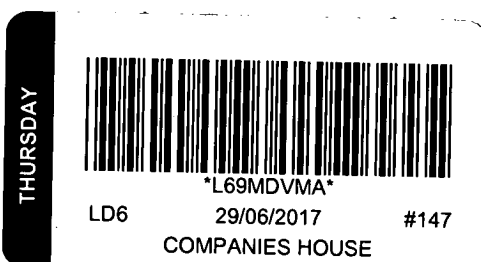


Registered number: 06800540

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016



EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

COMPANY INFORMATION

Directors R D Knight
S L Jones (resigned 1 February 2016)
P A Would (appointed 1 February 2016)

Company secretary D T Adams

Registered number 06800540

Registered office Welken House
10 - 11 Charterhouse Square
London
EC1M 6EH

Independent auditor BDO LLP
55 Baker Street
London
W1U 7EU

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

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EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Introduction

The Directors submit their annual strategic report and the audited financial statements for the year ended 31 December 2016.

Business review

The Group is contracted by Leeds Partnerships NHS Foundation Trust to provide maintained mental health facilities in Leeds. Facilities management services are subcontracted to Interserve (Facilities Management) Limited; service deductions are passed down to Interserve to mitigate the risk of deductions being suffered by the Group. The Group suffered no deductions during the year or preceding period that were not passed down to the facilities management sub-contractor.

Principal risks and uncertainties

The Group manages interest rate risk via an interest rate swap agreement. All RPI risk is managed via an index linked payment mechanism.

The Group has a single client; although loss of this client would be financially significant, the Group mitigates this risk via project contracts and by only dealing with creditworthy government authorities.

The Group's board of Directors has built an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

The Directors have considered the stability of financial counterparties to this project during the operational phase and have concluded that all financial counterparties have the ability to meet all contractual obligations associated to the senior lending facilities.

The Directors have also considered the ability of government authorities to continue to pay unitary fees due to the Group and do not consider this to be a material risk.

Going concern

The Group's forecasts and projections, taking into account reasonably possible changes in counterparty performance, show that the Group expects to be able to operate within the level of its current facilities and continue to meet forecast loan covenants.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

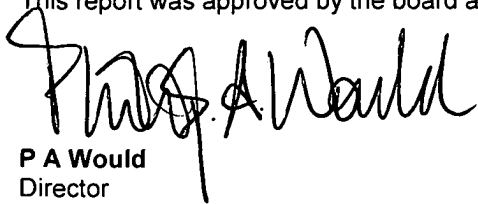
EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Key performance indicators

The key performance indicators for the Group are that the Group suffered minimal unavailability or service deductions during the year and preceding period and performed within the restrictions imposed by project documentation. The Group performed within the parameters expected in comparison to financial model profiling and at no time breached any covenant of the project documentation.

This report was approved by the board and signed on its behalf.

A handwritten signature in black ink, appearing to read 'P A Would', is written over the printed name and title.

P A Would
Director

Date: 29 June 2017

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Principal activity

The principal activity of the Group is to provide maintained mental health facilities to Leeds Partnerships NHS Foundation Trust under the Government's Private Finance Initiative.

The initial concession period runs to July 2028 at which point the Leeds Partnership NHS Foundation Trust has the option to extend the concession period for a further 15 years. If this is exercised the concession period can then be extended for a further 10 years by the Trust.

Results and dividends

The profit for the year, after taxation, amounted to £1,175,000 (2015 - £849,000).

The Group continued to provide maintained mental health facilities to Leeds Mental Health Trust throughout the year and suffered no income deductions that were not fully recovered from subcontractors.

Directors

The directors who served during the year were:

R D Knight
S L Jones (resigned 1 February 2016)
P A Would (appointed 1 February 2016)

Future developments

The Directors of the Group are not aware of any circumstances by which the principal activity of the Group would alter or cease. The Group was incorporated on 8 December 2008.

Company's policy for payment of creditors

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that all Group suppliers are made aware of the terms of payment and abide by these terms. Trade creditors of the Group at 31 December 2016 were equivalent to 19 days' purchases (2015: 39 days), based on the average daily amount invoiced by suppliers during the year.

Qualifying third party indemnity provisions

The Directors have qualifying third party indemnity provisions put in place through other companies of which they are also directors.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

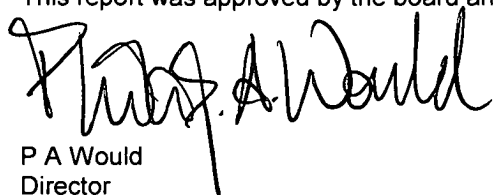
Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



P A Would
Director

Date: 29 June 2017

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

We have audited the financial statements of Equitix Healthcare (Leeds) Holdings Limited for the year ended 31 December 2016, set out on pages 8 to 29. The relevant financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 Directors' responsibilities statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express 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 Financial Reporting Council'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 Group's and the parent Company's affairs as at 31 December 2016 and of the Group's 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 matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EQUITIX HEALTHCARE (LEEDS)
HOLDINGS LIMITED (CONTINUED)**

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

BDO LLP

Paul Bailey (Senior statutory auditor)

for and on behalf of
BDO LLP, Statutory auditor

55 Baker Street
London

W1U 7EU

Date: *29 June 2017*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCO
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £000	2015 £000
Turnover	3	11,981	11,338
Cost of sales		(6,990)	(5,709)
Gross profit		4,991	5,629
Administrative expenses		(2,291)	(2,628)
Operating profit	4	2,700	3,001
Interest receivable and similar income	6	2,950	2,835
Interest payable and expenses	7	(4,475)	(4,673)
Profit before tax		1,175	1,163
Tax on profit	8	(185)	(314)
Profit for the year		990	849
Other comprehensive income for the year			
Movement in cash flow hedge		479	1,242
Taxation in respect of items of other comprehensive income		(129)	(343)
Other comprehensive income for the year		350	899
Total comprehensive income for the year		1,340	1,748
Profit for the year attributable to:			
Owners of the parent company		(990)	(849)

All amounts relate to ongoing activities.

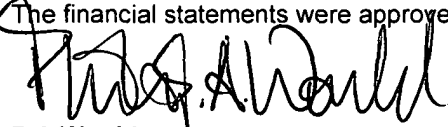
The notes on pages 16 to 29 form part of these financial statements.

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED
REGISTERED NUMBER: 06800540

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Fixed assets			
Intangible assets	9	16,706	18,148
		<u>16,706</u>	<u>18,148</u>
Current assets			
Financial assets	12	28,244	28,048
Debtors: amounts falling due within one year	12	2,273	3,711
Cash at bank and in hand	13	7,486	5,998
		<u>38,003</u>	<u>37,757</u>
Creditors: amounts falling due within one year	14	(7,273)	(6,881)
Net current assets		<u>30,730</u>	<u>30,876</u>
Total assets less current liabilities		<u>47,436</u>	<u>49,024</u>
Creditors: amounts falling due after more than one year	15	(48,377)	(51,305)
Net liabilities		<u>(941)</u>	<u>(2,281)</u>
Capital and reserves			
Other reserves		(3,526)	(3,876)
Profit and loss account		2,585	1,595
		<u>(941)</u>	<u>(2,281)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


P A Would
 Director

Date: 29 June 2017

The notes on pages 16 to 29 form part of these financial statements.

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED
REGISTERED NUMBER: 06800540

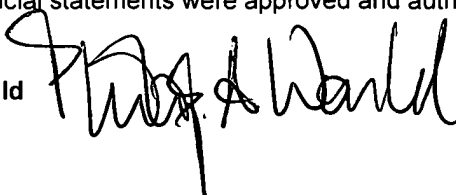
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Fixed assets			
Investments	11	27,175	27,175
		<u>27,175</u>	<u>27,175</u>
Current assets			
Debtors: amounts falling due within one year	12	1,245	1,245
		<u>1,245</u>	<u>1,245</u>
Creditors: amounts falling due within one year	14	(1,245)	(1,245)
		<u>-</u>	<u>-</u>
Net current assets		-	-
Total assets less current liabilities		<u>27,175</u>	<u>27,175</u>
Creditors: amounts falling due after more than one year	15	(27,175)	(27,175)
		<u>-</u>	<u>-</u>
Net assets		<u>-</u>	<u>-</u>
Capital and reserves			
Called up share capital	19	-	-
Profit and loss account		-	-
		<u>-</u>	<u>-</u>

The profit of the parent company for the year was £ Nil (2015:£ Nil)

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

P A Would
Director



Date: 29 June 2017

The notes on pages 16 to 29 form part of these financial statements.

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2016	-	(3,876)	1,595	(2,281)
Comprehensive income for the year				
Profit for the year	-	-	990	990
Taxation in respect of items of other comprehensive income	-	(129)	-	(129)
Hedge effective portion of change in fair value of designated hedging	-	479	-	479
Other comprehensive income for the year	-	350	-	350
Total comprehensive income for the year	-	350	990	1,340
Total transactions with owners	-	-	-	-
At 31 December 2016	-	(3,526)	2,585	(941)

The notes on pages 16 to 29 form part of these financial statements

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2015	-	(4,775)	746	(4,029)
Comprehensive income for the year				
Profit for the year	-	-	849	849
Taxation in respect of items of other comprehensive income	-	(343)	-	(343)
Hedge effective portion of change in fair value of designated hedging	-	1,242	-	1,242
Other comprehensive income for the year	-	899	-	899
Total comprehensive income for the year	-	899	849	1,748
Total transactions with owners	-	-	-	-
At 31 December 2015	-	(3,876)	1,595	(2,281)

The notes on pages 16 to 29 form part of these financial statements.

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital £000	Total equity £000
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-
Total transactions with owners	-	-

The notes on pages 16 to 29 form part of these financial statements.

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital £000	Total equity £000
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-
Total transactions with owners	-	-

The notes on pages 16 to 29 form part of these financial statements.

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 £000	2015 £000
Cash flows from operating activities		
Profit for the financial year	991	849
Adjustments for:		
Amortisation of intangible assets	1,442	1,442
Impairments of fixed assets	31	31
Interest paid	4,444	4,643
Interest received	(2,950)	(2,835)
Taxation charge	184	315
Decrease/(increase) in debtors	1,124	(1,193)
Increase/(decrease) in creditors	217	(73)
Turnover for mark-up on costs	(9,646)	(9,763)
Net cash used in operating activities	(4,163)	(6,584)
Cash flows from investing activities		
Interest received	-	14
Receipts on financial asset	12,400	12,204
Net cash from investing activities	12,400	12,218
Cash flows from financing activities		
Repayment of loans	(2,305)	(2,149)
Interest paid	(4,444)	(4,642)
Net cash used in financing activities	(6,749)	(6,791)
Net increase/(decrease) in cash and cash equivalents	1,488	(1,157)
Cash and cash equivalents at beginning of year	5,998	7,155
Cash and cash equivalents at the end of year	7,486	5,998
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	7,486	5,998
	7,486	5,998

The notes on pages 16 to 29 form part of these financial statements.

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The judgements and accounting estimates applied are disclosed in Note 2.

The financial currency of the Group is Sterling and the results are presented in round £'000.

1.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

1.3 Going concern

The Group's forecasts and projections, taking into account of reasonably possible changes in counterparty performance, show that the Group expects to be able to operate within the level of its current facilities and continue to meet forecast loan covenants.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

1.4 Revenue

The assets of the Group fall under Service Concession Arrangements by virtue of the fact that the public sector customer ("Grantor") passes both elements of the asset control test:

- i) The Grantor controls the use of the asset via the project agreement and all service level requirements contained therein;
- ii) The Grantor controls the entitlement to residual asset proceeds via an entitlement to purchase the asset prior to an offer to the open market which can be exercised at the Grantor's discretion.

Under section 34 of FRS102, such assets should be capitalised into a financial asset attributed to the provision of services.

Pursuant to section 23 of FRS102, revenue associated with the financial asset comprises service income related to facilities management, lifecycle maintenance and other administrative running costs of the Company.

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.5 Intangible assets

An intangible asset is recognised on the acquisition of service concession arrangements and represents the rights to future profits on the service element of these concessions. This intangible is initially recognised at fair value and is subsequently amortised over the period of service concession, ending on 31 July 2028.

At each report date, the Director's review the carrying amounts of intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

1.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

1.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

1.9 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.9 Financial instruments (continued)

impairment loss is recognised in profit or loss.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an 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.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate unless hedge accounting is applied (see 1.11).

1.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.11 Hedge accounting

The Group uses variable to fixed interest rate swaps to manage its exposure to cash flow risk on its variable rate debt. These derivatives are measured at fair value at each reporting date.

To the extent the cash flow hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the period.

1.12 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.13 Interest income

Interest income is recognised in profit or loss using the effective interest method.

1.14 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

1.16 Current and deferred taxation

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

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are not discounted.

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. Judgments in applying accounting policies and key sources of estimation uncertainty

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are as follows:

Key sources of estimation uncertainty

Financial Asset - The calculation of the amortised cost of the financial asset requires an estimate of the residual value of the properties at the end of the lease term. This estimate has been based on the residual value allocated to the contract based on an external valuation of the properties undertaken in 2013 and applied in the financial model.

Financial Asset Interest Rate - The financial asset interest income is based on the weighted average cost of capital of the project and is applied to the carrying value of the Financial Asset on a quarterly basis. The interest rate used in 2016 is 10.21% (2015: 10.21%) per annum.

Service Margin - After the property is constructed, the group provides property management services. The remuneration for these services is recognised at cost plus an estimated mark up for profit on property management services. The service margin rate used in 2016 is 76.55% (2015: 76.85%) per annum.

Critical judgements

Concession arrangements - The concession arrangements undertaken by the group are considered to fall within the scope of section 34 of FRS 102 "Service Concession Arrangements", as described in the Turnover note. This judgement has been based on a consideration of the nature and terms of the agreements.

3. Turnover

	2016 £000	2015 £000
Service revenue	11,981	11,338
	<u>11,981</u>	<u>11,338</u>

All turnover arose within the United Kingdom.

4. Operating profit

The operating profit is stated after charging:

	2016 £000	2015 £000
Amortisation of intangible assets, including goodwill	1,442	1,442
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	8	8
	<u>8</u>	<u>8</u>

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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5. Directors' remuneration

No Directors are employed directly by the Group. A recharge is made for Directors' services. The Group had no employees during the period (2015: none).

6. Interest receivable

	2016	2015
	£000	£000
Financial asset interest receivable	2,950	2,821
Bank interest receivable	-	14
	2,950	2,835

7. Interest payable and similar charges

	2016	2015
	£000	£000
Senior loan and swap interest payable	1,773	1,957
Amortised debt issue costs	31	31
Interest payable to parent undertakings	2,671	2,685
	4,475	4,673

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

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8. Taxation

	2016 £000	2015 £000
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	171	21
Effect of tax rate change on opening balance	14	177
Adjustment in respect of prior period	-	116
Total deferred tax	<u>185</u>	<u>314</u>
Taxation on profit on ordinary activities	<u>185</u>	<u>314</u>
Tax in respect of other comprehensive income		

Tax charge in respect of other comprehensive income for the year amounted to £129k (2015: £343k).

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - *lower than*) the standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	<u>1,175</u>	<u>1,163</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%)	235	235
Effects of:		
Fixed asset differences	(34)	(64)
Adjustments to tax charge in respect of prior periods	-	116
Deferred tax movement charge to other comprehensive income	(129)	(343)
Timing differences not recognised	96	252
Deferred tax impact on adjustment to tax rates	17	118
Total tax charge for the year	<u>185</u>	<u>314</u>

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

8. Taxation (continued)

Factors that may affect future tax charges

Reductions in the rate of corporation tax to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016 and substantively enacted 15 September 2016. This will reduce the group's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

9. Intangible assets

Group and Company

	£000
Cost	
At 1 January 2016	25,563
At 31 December 2016	<u>25,563</u>
Amortisation	
At 1 January 2016	7,415
Charge for the year	1,442
At 31 December 2016	<u>8,857</u>
Net book value	
At 31 December 2016	<u>16,706</u>
At 31 December 2015	<u>18,148</u>

The intangible asset recorded represents the value of the future service concession profits and arose upon acquisition of the other assets acquired from Accent Foundation Limited on 13 February 2009. This intangible asset is amortised over the period of service concession, ending on 31 July 2028.

10. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The profit after tax of the parent Company for the year was £Nil (2015 - £Nil).

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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11. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Leeds PFI SPV 2 Limited	Ordinary	100 %	Provision of mental health facilities

On 13 February 2009 the Company acquired all issued ordinary share capital of Leeds PFI SPV 2 Limited, a company incorporated in England & Wales, and subscribed to £27,175,000 of subordinated debt in the same subsidiary; this loan has a fixed interest coupon of 9.51%.

	Aggregate of share capital and reserves £000	Profit/(loss) £000
Leeds PFI SPV 2 Limited		
Welken House, 10-11 Charterhouse Square, London, EC1M 6EH	(941)	990
	<u>(941)</u>	<u>990</u>

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2016	27,175
At 31 December 2016	<u>27,175</u>
Net book value	
At 31 December 2016	27,175
At 31 December 2015	<u><u>27,175</u></u>

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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12. Debtors

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Due after more than one year				
Financial assets	28,244	28,048	-	-
	<u>28,244</u>	<u>28,048</u>	<u>-</u>	<u>-</u>
	<u><u>28,244</u></u>	<u><u>28,048</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Due within one year				
Trade debtors	338	1,420	-	-
Amounts owed by group undertakings	-	-	1,245	1,245
Prepayments and accrued income	1,136	1,177	-	-
Deferred taxation (see note 18)	799	1,114	-	-
	<u>2,273</u>	<u>3,711</u>	<u>1,245</u>	<u>1,245</u>
	<u><u>2,273</u></u>	<u><u>3,711</u></u>	<u><u>1,245</u></u>	<u><u>1,245</u></u>

13. Cash and cash equivalents

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Cash at bank and in hand	7,486	5,998	-	-
	<u>7,486</u>	<u>5,998</u>	<u>-</u>	<u>-</u>
	<u><u>7,486</u></u>	<u><u>5,998</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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14. Creditors: Amounts falling due within one year

	Group 2016 £000	<i>Group 2015 £000</i>	Company 2016 £000	<i>Company 2015 £000</i>
Bank loans (see note 16)	2,481	2,305	-	-
Trade creditors	401	606	-	-
Amounts owed to group undertakings	1,245	1,245	1,245	1,245
Taxation and social security	319	344	-	-
Other creditors	420	470	-	-
Accruals and deferred income	2,407	1,911	-	-
	<u>7,273</u>	<u>6,881</u>	<u>1,245</u>	<u>1,245</u>

15. Creditors: Amounts falling due after more than one year

	Group 2016 £000	<i>Group 2015 £000</i>	Company 2016 £000	<i>Company 2015 £000</i>
Bank loans (see note 16)	17,150	19,631	-	-
Amounts owed to group undertakings	27,175	27,175	27,175	27,175
Unamortised debt arrangement fees (see note 16)	(196)	(228)	-	-
Cash flow hedge - Interest rate swap	4,248	4,727	-	-
	<u>48,377</u>	<u>51,305</u>	<u>27,175</u>	<u>27,175</u>

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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16. Loans

Analysis of the maturity of loans is given below:

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Amounts falling due within one year				
Bank loans	2,481	2,305	-	-
	<u>2,481</u>	<u>2,305</u>	<u>-</u>	<u>-</u>
Amounts falling due 1-2 years				
Bank loans	2,666	2,481	-	-
	<u>2,666</u>	<u>2,481</u>	<u>-</u>	<u>-</u>
Amounts falling due 2-5 years				
Bank loans	9,249	8,608	-	-
	<u>9,249</u>	<u>8,608</u>	<u>-</u>	<u>-</u>
Amounts falling due after more than 5 years				
Bank loans	5,234	8,542	-	-
Unamortised debt arrangement fees	(196)	(228)	-	-
	<u>5,038</u>	<u>8,314</u>	<u>-</u>	<u>-</u>
	<u>19,434</u>	<u>21,708</u>	<u>-</u>	<u>-</u>

The Group has one bank loan of £19,435,000 (2016: £21,708,000) net of deferred financing fees of £196,000 (2015: £228,000); repayments of this loan commenced on 31 March 2009 and will continue until 31 March 2023. The loan is secured by a charge over certain of the Group's properties and assets. Interest has a floating rate of LIBOR + 1.80% however, this is fixed at 6.70% via an interest rate swap agreement facilitated by National Australia Bank. The swap expires on 31 March 2023. Issue costs of the debt are offset against the bank loan and will be amortised over the duration of the facilities.

The subordinated debt is a back to back arrangement with the subsidiary and the terms of the loan notes in the Company are the same. This loan has a fixed interest rate of 9.51% until March 2024 at which point it is increased to 10.51% to March 2028. After this point the interest rate is increased to 10.68% until repayment in a single instalment in September 2028.

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

17. Financial instruments

	Group 2016 £000	<i>Group 2015 £000</i>	Company 2016 £000	<i>Company 2015 £000</i>
Financial assets				
Financial assets that are debt instruments measured at amortised cost	37,172	36,606	28,420	28,420
	<u>37,172</u>	<u>36,606</u>	<u>28,420</u>	<u>28,420</u>
Financial liabilities				
Derivative financial instruments designated as hedges of variable interest rate risk	(4,248)	(4,727)	-	-
Financial liabilities measured at amortised cost	(51,083)	(53,687)	(28,420)	(28,420)
	<u>(55,331)</u>	<u>(58,414)</u>	<u>(28,420)</u>	<u>(28,420)</u>

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, accrued income and financial assets in respect of infrastructure assets.

Financial Liabilities measured at amortised cost comprise bank loans, group loans, trade creditors, accruals and other creditors.

Derivative financial instruments designated as hedges of variable interest rate risk comprise an interest rate swap. The fair value of the interest rate swap has been determined by reference to prices available from the markets on which the instruments involved are traded.

18. Deferred taxation

Group

	2016 £000	<i>2015 £000</i>
At beginning of year	1,113	1,771
Charged to profit or loss	(185)	(315)
Charged to other comprehensive income	(129)	(343)
At end of year	<u>799</u>	<u>1,113</u>

EQUITIX HEALTHCARE (LEEDS) HOLDINGS LIMITED

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18. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	Group 2016 £000	Group 2015 £000
Fixed asset timing differences	(397)	(416)
Tax losses carried forward	474	850
Cash flow hedge reserve	722	679
	799	1,113

19. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

20. Related party transactions

During the year the Group paid £41k (2015: £40k) to Equitix Healthcare Limited in relation to Directors' fees. No liability was outstanding at the year end (2015: £nil). Equitix Healthcare Limited is a related party as a 100% shareholder of Equitix Healthcare (Leeds) Holdings Limited.

21. Controlling party

The Company's immediate parent company is Equitix Healthcare Limited. The Company's ultimate parent and controlling entity is Equitix Fund I LP, a limited partnership registered in England and Wales.