Group undertakings | | (19,993) | - | - | (19,993) |
| Accruals and deferred income | 4 | (782) | 782 | - | - |
| Derivatives | 2 | - | (782) | (6,732) | (7,514) |
| | | (20,775) | - | (6,732) | (27,507) |
| *Net liabilities* | | (14,275) | - | (5,285) | (19,560) |
| Share capital | | 1,236 | - | - | 1,236 |
| Retained earnings | | (15,511) | - | (5,285) | (20,796) |
| *Equity shareholders' (deficit)* | | (14,275) | - | (5,285) | (19,560) |

**Notes to the financial statements**
**For the year ended 31 December 2015**

**17. Transition to FRS 101 (continued)**

| ***Reconciliation of equity as at 1 January 2015*** | | UK GAAP | FRS 101 Reclassifications | FRS 101 |
|---|---|---|---|---|
| | Notes | £000 | £000 | £000 |
| *Fixed assets* | | | | |
| Investment properties | 1 | - | 57,733 | 57,733 |
| Tangible assets | 1 | 57,733 | (57,733) | - |
| | | 57,733 | - | 57,733 |
| *Current assets* | | | | |
| Debtors | | 1,582 | - | 1,582 |
| Deferred tax asset | 3 | 1,275 | - | 1,275 |
| | | 2,857 | - | 2,857 |
| *Creditors - amounts falling due within one year* | | | | |
| Amounts due to Group undertakings | | (999) | - | (999) |
| *Total net assets* | | 59,591 | - | 59,591 |
| Share capital | | 1,000 | | 1,000 |
| Retained earnings | | 58,591 | | 58,591 |
| *Equity shareholders' funds* | | 59,591 | - | 59,591 |

**Notes to the financial statements**
**For the year ended 31 December 2015**

## 17. Transition to FRS 101 (continued)

***Restatement of equity from UK GAAP to FRS 101***

1. Reclassification of property, plant and equipment to investment properties

Previously under UK GAAP, property leased to fellow Group undertakings were accounted for as a tangible fixed asset and depreciated over its economic useful life. Under IFRS, properties leased to Group companies are accounted for as investment properties. Following their reclassification, the assets continue to accounted for at cost and continue to be depreciated over their useful economic lives. The reclassification has had no impact on the carrying value on the date of transition.

2. Derivatives

Previously under UK GAAP, interest rate swaps were not measured at fair value. Rather, interest differentials were recognised by accruing with net interest payable. Under IFRS interest rate swaps are accounted for at their fair value at the balance sheet date. On transition to FRS 101, the balance sheet liability in respect of interest rate swaps as at 1 January 2014 increased by £6.7m. The charge to interest in the year ended 31 December 2014 reduced by £6.7m.

3. Deferred tax

IFRS defines deferred tax in relation to temporary differences between carrying values and their related tax bases, rather than timing differences in the income statement. Therefore, adjustments are required to recognise items for which no deferred tax was recognised under UK GAAP, as follows:

| | 1 January 2014 £000 | 31 December 2014 £000 |
|---|---|---|
| *Deferred tax asset* | | |
| Derivative financial instruments | 1,447 | - |

## 17. Transition to FRS 101 (continued)

***Restatement of equity from UK GAAP to FRS 101 - continued***

4 Accruals and deferred income and borrowings

Liabilities relating to derivative financial instruments included within accruals and borrowings under UK GAAP have been reclassified and disclosed as financial instruments.

5 Reconciliation of total comprehensive income

The effect of remeasurement differences on the reported total profit/(loss) of the company for the year ended 31 December 2014 is as follows:

| | £000 |
|---|---|
| Loss for the year ended 31 December 2014 under UK GAAP | (4,490) |
| Interest payable on interest rate swap (note 2) | 6,732 |
| Deferred tax charge (note 3) | (1,447) |
| Increase in reported profit in the year | 5,285 |
| Profit for the year ended 31 December 2014 under FRS 101 | 795 |