

**Company registered number: 06480371**

**GHG 2008 4A Propco Limited**

**Annual report and financial statements  
For the year ended 30 September 2016**



# **GHG 2008 4A Propco Limited**

## **Annual report and financial statements**

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## Strategic report

### For the year ended 30 September 2016

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The directors present their Strategic report on the affairs of the Company for the year ended 30 September 2016.

#### Review of business

The directors do not consider it necessary to include any further key performance indicators, other than the current year and prior year results shown below, in order to understand the business.

#### Results and dividends

The Company's turnover for the year ended 30 September 2016 was £2,384,000 (2015: £2,232,000). The Company's profit after taxation for the year ended 30 September 2016 was £636,000 (2015: £134,290) and will be transferred to reserves. The Company's net assets at 30 September 2016 was £1,295,000 (2015: £659,000). The directors do not propose the payment of a dividend (2015: £nil).

#### Principal risks and uncertainties

The Companies Act 2006 requires all companies to disclose and discuss the principal risks and uncertainties that they face which, in most cases, are normal business risks. The Company is exposed to business risk in the form of fluctuations in property market values and also to financial risk through its financial assets and liabilities. The most important components of financial risk are interest rate risk, currency risk, liquidity risk, cash flow risk, credit risk and price risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet, the financial risks the directors consider relevant to this Company are interest rate risk, liquidity risk and credit risk.

The Company attempts, where possible, to mitigate interest rate risk through the use of derivative hedging instruments. The Company does not speculate in the trading of derivative instruments.

Credit risk arises in the event that the group undertaking to which the property is let (being BMI Healthcare Limited, one of the operating subsidiaries of General Healthcare Mixer Partnership LLP (the "Opco")) is unable to meet its obligations to the Company or satisfy the financial covenants within the Company's and the Opco's facility agreement. The operational risks faced by the Opco include contractual tariff reductions, a fall in the level of lives covered by insurance policies, the failure of the related insurance companies, a change in the NHS outsourcing policy to the private sector, a reduction in the ability of self-pay patients to afford treatment and increased regulatory compliance codes. All risks are closely monitored by management and further disclosure is provided in the financial statements of BMI Healthcare Limited.

#### Going concern

A description of the Company's borrowing facilities is included in note 8 to the financial statements. After making enquiries, the directors have concluded that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements. Further disclosure in relation to going concern is provided in the statement of principal accounting policies.

No subsequent events were identified for disclosure since the balance sheet date.

Approved by the Board of Directors and signed on behalf of the Board.



Director

Name: STEVEN DYSON

Date: 10 JANUARY 2017

## Directors' report

### For the year ended 30 September 2016

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The directors present their annual report on the affairs of the Company, together with the audited financial statements and auditor's report for the year ended 30 September 2016.

Details of events affecting the Company since the financial year end, a statement on going concern and proposed dividends have been included in the Strategic report and form part of the Directors' report by reference.

#### **Incorporation and principal activity**

The Company was incorporated on 22 January 2008 in the United Kingdom. The Company is one of a number of companies which were formed in 2008 to each acquire a single UK private hospital property which were simultaneously all leased to a related party tenant on long-term leases expiring in 2033, with the tenant having the right to extend for a further ten years. Collectively these companies are referred to as the "Magnolia Propco".

The Company's principal activity is property investment in the United Kingdom. The property is let to a related party and the directors expect activity to continue at current levels for the foreseeable future.

Debt funding for the acquisition of the properties was provided to the Magnolia Propco under a single set of finance agreements by multiple banks, with final maturity on 30 January 2015. On 28 January 2015, the Company completed a refinancing of this facility. The new loan facility is for a three year term at an overall cost of debt broadly in line with the cost of debt the previous facility, including interest rate swap costs.

The interest on the facility as at the 30 September 2016 is 7.03% (2015: 7.08%).

Under the terms of the debt facility, the Company received an allocated amount of the debt and became, and continues to be, a joint guarantor under those financing arrangements. The assets of each Company are pledged to guarantee and secure the entire debt of the Magnolia Propco.

#### **Directors**

The directors who served throughout the year are as shown below:

Steven Lewis Dyson  
Keith Norman Gibson  
Azar Paul Hindelly Jamine  
Martin John Kuscus  
Bradley Jonathan Sacks  
Leonard Kevin Chandran Sebastian (appointed 22 June 2016)  
Edward Richard Charles Watkins-Wright (resigned 3 June 2016)

Directors' report (continued)  
For the year ended 30 September 2016

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**Directors' and officers' insurance**

The Company has directors' and officers' insurance for the benefit of, amongst others, the directors of the Company, which is in place at the date of this report.

**Disclosure of information to the auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Auditor**

Deloitte LLP have expressed their willingness to continue in office as auditor of the Company. The directors will propose a resolution concerning the future appointment of an auditor at the forthcoming Annual General Meeting.

**Directors' responsibilities statement**

The directors are responsible for preparing the 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 Financial Reporting Standard 101 Reduced Disclosure Framework. 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 and loss for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors and signed on behalf of the Board.



Director

Name: STEVEN DYSON

Date: 10 JANUARY 2017

## Independent auditor's report For the year ended 30 September 2016

We have audited the financial statements of GHG 2008 4A Propco Limited for the year ended 30 September 2016, which comprise the income statement, the balance sheet, the statement of changes in equity, the statement of principal accounting policies and the related notes 1 to 15. 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 FRS 101 "Reduced Disclosure Framework".

This report is made solely to the company's shareholders, 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 the 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 and the company's circumstances, and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements 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 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

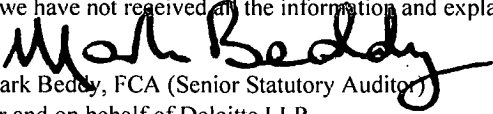
### Opinion on other matters prescribed by the Companies Act 2006

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

### 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.

  
Mark Beddy, FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

Date: 13 January 2017

Statement of comprehensive income  
For the year ended 30 September 2016

	Notes	2016 £'000	Restated <sup>1</sup> 2015 £'000
<b>Turnover</b>	1	2,384	2,232
Other operating expenses		(64)	(70)
Depreciation		(445)	(445)
<b>Operating profit</b>		<b>1,875</b>	<b>1,717</b>
Interest receivable and similar income		5	5
Interest payable and similar charges	2	(1,076)	(1,468)
<b>Profit on ordinary activities before taxation</b>	3	<b>804</b>	<b>254</b>
Tax on profit on ordinary activities	4	(168)	(120)
<b>Profit for the year</b>		<b>636</b>	<b>134</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Change in fair value of cash flow hedge		-	331
Tax effect			(66)
<b>Total comprehensive income for the year attributable to the owners of the Company</b>		<b>636</b>	<b>399</b>

All activities relate to continuing operations.

<sup>1</sup>The prior year figures have been restated following the adoption of FRS 101.  
The accompanying notes are an integral part of this statement of comprehensive income.

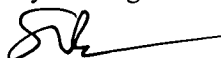
Balance sheet  
As at 30 September 2016

	Notes	2016 £'000	Restated <sup>1</sup> 2015 £'000
<b>FIXED ASSETS</b>			
Investment properties	5	13,811	14,256
<b>CURRENT ASSETS</b>			
Debtors - amounts falling due within one year	6	3,888	3,557
<b>CURRENT LIABILITIES</b>			
Creditors - amounts falling due within one year	7	(3,676)	(4,545)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>212</u>	<u>(988)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>14,023</b>	<b>13,268</b>
Creditors - amounts falling due after more than one year	8	(12,407)	(12,239)
Provisions for liabilities	9	(321)	(370)
<b>NET ASSETS</b>		<u><b>1,295</b></u>	<u><b>659</b></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	-	-
Profit and loss account		1,295	659
<b>SHAREHOLDERS' FUNDS</b>		<u><b>1,295</b></u>	<u><b>659</b></u>

<sup>1</sup> The prior year figures have been restated following the adoption of FRS 101.

The financial statements were approved by the board of directors and authorised for issue on  
10 JANUARY 2017

They were signed on its behalf by:



Director

Name: STEVEN DYSON

The accompanying notes form an integral part of this balance sheet.

The company's registered number is 06480371.

The company's registered address is BMI Healthcare House, 3 Paris Garden, London SE1 8ND.



Statement of changes in equity  
for the year ended 30 September 2016

	Share capital £'000	Cash flow hedge reserve £'000	Retained (loss)/ income £'000	Total £'000
<b>Balance at 1 October 2014</b>	-	-	335	335
Effect of restatement due to change in accounting framework (see note 13)		(265)	190	(75)
<b>As restated at 1 October 2014</b>	-	(265)	525	260
Profit for the period	-	-	134	134
Change in fair value of hedging derivatives	-	265	-	265
<b>Balance as at 30 September 2015 (restated)</b>	<u>-</u>	<u>-</u>	<u>659</u>	<u>659</u>
Profit for the period	-	-	636	636
<b>Balance as at 30 September 2016</b>	<u>-</u>	<u>-</u>	<u>1,295</u>	<u>1,295</u>

The prior year figures have been restated following the adoption of FRS 101.

## Statement of principal accounting policies

### For the year ended 30 September 2016

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The principal accounting policies are summarised below, which have all been applied consistently throughout the year and prior year.

#### **a) Basis of accounting**

GHG 2008 4A Propco Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered offices is given on page 6. The nature of the company's operations and its principal activities are set out in the business review within the strategic report.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council (FRC). Accordingly in the year ended 30 September 2016 the Company has changed its accounting framework from UK GAAP to FRS 101 'Reduced Disclosure Framework' as issued by the FRC. These financial statements were prepared in accordance with FRS 101. The prior year financial statements were re-stated for material adjustments on adoption of FRS 101 in the current year. For more information see note 13.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. They have been presented in pounds sterling, which is the currency of the economic environment in which the company operates.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of General Healthcare Mixer Partnership LLP.

#### **Adoption of new and revised Standards**

This is the first year for which the company has presented its financial statements under FRS 101. The transition has been explained at note 13.

Statement of principal accounting policies (continued)  
For the year ended 30 September 2016

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**b) Going concern**

A description of the company's borrowing facilities is included in note 8 to the financial statements. Under the senior bank facility, the company is required to comply with various financial covenants which apply across all companies within the Magnolia Property group of companies ("Magnolia Propco"). These covenants are tested quarterly. All bank covenants of the company were met during the year and have continued to be met subsequent to the year-end. Compliance with the company's covenant requirements assumes that BMI Healthcare Limited, the group undertaking to which the company's property is let, will be able to meet its obligations under the lease agreement. BMI Healthcare Limited has achieved revenue and EBITDA growth in FY16, meeting all its rent payments to the company in full and on time.

The directors prepared forecasts for the company for the purpose of their going concern assessment for the period to 31 December 2017. These forecasts show that the company will comply with financial covenants throughout the going concern review period. After making enquiries, including reviewing the forecasts, sensitivities, valuations and property market forecasts, the directors have concluded that they have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

**c) Investment properties**

The company has taken the choice to adopt the cost model as allowed under IAS 40 Investment Properties. The cost model is specified in IAS 16 and requires an investment property to be measured after initial measurement at depreciated cost (less any accumulated impairment losses).

Investment properties are shown at cost net of depreciation and any provision for impairment. Investment properties are considered for impairment if there is any reason to believe that impairment may be necessary. Factors taken into consideration include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of the unit. Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows is computed using an appropriate discount rate to determine the value in use.

Where appropriate, the fair value of assets less cost to sell is used in the impairment assessment. For property assets, this is determined using an estimate of fair market value taking into account advice from external professional valuers. Key judgements in determining the fair market value include the fair market rental amount and the effective yield. The higher of fair value less costs to sell or value in use is compared to the current asset (or related cash generating unit) carrying value and, if lower, the assets are impaired to that value.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold buildings and fixed plant (longer life)	- 50 years
Freehold buildings and fixed plant (shorter life)	- 10 years

No depreciation is provided on freehold land.

**Statement of principal accounting policies (continued)****For the year ended 30 September 2016**

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**d) Turnover**

Company turnover comprises rental income received in the normal course of the business net of all refunds, allowances and value added tax. Rental income recognition is based on an accruals basis. Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the shorter of the entire lease term or the period to the first break option.

**e) Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when the fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average 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.

**f) Leases**

Rentals receivable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an income in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## Statement of principal accounting policies (continued)

For the year ended 30 September 2016

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**h) Derivative financial instruments**

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

**(a) Financial assets**

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

***Effective interest rate method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

***Financial assets at FVTPL***

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

## Statement of principal accounting policies (continued)

For the year ended 30 September 2016

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**h) Derivative financial instruments (continued)*****Financial assets at FVTPL (continued)***

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the company is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in the notes to the financial statements.

***Held-to-maturity investments***

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

***Available for sale financial assets***

Shares held by the Company in unlisted entities are classified as being AFS, and are stated at cost. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

***Loans and receivables***

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Statement of principal accounting policies (continued)  
For the year ended 30 September 2016

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**h) Derivative financial instruments (continued)**

***Impairment of financial assets***

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet 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 of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

***Derecognition of financial assets***

The Company derecognises a financial asset 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 of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

***(b) Financial liabilities and equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreement.

***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

***Financial liabilities***

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

## Statement of principal accounting policies (continued)

For the year ended 30 September 2016

**h) Derivative financial instruments (continued)*****Financial liabilities at FVTPL***

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the company is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in the notes to the financial statements.

***Other financial liabilities***

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

***Derecognition of financial liabilities***

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

***c) Derivative financial instruments***

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rates and inflation, including interest rate swaps and interest rate caps. Further details of derivative financial instruments are disclosed in note 10 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.



Statement of principal accounting policies (continued)  
For the year ended 30 September 2016

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**h) Derivative financial instruments (continued)**

***d) Hedge accounting***

The Company designates its hedging instruments as cash flow hedges, which hedge the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, or a forecast transaction that could affect profit and loss.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 10 sets out details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve are detailed in the statement of changes in equity.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Notes to the financial statements  
For the year ended 30 September 2016

1. Turnover

Turnover and profit before tax arise from continuing operations entirely in the United Kingdom.

The company leases its property to a related party tenant. The lease was amended as part of the refinancing completed in January 2015. Following this amendment the rental income will increase annually based on RPI, with a cap of 4 per cent and a minimum increase of 1 per cent. In line with the company's accounting policies the fixed rental income is required to be recognised over the term of the lease. A corresponding straight-line asset has been recognised, as disclosed in note 6. The lease expires in 2033, with the tenant having the right to extend for a further ten years.

	2016	Restated <sup>1</sup> 2015
	£'000	£'000
Rental Income	2,100	2,138
Straight-lining of lease rentals	284	94
	<u>2,384</u>	<u>2,232</u>

2. Interest payable and similar charges

	2016	Restated <sup>1</sup> 2015
	£'000	£'000
Interest on loans	908	1,060
Amortisation of debt arrangement fees	192	146
Fair value movement on RPI swap	-	238
Fair value movement on interest rate cap	(24)	24
	<u>1,076</u>	<u>1,468</u>

3. Profit on ordinary activities before taxation

There were no employees of the company in the current or prior year, and the directors did not receive emoluments during the current or prior year.

The audit fees for the audit of the company's annual financial statements of £5,691 (2015: £5,691) were borne by another group undertaking during the current and prior year. The auditor received no non-audit fees during the current or prior year.

Depreciation for the year, included in profit on ordinary activities before taxation, amounted to £445,000 (2015: £445,000).

4. Tax on profit on ordinary activities

	2016	Restated <sup>1</sup> 2015
	£'000	£'000
The tax charge is based on the profit for the year and comprises:		
Corporation tax at 20% (2015: 20.5%)	217	160
Deferred tax		
- current year	7	(40)
- change in tax rate on opening balances	(56)	-
Total tax on profit on ordinary activities	<u>168</u>	<u>120</u>

<sup>1</sup>The prior year figures have been restated following the adoption of FRS 101.

Notes to the financial statements (continued)  
For the year ended 30 September 2016

4. Tax on profit on ordinary activities (continued)

Factors affecting current tax charge:

The difference between the total current tax shown above and the amounts calculated by applying the standard rate of corporation tax to the profit before tax is as follows:

	2016 £'000	Restated <sup>1</sup> 2015 £'000
Profit on ordinary activities before taxation	804	254
Profit on ordinary activities at standard UK corporation tax rate of 20% (2015: 20.5%)	161	51
Effects of:		
Expenses not deductible for tax purposes	64	68
Effects of changes in tax rate	(57)	1
Total tax charge for the year	168	120

The United Kingdom corporation tax rate will decrease to 19% from 1 April 2017 and 17% from 1 April 2020. As such, deferred tax has been provided at the rate of 19% or 17% depending on when the temporary differences are expected to reverse.

5. Investment properties

	Total freehold land and buildings £'000
Cost:	
Beginning and end of the year	17,668
Accumulated depreciation:	
Beginning of the year	3,412
Charge for the year	445
At 30 September 2016	3,857
Net book value:	
At 30 September 2016	13,811
At 30 September 2015	14,256

The fair value of the property at 30 September 2016 was £22.9m (2015: £22.9m). The company has chosen to adopt the cost model as allowed under IAS 40 Investment Properties. The cost model is specified in IAS 16 and requires an investment property to be measured after initial measurement at depreciated cost (less any accumulated impairment losses).

<sup>1</sup>The prior year figures have been restated following the adoption of FRS 101.

Notes to the financial statements (continued)  
For the year ended 30 September 2016

6. Debtors - amounts falling due within one year

		2016	Restated <sup>1</sup> 2015
	Note	£'000	£'000
The following are included in debtors falling due within one year:			
Prepayments		173	173
Amounts due from fellow group undertakings		2,752	2,587
Loans to related parties		679	679
Interest rate cap	10	-	24
Straight-line lease asset		284	94
		<u>3,888</u>	<u>3,557</u>

The straight-line lease asset relates to the annual fixed uplift of rental income, see note 1.

Amounts due from fellow group undertakings do not bear interest and are repayable on demand.

7. Creditors - amounts falling due within one year

		2016	Restated <sup>1</sup> 2015
		£'000	£'000
The following are included in creditors falling due within one year:			
Accruals		200	235
Deferred rent		180	177
Amounts due to fellow group undertakings		3,187	4,051
UK Corporation tax		109	82
		<u>3,676</u>	<u>4,545</u>

Amounts due to fellow group undertakings do not bear interest and are payable on demand.

8. Creditors - amounts falling due after more than one year

		2016	Restated <sup>1</sup> 2015
		£'000	£'000
<b>Bank loans:</b>			
Due after more than one year			
Secured loans		12,462	12,462
Arrangement fees		(55)	(223)
<b>Total due</b>		<u>12,407</u>	<u>12,239</u>

<sup>1</sup>The prior year figures have been restated following the adoption of FRS 101.

Notes to the financial statements (continued)  
For the year ended 30 September 2016

8. Creditors - amounts falling due after more than one year (continued)

Terms of repayment

	2016		Restated <sup>1</sup> 2015	
	Interest rate*	£'000	Interest rate*	£'000
Secured loans				
Repayable as a lump sum on 28 January 2018	7.03%	12,462	7.08%	12,462

Secured by land and buildings with a net book value of £13.8 million (2015: £14.3 million) (note 5).

	2016	Restated <sup>1</sup> 2015
	£'000	£'000
Maturity profile		
Payable in:		
less than 1 year	-	-
1 - 2 years	12,407	(168)
2 - 5 years	-	12,407
	<u>12,407</u>	<u>12,239</u>

\* The interest rate disclosed is the rate at year end.

As part of the refinancing of the debt facility in January 2015, the company terminated the interest rate swap contract. The company purchased an interest rate cap to hedge its exposure to LIBOR interest rate movements on its new facility. The cost of purchasing the interest rate cap is being amortised over the life of the cap within debt arrangement fees. See note 2.

The hedge instrument effectively caps the LIBOR interest rate of the bank debt at 1.40% until 28 January 2018. The LIBOR rate at the year end is 0.58%. The notional principal amount of the interest rate cap contract is £8.4m.

Undrawn borrowing facilities

The company has no undrawn borrowing facilities.

9. Provision for liabilities

Deferred tax

Deferred tax is provided as follows:

	Accelerated tax depreciation	Derivatives	Total
	£'000	£'000	£'000
At 1 October 2014	363	(18)	345
Charge/(credit) to profit or loss	12	(53)	(41)
Charge to other comprehensive income	-	66	66
At 1 October 2015	<u>375</u>	<u>(5)</u>	<u>370</u>
Charge/(credit) to profit or loss	7	-	7
Effect of change in tax rate – income statement	(56)	-	(56)
At 30 September 2016	<u>326</u>	<u>(5)</u>	<u>321</u>

Deferred tax is provided in relation to other timing differences and will be utilised over the term of the related property lease.

<sup>1</sup>The prior year figures have been restated following the adoption of FRS 101.

Notes to the financial statements (continued)  
For the year ended 30 September 2016

10. Financial Instruments

The movement in the interest rate cap asset is as follows:

	2016	Restated <sup>1</sup> 2015
	£'000	£'000
At beginning of the year	24	-
Acquisition	-	24
Fair value movement to the income statement	(24)	-
At end of the year	<u>-</u>	<u>24</u>

11. Called up share capital

	2016	Restated <sup>1</sup> 2015
	£'000	£'000
Authorised 1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>
Allotted, called up and fully paid 1 ordinary share of £1	<u>-</u>	<u>-</u>

12. Contingent liabilities

As discussed in note 8, the debt of the company is secured by land and building assets with a net book value of £13.8 million (2015: £14.3 million). As part of the debt funding, the company cross-collateralised its land and buildings with the debt held by all companies within the Magnolia Propco and is therefore a guarantor of all of the debt.

At 30 September 2016 the total amount of debt held by all companies within the Magnolia Propco is £42.3 million (2015: £42.3 million) and the aggregate net book value of the land and buildings secured against that debt is £42.3 million (2015: £42.3 million).

Notes to the financial statements (continued)  
For the year ended 30 September 2016

13. Explanation of transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 30 September 2015 and the date of transition to FRS 101 was therefore 1 October 2014.

		At 1 October 2014 £'000	At 30 September 2015 £'000
<b>Reconciliation of equity</b>	<b>Notes</b>		
<b>Equity reported under previous UK GAAP</b>		<b>335</b>	<b>679</b>
Adjustments to equity on transition to FRS 101:			
Recognition of RPI swap asset	a	238	-
Recognition of interest rate swap liability	b	(331)	-
Fair value movement of interest rate cap	c	-	(24)
Deferred tax - retained earnings	d	(48)	5
Deferred tax - other comprehensive income	d	66	-
<b>Equity reported under FRS 101</b>		<b>260</b>	<b>660</b>

Notes to the reconciliation of equity at 1 October 2014

The following notes describe the material adjustments to equity on transition to FRS 101:

a) The company held an RPI swap as at 1 October 2014, this was terminated in the year ending 30 September 2015. Under UK GAAP this financial instrument was not recognised on the balance sheet. Under FRS 101 this financial instrument is recognised at its fair value with movements going through profit and loss. On termination during the year ending 30 September 2015, the value of the liability was released through the profit and loss account. See note 2.

b) The Company held an interest rate swap as at 1 October 2014. The interest rate swap was measured at its fair value with movements going through profit and loss. Hedge accounting was applied therefore the initial recognition of the swap liability has been recognised in the cash flow hedge reserve on the opening balance sheet as at 1 October 2014. The interest rate swap was terminated in the year ending 30 September 2015 with movements taken through profit and loss. The associated cash flow hedge reserve was released and movements also taken through profit and loss. Therefore there is no impact in the 2015 profit and loss account for the interest rate swap fair value movements as this was fully hedged.

c) An interest rate cap was purchased during the year ending 30 September 2015. The interest rate cap was previously recognised under UK GAAP but was being amortised over the term of the debt that was being hedged. Under FRS 101 the interest rate cap is measured at its fair value with movements going through profit and loss. See note 2 and 10.

d) Deferred tax under FRS101 is calculated on a balance sheet approach and the effect of recognising financial instruments on the balance sheet requires a restatement in deferred tax.

Reconciliation of total comprehensive income/(expenditure) for the year ended 30 September 2015

	Notes	£'000
<b>Total comprehensive income/(expenditure) for the financial year under previous UK GAAP</b>		<b>344</b>
Recognition of termination of RPI swap	a	(238)
Change in fair value of cash flow hedge	b	331
Fair value movement on interest rate cap	c	(24)
Tax effect of conversion - profit and loss	d	53
Tax effect of conversion - other comprehensive income	d	(66)
Other		(1)
<b>Total comprehensive income/(expenditure) for the financial year under FRS 101</b>		<b>399</b>

Notes to the reconciliation of profit or loss for 2015

The material adjustments to profit and loss on transition to FRS 101 are in line with the adjustments through equity as noted above.

Notes to the financial statements (continued)  
For the year ended 30 September 2016

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**14. Subsequent events**

No subsequent events were identified for disclosure since the balance sheet date.

**15. Ultimate parent company**

The company is a subsidiary undertaking of GHG 2008 4A (BVI Property Holdings) Limited. The ultimate parent and controlling party is General Healthcare Mixer Partnership LLP, a UK limited liability partnership. The largest and smallest group into which the financial statements of the company are consolidated is General Healthcare Mixer Partnership LLP.)

The consolidated financial statements of General Healthcare Mixer Partnership LLP can be obtained from its principal place of business at BMI Healthcare House, 3 Paris Garden, Southwark, London SE1 8ND.