

REH Phase 1 Subhub Holdings Limited

Report and financial statements
For the year ended 31 March 2019

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COMPANIES HOUSE

Company No. SC483054

Officers and professional advisers

Company registration number	SC483054
Registered office	PO Box 17452 2 Lochside View Edinburgh EH12 1LB
Directors	K Bradley A McCrorie P McGirk C Campbell G Sheret M Templeton P McVey R Park L Simmons N Gemmell
Company Secretary	Galliford Try Secretariat Services Limited
Bankers	Barclays Bank plc PALL MALL 2 Leicestershire LE87 2BB
Auditor	Scott-Moncrieff Chartered Accountants Exchange Place 3 Sempie Street Edinburgh EH3 8BL

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Report of the directors

The directors submit their report and the audited financial statements for the year ending on 31 March 2019.

Business review and principal activities

The Company has been established as a non-trading holding company for the investment in REH Phase 1 Subhub Limited. REH Phase 1 Subhub Limited (DBFMCo) has entered a Design, Build, Finance and Maintain (“DBFM”) concession contract with NHS Lothian (the Authority). The DBFM contract involves the design, build and financing of the new Royal Edinburgh Hospital together with the provision of certain facilities management services within the building. The Project Agreement between REH Phase 1 Subhub Limited and NHS Lothian was signed on 18 December 2014.

As part of this contract, REH Phase 1 Subhub Ltd has entered into a fixed-price sub-contract with Galliford Try Building Limited t/a Morrison Construction to design and build the facility. The construction of the hospital was completed in December 2016.

DBFMCo has also entered a sub-contract with Galliford Try Building Limited t/a Galliford Try Facilities Management for the provision of facilities management services within the building.

The DBFM project is being financed by a combination of senior and subordinated debt. Senior debt facilities of £43.9m, provided by Nord/LB and £4.2m of subordinated debt provided by equity shareholders will fund the construction of the campus.

The hospital has been handed over to NHS Lothian in December 2016 and the operating term of the DBFM contract is 25 years until the project expiry date of 5 December 2041. Monthly service payments from NHS Lothian commenced from the date of Practical Completion when the building became available. The construction and other related costs are being treated as an asset which will be repaid over the life of the contract.

Future developments

The directors do not anticipate any changes in the Company’s activities.

Key performance indicators “KPIs”

Given the straightforward nature of the business, the Company’s directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Results

The Statement of Comprehensive Income for the year is set out on page 9. During the year the company performed in line with expectation and reported a profit of £nil (2018: £nil).

Report of the directors (continued)

Directors and their interests

The directors of the Company who held office during the period and to date are as follows:

K Bradley
A McCrorie
P McGirk
G Sheret
P McVey
R Park
C Campbell
L Simmons
N Gemmell
M Templeton (appointed 26 April 2019)
R Christie (resigned 26 April 2019)

In accordance with the Company's Articles of Association, none of its directors are required to retire.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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.

Report of the directors (continued)

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are directors at the time the report is approved:

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

Post balance sheet events

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

Auditor

The auditor, Scott-Moncrieff is deemed to be reappointed under Section 487(2) of the Companies Act 2006.

Small companies' exemptions

The above report has been prepared in accordance with the provisions applicable to companies subject to the small companies' regime within part 15 of the Companies Act 2006.

This report was approved by the Board on 11 September 2019 and signed on its behalf by:



P McGirk
Director

Independent Auditor's Report to the Members of REH Phase 1 Subhub Holdings Limited

Opinion

We have audited the financial statements of REH Phase 1 Subhub Holdings Limited ('the Company') for the year ended 31 March 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its results 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

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

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

Independent Auditor's Report to the Members of REH Phase 1 Subhub Holdings Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters 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 Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the directors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the directors.

We have nothing to report in respect of the following matters in relation to which 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the Report of the directors and from the requirement to prepare a Strategic Report.

Independent Auditor's Report to the Members of REH Phase 1 Subhub Holdings Limited (continued)

Responsibilities of the directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's Report.

Use of our report

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, as a body, 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.

Scott-Moncrieff

James McBride (Senior Statutory Auditor)
for and on behalf of Scott-Moncrieff
Statutory Auditor
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 11 September 2019

Statement of Comprehensive Income for the year ended 31 March 2019

		Year ended 31 March 2019	Year ended 31 March 2018
	Note	£	£
Administration expenses		-	-
Operating profit	3	-	-
Interest payable	4	(461,368)	(464,346)
Interest receivable	4	461,368	464,346
Profit on ordinary activities before taxation		-	-
Taxation	5	-	-
Retained profit for the year		-	-
Other comprehensive income		-	-
Total comprehensive income		-	-

All activities are continuing.

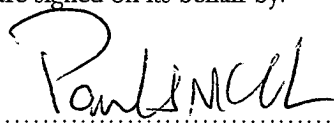
The notes form part of these financial statements.

Balance sheet as at 31 March 2019

	Note	2019 £	2018 £
Fixed Assets			
Investments	6	100	100
Non-Current assets			
Debtors – amounts falling due after more than one year	7	4,267,148	4,276,415
Current assets			
Debtors – amounts falling due after less than one year	7	<u>253,392</u>	<u>260,625</u>
		253,392	260,625
Current liabilities			
Creditors – amounts falling due within one year	8	<u>(253,392)</u>	<u>(260,625)</u>
Net current assets		-	-
Total assets less current liabilities		<u>4,267,248</u>	<u>4,276,515</u>
Creditors – amounts falling due after more than one year	9	(4,267,148)	(4,276,415)
Net assets		<u>100</u>	<u>100</u>
Capital and reserves			
Called-up share capital	11	100	100
Profit and loss reserve	12	-	-
Equity shareholders' funds		<u>100</u>	<u>100</u>

The financial statements have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

The financial statements were authorised for issued by the board of directors on 11 September 2019 and are signed on its behalf by:



P McGirk
Director

Registered Number: SC483054

The notes form part of these financial statements.

Statement of Changes in Equity for the year ended 31 March 2019

	Called up share capital	Profit and loss account	Total Equity
	£	£	£
Balance at 1 April 2018	100	-	100
Profit for the year	-	-	-
Balance at 31 March 2019	<u>100</u>	<u>-</u>	<u>100</u>

Statement of Changes in Equity for the year ended 31 March 2018

	Called up share capital	Profit and loss account	Total Equity
	£	£	£
Balance at 1 April 2017	100	-	100
Profit for the year	-	-	-
Balance at 31 March 2018	<u>100</u>	<u>-</u>	<u>100</u>

Notes to the financial statements

1 Principal accounting policies

(a) General information

The financial statements are presented in Pounds Sterling (GBP) and are rounded to the nearest whole pound. The financial statements cover the results for the year ended 31 March 2019. The continuing activities of the Company are as a holding company for the subordinated debt.

The Company is a private limited company which is limited by shares. The Company was incorporated in Scotland. The registered office is: PO Box 17452

2 Lochside View
Edinburgh
EH12 1LB

The Company's registered number is SC483054.

(b) Basis of preparation

These financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The preparation of the financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies (see note 2).

A summary of the more important accounting policies is set out below.

(c) Going concern

The company is being used to hold the subordinated debt in respect of the Royal Edinburgh Hospital project and this debt will not be repaid in the 12 months from the signing of the financial statements and thus the directors confirm that they view the company as a going concern.

(d) Consolidation

Consolidated accounts have not been prepared as the Company has taken the exemption available to small groups.

(e) Statement of Cash Flows

A Statement of Cash Flows has not been prepared as the Company has had no cash movements during the period or in the prior period.

(f) Interest payable

Finance costs are charged to the Statement of Comprehensive Income 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.

Notes to the financial statements

1 Principal accounting policies (continued)

(g) Interest Receivable

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

(h) Investments

The investment in the subsidiary undertaking is stated at cost. The carrying value of the investment is reviewed annually by the directors to determine whether there has been any impairment.

(i) 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.

(j) Creditors

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

(k) Financial liabilities

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

(l) Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the 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 payables or receivables, 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 the case of an outright 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.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

The directors are satisfied that accounting policies are appropriate and consistently applied. There are no accounting estimates.

Notes to the financial statements

3 Operating profit

None of the directors received any remuneration as directors from the Company during the period. The Company has no directly employed personnel. All administrative expenses are paid by the Company's subsidiary, REH Phase 1 Subhub Limited. The audit fee of £1,300 (2018: £1,275) and non-audit fee in respect of tax services and iXBRL tagging of £630 (2018: £615) is borne by the subsidiary undertaking.

4 Interest receivable and payable

	2019 £	2018 £
Interest receivable		
Interest receivable from subsidiary undertaking	<u>461,368</u>	<u>464,346</u>
Interest payable		
Interest payable in respect of subordinated debt	<u>(461,368)</u>	<u>(464,346)</u>

5 Taxation

The results for the period do not give rise to a tax charge.

6 Investments

	Shareholding in group undertakings £
At 1 April 2018 and 31 March 2019	<u><u>100</u></u>

The Company has invested £100 in the share capital of REH Phase 1 Subhub Limited, a company incorporated in Scotland which has entered into a DBFM contract with NHS Lothian. The investment comprises 100 ordinary shares of £1 each. The shares held in REH Phase 1 Subhub Limited have been pledged to Nord LB, as security trustee under the senior financing documents of the DBFM contract.

Details of this investment are in the table below.

Name	Shareholding	Year end	Equity shareholders' funds	Profit for the year to 31 March 2019
			£	£
REH Phase 1 Subhub Limited	100%	31 March 2019	(3,451,860)	46,095

Other comprehensive income for the period was (£659,344) to give total comprehensive income for the period of (£613,249).

The registered office of REH Phase 1 Subhub Limited is PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB.

Notes to the financial statements

7 Debtors: Amounts payable from subsidiary

	2019 £	2018 £
Amounts falling due after more than one year		
Subordinated loan notes from subsidiary undertaking	<u>4,267,148</u>	<u>4,276,415</u>
Amounts falling due within one year		
Subordinated loan notes from subsidiary undertaking	23,407	31,004
Accrued subordinated debt interest	<u>229,985</u>	<u>229,621</u>
	<u>253,392</u>	<u>260,625</u>

The Company has previously invested £4,309,466 (2018: £4,309,466) in the form of fixed rate loan notes into its wholly owned subsidiary REH Phase 1 Subhub Limited of which £4,290,555 (2018: £4,307,419) was outstanding at the year end. The loans are stated at amortised cost, using the effective interest rate method. Interest is receivable at a rate of 10.5%. The loan notes are unsecured and are repayable in instalments commencing on 31 March 2017 and ending on 5 December 2041.

8 Creditors: amounts falling due within 1 year

	2019 £	2018 £
Subordinated loan notes from related parties	23,407	31,004
Accrued subordinated debt interest	<u>229,985</u>	<u>229,621</u>
	<u>253,392</u>	<u>260,625</u>

Notes to the financial statements

9 Creditors: amounts falling greater than 1 year

	2019	2018
	£	£
Amounts falling due after more than one year		
Subordinated loan notes from related parties	<u>4,267,148</u>	<u>4,276,415</u>

The loans are stated at amortised cost, using the effective interest rate method. Interest is payable a rate of 10.5%. The loan notes are unsecured and are repayable in instalments commencing on 31 March 2017 and ending on 5 December 2041.

Loan interest of £46,137 (2018: £46,435), £138,411 (2018: £139,304), £230,915 (2018: £232,406) and £45,905 (2018: £46,201) was payable in the year to SFTi, NHS Lothian, Galliford Try Investments and PPDI Assetco respectively. Of this interest £22,999 (2018: £22,962), £68,996 (2018: £68,886), £115,107 (2018: £114,927), £22,883 (2018: £22,846) was accrued respectively and is outstanding at the year end.

As at 31 March 2019 loans of £429,059 (2018: £430,745) remain payable to Scottish Futures Trust Investments Limited, £1,287,168 (2018: £1,292,227) remains payable to NHS Lothian, £2,147,430 (2018: £2,155,871) remains payable to Galliford Try Investments Limited and £426,898 (2018: £428,576) remains payable to PPDI Assetco Limited.

Nord LB hold fixed and floating charges over the Company and its assets in respect of funds lent by Nord LB to the Company's subsidiary, REH Phase 1 Subhub Limited.

The repayment profile of the liabilities shown above is as follows:

	2019	2018
	£	£
In less than one year	23,407	31,004
Between one and two years	6,350	9,267
Between two and five years	26,446	24,698
Greater than five years	<u>4,234,352</u>	<u>4,242,450</u>
	<u>4,290,555</u>	<u>4,307,419</u>

10 Financial Instruments

	2019	2018
	£	£
Financial assets		
Financial assets measured at amortised cost	<u>4,250,540</u>	<u>4,537,040</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>4,250,540</u>	<u>4,537,040</u>

Financial assets measured at amortised cost relates to the subordinated debt due from REH Phase 1 Subhub Limited and the accrued subordinated debt interest.

Financial liabilities measured at amortised cost relates to the subordinated debt owed to shareholder organisations and the accrued subordinated debt interest.

Notes to the financial statements

11 Called up share capital

	2019	2018
	£	£
Allotted, issued and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

All issued shares rank pari passu with each other, with one vote for each share and an equal right to dividends.

12 Reserves

The profit and loss reserves includes all current and prior period retained profit and losses.

13 Related party transactions

During the year the Company incurred loan interest of £46,137 (2018: £46,435), £138,411 (2018: £139,304), £230,915 (2018: £232,406) and £45,905 (2018: £46,201) payable to SFTi, NHS Lothian, Galliford Try Investments Limited and PPDI Assetco Limited respectively on loan notes totalling £429,059 (2018: (£430,745)) held by Scottish Futures Trust Investments Limited (SFTi), £1,287,168 (2018: £1,292,227) held by NHS Lothian, £2,147,430 (2018: £2,155,871) held by Galliford Try Investments Limited and £426,898 (2018: £428,577) held by PPDI Assetco Limited. Of this interest £22,999 (2018: £22,962), £68,996 (2018: £68,886), £115,107 (2018: £114,927), £22,883 (2018: £22,846) was accrued for Scottish Futures Trust Investments Limited, NHS Lothian, Galliford Try Investments and PPDI Assetco respectively and is outstanding at the year end.

As at 31 March 2019 loans of £429,059 (2018: £430,745) remains payable to Scottish Futures Trust Investments Limited, £1,287,168 (2018: £1,292,227) remains payable to NHS Lothian, £2,147,430 (2018: £2,155,871) remains payable to Galliford Try Investments Limited and £426,898 (2018: £428,576) remains payable to PPDI Assetco Limited.

During the year the Company received interest of £461,368 (2018: £464,346) in respect of subordinated loans totalling £4,309,466 (2018: £4,309,466) given to its subsidiary company REH Phase 1 Subhub Limited of which £4,290,555 (2018: £4,307,419) was outstanding at the year end.

Included within accrued income in debtors is £229,985 (2018: £229,621) of accrued interest due from REH Phase 1 Subhub Limited which has been received post year end.

14 Immediate and ultimate parent undertaking

The Directors consider there to be no ultimate controlling party.