GHG 33 (Beaumont Hospital) Limited

Report and Financial Statements

for the period ended 18 April 2017

Company Number: 05783541

GHG 33 (Beaumont Hospital) Limited

Report and financial statements
for the period ended 18 April 2017

Contents page:

GHG 33 (Beaumont Hospital) Limited

Company Directory

Director
D Duggins

Registered Office
GHG 33 (Beaumont Hospital) Limited
c/o Maitland Administration Services (Scotland) Ltd
(formerly R&H Fund Services Limited)
8th Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ

Company Incorporated and Registered in United Kingdom

Company Secretary
Maitland Administration Services (Scotland) Ltd
(formerly R&H Fund Services Limited)
8th Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ

Legal Advisors
Milbank, Tweed, Hadley & McCloy LLP
10 Gresham Street
London
EC2V 7JD

Independent Auditors
BDO LLP
55 Baker Street
London
W1U 7EU

GHG 33 (Beaumont Hospital) Limited

Strategic Report

The Director, in preparing this strategic report, has complied with s414C of the Companies Act 2006.

Background

The Company is one of 36 companies which were formed in 2006. One of the companies acts as cash collection and disbursement agent for the others, each of which acquired a single UK private hospital property which were simultaneously all leased to a single tenant on long term leases expiring in 2031, with the tenant having the right to extend for a further ten years. Collectively, those companies which own a property are hereinafter referred to as the "Theatre Propcos" and each a "Theatre Propco".

Debt funding for the acquisition of the properties was provided to the Theatre Propcos under a single set of finance agreements by multiple banks on a medium term basis, with final repayment due in October 2013. Each Theatre Propco, including 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 Theatre Propco being pledged to guarantee and secure the entire debt which was £1.65 billion at the outset, together with related interest rate swaps. The finance agreement was subsequently renewed and maturity was extended to 15 April 2019.

Ownership

Throughout the period, the Company was a wholly-owned subsidiary of Hospital Midco S.a.r.l, a company incorporated in Luxembourg. The ultimate parent and controlling party throughout the period was Hospital Topco Limited, a company incorporated in the United Kingdom.

Business review

The Company owns a single UK private hospital/healthcare property (The Beaumont Hospital), which is occupied and operated by a single tenant (which is also the sole tenant of all the properties owned by the Theatre Propcos) on a long term lease, with the tenant being responsible for the insurance of, repairs to and maintenance of the property. The rent under the lease is increased annually by reference to changes in the UK Retail Prices Index ("RPI"). The tenant is solely responsible for the operation of the private hospital/healthcare facility, including compliance with applicable health and safety legislation as it relates to the property.

The Company's business is therefore one of an investment property company. The Company's only source of income is the rent from the property, which is received quarterly in advance and paid directly to an agent company as described in the financial statements. Those funds are used to pay interest on, and the quarterly repayments of the Company's bank debt and interest rate swap costs, together with lenders' fees and certain administrative costs. For each Theatre Propco, any surplus funds each quarter are swept by the lenders to further repay that company's debt facility and/or the bank debt of other Theatre Propcos of which the Company is a joint guarantor. Conversely, if a Theatre Propco's income is insufficient to meet its mandatory debt repayment, interest and swap costs, it is made good by other Theatre Propcos which have surpluses.

The valuation of the Company's properties decreased during the period as a result of the underlying performance of the hospitals, and the general property market conditions within the healthcare sector.

The Company has no cash and no bank account; all its cash receipts and payments being administered by GHG 38 (Property Holdings) Limited which acts as cash collection and disbursement agent for all the Theatre Propcos. The Company has no permanent staff and relies on outsourced services.

Company objectives

The Company's objectives are to manage its property, collect the rent due and service and gradually pay down the Company's debt.

Results and dividends

2017 results

As will be seen in the Income Statement within the attached financial statements, the Company made a loss before taxation for the period of £0.198 million (15 April 2016: £0.224 million profit). The Director is unable to recommend the payment of a dividend (15 April 2016: £Nil) as the Company does not have distributable reserves.

Principal risks and uncertainties

The Company is exposed to financial risk through its assets and liabilities. The most important components of financial risk are interest rate risk, currency risk, liquidity 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 Statement of Financial Position, the Director considers that all financial risks except currency risk are relevant to the Company.

Interest rates risk

The only significant assets and liabilities of the Company that are interest bearing are its obligations to its lenders. The interest rate on that debt was established in 2006 on a floating rate basis. However, to protect the Company from unexpected rises in interest rates, interest rate swap agreements were put in place to cover the period until the expiry of the existing lease on the Company's property in 2031. These swap arrangements were subsequently cancelled and replaced with new swap arrangements which extend to 2021. Details of these arrangements, which convert the Company's floating rate exposure to known fixed rates, are set out within Note 14 to the financial statements. The Company does not speculate in the trading of derivative instruments.

Liquidity risk

The Company's income is contractually determined within a long term lease of its property and, subject to an annual operating budget, its bank lenders are entitled to sweep the entirety of that income towards repayment and servicing of the bank debt and the interest rate swap costs. The Company (in common with the other Theatre Propcos) has a committed debt facility which matures in April 2019.

The continued availability of finance to the Company will depend upon its ability to meet loan covenants in the future.

Credit risk

The Company has one property that is occupied by a single tenant. The Company therefore monitors the financial position of its tenant. The rent is indexed upwards annually. In addition, the tenant owes the Company and other Theatre Propcos deferred rent totalling some £28 million in respect of the initial quarter's rent in 2006, which both parties agreed to defer at the outset of the property leases in 2006.

On the basis of publicly available information, the Director believes that the tenant is capable of continuing to pay the rent in the short term and settling the deferred rent when it becomes due. In the longer term, the tenant's ability to meet the increasing rent and all other required expenditures will be dependent on its ability to grow its business profitably.

Also, there is an indemnity agreement between the Company, the other Theatre Propcos and the tenant, which may give rise to other material obligations on the tenant.

Price risk

The terms of the lease over the property between the Company and the tenant are established within a long term lease which runs to 2031, with a tenant option to extend for a further ten years. The lease requires the rent to be increased (but not reduced) each year by reference to the United Kingdom Index of Retail Prices, subject to a cap of 4% pa. The Company also has RPI swap arrangements which have the effect of adjusting the annual rent increase to 2.5%. Other than through future changes to the lease arrangements, the Company is not able to manage price risk until the maturity of the current lease.

Property Valuation Risk

As noted on page 2, the valuation of the properties reflects the underlying performance of the hospitals, and the general property market conditions within the healthcare sector.

Going concern

The Director has concluded that it is appropriate to prepare the financial statements on the going concern basis and therefore presents the financial statements accordingly.

This report was approved by the Director and signed on 2 August 2017.

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D Duggins
Director

GHG 33 (Beaumont Hospital) Limited

Report of the Director

The Director has pleasure in presenting this report and the financial statements of GHG 33 (Beaumont Hospital) Limited ("the Company") for the period 16 April 2016 to 18 April 2017. Certain matters have been dealt with in the Strategic Report and are not repeated here.

Incorporation

The Company was incorporated on 18 April 2006 in the United Kingdom. The Company's name on incorporation was Pantomime Propco 33 Limited and it was changed to GHG 33 (Beaumont Hospital) Limited on 7 November 2006.

Principal activity

The principal activity of the Company is to hold investment property located in the United Kingdom.

Director

The Director holding office during the period and through to the date of signing of this report are:

D Duggins

Directors' and officers' insurance

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

Independent auditor

The auditors, BDO LLP have expressed their willingness to continue in office.

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 report was approved by the Director and signed on 2 August 2017.

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D Duggins
Director

GHG 33 (Beaumont Hospital) Limited

Statement of Director's Responsibilities

The Director is responsible for preparing the Strategic report and the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including the Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

Under company law the Director must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the Company and its profit or loss for that period. In preparing these financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue the business; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Director confirms they have complied with all the above requirements in preparing the financial statements.

The Director is 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GHG 33 (BEAUMONT HOSPITAL) LIMITED

We have audited the financial statements of GHG 33 (Beaumont Hospital) Limited for the period ended 18 April 2017 which comprise the income statement, the statement of financial position, the statement of changes in equity and the related notes. 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).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of director's 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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 18 April 2017 and of its loss for the period 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 based on the work undertaken in the case of the audit :

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with the applicable legal requirements.

Matters on which we are required to report by exception

In 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 strategic report or 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, 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.

BDO LLP

Charles Ellis (Senior statutory auditor)
For and on behalf of BDO LLP, Statutory auditor
London
United Kingdom

Date: 4 August 2017

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

GHG 33 (Beaumont Hospital) Limited

Income Statement
for the period ended 18 April 2017

	Note	Period 16.04.16 - 18.04.17 £000	Period 29.05.15 - 15.04.16 £000
Turnover	5	1,395	1,222
Administrative expense	6	(563)	(157)
Gain on revaluation of RPI swap	6	270	139
Loss from changes in fair value of investment property	9	(555)	(127)
Profit on ordinary activities before interest and tax		547	1,077
Loss on revaluation of interest rate swap	6	(129)	(302)
Interest payable and similar charges	7	(616)	(551)
Operating (loss) / profit		**(198)**	**224**
Tax on ordinary activities	8	77	(99)
(Loss) / Profit for the financial period		**(121)**	**125**
Other comprehensive income / (loss)		-	-
Total comprehensive (Loss) / Income for the period		**(121)**	**125**

All operations are considered to be continuing.

The notes on pages 13 to 25 form part of these financial statements.

GHG 33 (Beaumont Hospital) Limited

Statement of Financial Position
at 18 April 2017

	Note	18 April 2017 £000	15 April 2016 £000
Fixed assets			
Tangible assets	9	17,025	17,580
Current assets			
Debtors: due within one year	10	281	281
Debtors: due more than one year	11	546	311
		827	592
Creditors: amount falling due within one year	12	(804)	(728)
Net current assets / (liabilities)		23	(136)
Total assets less current liabilities		17,048	17,444
Creditors: amount falling due after more than one year	13	(14,685)	(14,884)
Provisions for liabilities	15	(1,743)	(1,819)
Net assets		**620**	**741**
Capital and reserves			
Called up share capital	18	-	-
Share premium account	19	-	-
Profit and loss account	19	620	741
Total equity		**620**	**741**

The financial statements for GHG 33 (Beaumont Hospital) Limited, registered number 05783541 were approved by the Director and authorised for issue on 2 August 2017.

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D Duggins
Director

The notes on pages 13 to 25 form part of these financial statements.

GHG 33 (Beaumont Hospital) Limited

Statements of Changes in Equity
for the period ended 18 April 2017

	Share Capital £000	Share Premium £000	Profit and Loss Account £000	Total Equity £000
28 May 2015	-	2,165	(1,741)	424
Total comprehensive income for the period	-	-	125	125
Contributions by and distributions to owners				
Capital contribution	-	-	192	192
Capital reduction	-	(2,165)	2,165	-
15 April 2016	**-**	**-**	**741**	**741**
Total comprehensive loss for the period	-	-	(121)	(121)
18 April 2017	**-**	**-**	**620**	**620**

The notes on pages 13 to 25 form part of these financial statements.

GHG 33 (Beaumont Hospital) Limited

Definitions
for the period ended 18 April 2017

Due to the complexity and inter-related nature of a number of matters set out within these financial statements, to eliminate the need for repeated descriptions, the following defined terms are used throughout the financial statements:

"Deferred Rent Agreement" means the agreement entered into in 2006 between the Theatre Propcos and the Tenant under which it was mutually agreed that the Tenant deferred payment of the first quarter's rent under its leases with the Theatre Propcos.

"Interest Rate Swaps" mean the arrangements described in more detail in Note 17 to the financial statements under which the Theatre Propcos pay interest on the Theatre Propcos' Debt at a fixed rate of interest rather than the floating rate that was originally specified by the Lenders;

"Lenders" means the various banks and other financial institutions which provided and continue to provide the Theatre Propcos' Debt, including at any time new lenders that have subsequently bought such debt from the original issuers;

"Senior Debt" means that tranche of the Company's debt facilities which ranks ahead of other tranches for repayment in the event that the Lenders' security is enforced.

"Tax & Expenses Indemnity" means the agreement entered into in 2006 between the Theatre Propcos, the Tenant and others under which the Tenant is required to settle (without being entitled to reimbursement by the relevant Theatre Propco) any costs, fees and expenses required to maintain each Theatre Propco's corporate existence and any administrative costs, directors' fees, professional fees and regulatory costs incurred in the ordinary course of each Theatre Propco's business and, under certain circumstances, liabilities to taxation for which each Theatre Propco becomes liable.

"Tenant" means BMI Healthcare Limited, which is the sole lessee of all properties owned by the Theatre Propcos;

"Theatre Propcos" means the Company and 34 other UK companies which are each joint guarantors of the Theatre Propcos' Debt and a further company which acts as agent; each Theatre Propco owning a UK hospital property, the acquisition of which was partly financed by the Theatre Propcos' Debt and which properties are leased to and operated by the Tenant and **"Theatre Propco"** means any one of the Theatre Propcos; and

"Theatre Propcos' Debt" means the amount outstanding at any time of the loan facility of £1.65 billion advanced by the Lenders and drawn in full by the Theatre Propcos in 2006 (of which the Company's bank debt forms a part) and which is secured upon all the assets and shares of the Theatre Propcos and their Immediate Holding Company.

1 Company Information

Date of Incorporation

The Company was incorporated in the United Kingdom under the Companies Act 2006 on 18 April 2006.

Principal activity

The principal activity of the Company is to hold investment property located in the United Kingdom.

Registered office

The registered office of the Company is c/o Maitland Administration Services (Scotland) Ltd (formerly R&H Fund Services Limited, 8th Floor, 6 New Street Square, New Fetter Lane, London. EC4A 3AQ.

2 Principal accounting policies

The principal accounting policies are summarised below, which have all been applied consistently throughout the period and prior period, except where stated otherwise.

Basis of preparation
The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and with 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 management to exercise judgement in applying the Company's accounting policies (see note 4).

The financial statements have been presented in Pounds Sterling (£) rounded to the nearest thousand, this is the functional currency of the Company.

Going concern
The financial statements are prepared on the going concern basis unless it is inappropriate to assume that the Company will be able to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements.

Note 3 to the financial statements sets out the matters considered by the Director in arriving at the conclusion that it is appropriate to prepare these financial statements on the going concern basis.

Investment properties
Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

Financial assets
Basic financial assets, including trade and other receivables, are initially recognised at transaction price.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

2 Principal accounting policies (continued)

Financial assets (continued)
If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities
Basic financial liabilities, including trade and other payables, loans, are initially recognised at transaction price.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Borrowing costs
Borrowing costs incurred, are deducted from the initial carrying value of loans and are charged to profit or loss as part of the interest charge calculated using the straight line method over the length of the loan.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognise at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the profit and loss account in the year it arises.

Cash flow statement
The Company does not have a bank account. The rental income receivable by the Company from the Tenant is paid to GHG 38 (Property Holdings) Limited ("GHG 38"), which acts as cash collection and disbursement agent for all the Theatre Propcos, and is distributed from there principally to the Lenders and Interest Rate Swap counterparties in accordance with the overall finance documents. GHG 38's bank accounts are operated by the Lenders' Facility Agent in accordance with the Lenders' instructions. In view of these contractual arrangements, the Company is not required to present a cash flow statement.

2 Principal accounting policies (continued)

Derivative financial instruments
The Company has entered into derivative financial instruments to eliminate exposure to interest rate movements, and to adjust the variable annual rent increases under its property lease to a fixed annual increase. The Company does not hold or issue derivative financial instruments for speculative purposes.

These financial instruments are carried at fair value, based on expected future cash flows adjusted for any credit risk associated with the contractual counterparty. Movements in fair value are recognised in profit and loss.

Share capital and share premium
Called up share capital is determined using the nominal value of share that have been issued. Share premium includes any premium received on the initial issuing of the share capital

Turnover
Company turnover comprises rental income receivable from operating leases 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.

Taxation
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or 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 income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- 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;

- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and

- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Related parties
The Company discloses transactions with related parties. It does not disclose transactions with members of the same group that are wholly owned.

Expenses
Expenses are accounted for on an accruals basis.

3 Going concern

In determining whether there is a reasonable prospect of the Company continuing in business as a going concern, the key matter that must be considered is the debt due to the Lenders. The Director considers that the Company will be able to comply with all the requirements of the debt facility until maturity in April 2019. The Director believes the facility will be renewed, replaced or renegotiated on or before 15 April 2019 and has therefore concluded that it is appropriate to prepare the financial statements on a going concern basis and presents the financial statements accordingly.

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

In preparing these financial statements estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

- Determine whether closing debtor balances are deemed fully collectable. This action requires a review of debt balances and the economic viability of tenants owing monies, using judgement to estimate the amount of impairment loss to recognise through the income statement.

Other key sources of estimation uncertainty

- *Investment property (see note 9)*

  Investment properties are professionally valued annually using a yield methodology which have been based on comparable transactional evidence in the market place together with the assessment of the quality and length of the income stream, current rental values, capitalised at a market rate, but there is an inevitable degree of judgement involved, as each property is unique and value can only be reliably tested in the market itself.

- *Interest rate derivatives (see note 17)*

  The most critical estimates, assumptions and judgements relate to the determination of carrying value of swaps at fair value through the income statement. In determining this, the Group uses a third party valuation, applying the concept that fair value is the amount for which the derivative could be traded. There are judgements based on the future rates of interest which affect the valuation.

- *RPI linked derivatives (see note 17)*

  The most critical estimates, assumptions and judgements relate to the determination of carrying value of swaps at fair value through the income statement. In determining this, the Company uses a third party valuation, applying the concept that fair value is the amount for which the derivative could be traded. There are judgements based on the future rates of inflation which affect the valuation.

5 Analysis of turnover

	Period 16.04.16 - 18.04.17 £000	Period 29.05.15 - 15.04.16 £000
Rental income	1,395	1,222
	1,395	1,222

All turnover within the Company has arisen within the United Kingdom, where the investment property is situated.

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

Future rentals under operating leases	**2017 £000**	**2016 £000**
No later than one year	1,391	1,379
Later than one year and no later than five years	5,564	5,517
Later than 5 years	13,273	14,541
	20,228	21,437

6 Operating profit

	Period 16.04.16 - 18.04.17 £000	Period 29.05.15 - 15.04.16 £000
Audit fees	2	2
Gain on revaluation of RPI swap	(270)	(139)
Other expenses	47	36
Intercompany provision movement	514	119
	293	18
Loss on revaluation of interest rate swap	129	302
Interest payable and similar charges	616	551
Total expenses on ordinary activities before taxation	1,038	871

There were no employees of the Company in either period.

The Director received remuneration for his activities as a director of all the Theatre Propcos. The Company's share of that remuneration during the period was £4,626 (2016: £3,142).

The audit fee for the audit of the Company's annual accounts was £2,491 (2016: £1,500). The auditor received no non audit fees during the period (2016: £Nil).

7 Interest payable

	Period 16.04.16 - 18.04.17 £000	Period 29.05.15 - 15.04.16 £000
On bank loans	605	540
Debt service costs	11	11
	616	551

The Company continues to pay the fixed rate of interest specified in the Interest Rate Swap agreements. The floating rate of interest has been charged to the current period's income statement.

8 Tax on profit on ordinary activities

	Period 16.04.16 - 18.04.17 £000	Period 29.05.15 - 15.04.16 £000
Corporation tax	-	-
Deferred tax (see Note 16)		
(Credit) / charge to the profit and loss account	(77)	99
Tax on ordinary activities	(77)	99

Factors affecting tax charge for the period

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

	Period 16.04.16 - 18.04.17 £000	Period 29.05.15 - 15.04.16 £000
UK corporation tax		
(Loss) / profit on ordinary activities before tax	(198)	224
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.84% (April 2016: 20%)	(39)	45
Effects of:		
Impact of change in tax rates	(90)	(58)
Adjustment to carried forward loss for prior year	(7)	(8)
Other	59	120
Total	(77)	99

The Director estimates that the Company has tax losses available for offset against future taxable profits of £0.450 million (2016: £1.326 million). Those losses arose principally from the provisions made to state the value of the Company's Interest Rate Swaps.

9 Investment properties

	18 April 2017 £000
Valuation as at 15 April 2016	17,580
Revaluation	(555)
Value at 18 April 2017	17,025

The 2017 and 2016 valuations were made by Cushman & Wakefield (formerly DTZ Debenham Tie Leung - "DTZ") and Colliers International Healthcare UK LLP as independent external valuers, and has been prepared as at 18 April 2018, in accordance with the Appraisal Valuation Standards of the Royal Institution of Chartered Surveyors ("RICS"), on the basis of fair value. Properties have been valued on an individual basis. This has been incorporated into the financial statements.

10 Debtors: due within one year

	18 April 2017 £000	15 April 2016 £000
Deferred rent due from Tenant	280	280
Amounts owed from other Theatre Propco	3,303	2,789
Less Provision	(3,303)	(2,789)
Prepayments and accrued income	1	1
	281	281

Deferred rent
The deferred rent receivable by the Company from the Tenant under the terms of the Deferred Rent Agreement has been shown as falling due within one year; being the earliest that the amount could be recovered under the terms of the Deferred Rent Agreement. The Director has considered the recoverability of the amount due, alongside amounts due under the Deferred Rent Agreement to other Theatre Propcos. Based upon publicly available information concerning the financial circumstances of the Tenant, the Director has concluded that there is a reasonable prospect that the amount is recoverable.

Amounts due from other Theatre Propcos
These amounts arose from payments made by the Company on behalf of other Theatre Propcosto repay and/or service the Theatre Propcos' Debt allocated to those companies, where their own rental income is insufficient to cover their obligations. These loans are deemed to be interest free and repayable on demand.

The Director has made full provision against the total amount receivable from the other Theatre Propcos.

11 Debtors: due more than one year

	18 April 2017 £000	15 April 2016 £000
Financial assets - RPI swaps (Note 17)	546	311
	546	311

12 Creditors: due within one year

	18 April 2017 £000	15 April 2016 £000
Other creditors	1	1
Accruals and deferred income	398	405
Financial liabilities - Interest rate swaps (note 17)	405	322
	804	728

Accruals

Accruals represent costs incurred not invoiced, and deferred income represents rent received in advance.

13 Creditors: due more than one year

	18 April 2017 £000	15 April 2016 £000
Bank loans (Note 14)	13,713	13,571
Capitalised loan arrangement fee	(32)	(48)
Financial liabilities - Interest rate swaps (note 17)	1,004	1,361
	14,685	14,884

14 Loan schedule

	18 April 2017 £000	15 April 2016 £000
Loan maturity analysis		
Due within one year	-	-
Due greater than one year, less than 5 years	13,713	13,571
Total loans due	13,713	13,571

14 Loan schedule *(continued)*

The principal terms of the secured bank loan are set out below:

	Interest rate* %	2017 £000	Interest rate* %	2016 £000
Repayable in quarterly instalments with a lump sum payment on 15 April 2019	2.41% - 6.11%	.6,992	2.63% - 6.33%	7,150
Repayable in a lump sum on 15 April 2019	0% - 7.25%	6,721	0% - 7.25%	6,421
Total due		13,713		13,571

*Where not fixed, the interest rate disclosed is the floating rate at period end, excluding the effect of the Interest Rate Swaps.

Security

The loan to the Company is secured by means of fixed and floating charges over all the of the Company's assets.

Similar security is provided by each Theatre Propco in respect of the Theatre Propcos' Debt and the loan amounts allocated to each Theatre Propco are cross-collateralised. The Company is therefore a guarantor of the total Theatre Propcos' Debt. At 18 April 2017, the total Theatre Propcos' Debt outstanding was £1,933.4 million (2016: £1,931.5 million).

15 Provision

	18 April 2017 £000	15 April 2016 £000
Deferred taxation	1,743	1,819
	1,743	1,819

16 Deferred taxation

	Tax on property gains 18.04.17 £'000	Tax losses available 18.04.17 £'000	Total 18.04.17 £'000
Opening deferred tax liability / (asset)	2,085	(266)	1,819
Adjustment for the change in rate by 1%	(104)	14	(90)
Adjustment of carried forward losses	-	(7)	(7)
Movement in property valuation	(152)	-	(152)
Tax loss recognised during the period (19%)	-	173	173
Closing deferred tax liability / (asset)	1,829	(86)	1,743

16 Deferred taxation *(continued)*

As set out in Note 8 to the financial statements, the Company has tax losses of £0.450 million (2016: £1.326 million) available to be used against taxable profits in future periods.

The recognition of the deferred tax asset in relation to those tax losses is determined by United Kingdom Generally Accepted Accounting Practice, with which the Company's accounting policies conform. This requires that a deferred tax asset is recognised only to the extent that it is probable that it will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

As at 18 April 2017, the Director concluded that the Company's tax losses will be recovered in full against the potential gain on sale of the investment properties, and/or future taxable profits, based on tax legislation in force at the date until the financial statements were approved. Following the reporting date, the UK Government has announced its intention to introduce retrospective legislation that will materially impact on the Company's ability to utilise its deferred tax losses carried forward. At the time of signing of these financial statements no date had been set for the introduction of this legislation and therefore no assessment of the impact can be made.

17 Financial instruments

The Company's financial instruments may be analysed as follows:

	18 April 2017 £000	15 April 2016 £000
Financial assets held at amortised cost	280	280
Financial assets held at fair value	546	311
Financial liabilities held at amortised cost	13,724	13,524
Financial liabilities held at fair value	1,409	1,683

Financial assets are measured at amortised cost and comprises of the deferred rent due from the tenant and accrued income.

Financial liabilities are measured at amortised cost credit risk and comprise of loans, trade creditors, other creditors and amounts due from group companies.

Financial assets at fair value

On 29 May 2015, Retail Price index ("RPI") swap contracts originally entered into by the Company's former immediate parent company were novated to the Company. The contractual counterparty holds "mirror image" RPI swap contracts with the Company's tenant. The two sets of contracts result in the annual rent increases payable by the tenant being fixed at 2.5%. The movement in the fair value of the RPI swap asset during the period reflects changes in anticipated inflation as measured by the RPI. The Directors have received a valuation from an appropriately skilled independent valuer for the RPI swaps that reflects both the terms of the RPI agreement as well as the credit risk of the Tenant.

	18 April 2017 £000	15 April 2016 £000
Opening fair value RPI swap asset	(311)	-
Novation of RPI swap asset	-	(192)
RPI Swap interest received or accrued during the period	37	20
RPI Swap cost paid or accrued during the period	(2)	-
Credit to the profit and loss account	(270)	(139)
Closing fair value RPI asset	(546)	(311)

17 Financial instruments *(continued)*

Financial liabilities at fair value

The Company (and the rest of the Theatre Propcos) has secured bank loans which bear interest at fixed and floating rates of interest, some of which is paid in cash and some of which is accrued on a "payment in kind (PIK)" basis. The senior components of these debts are covered by Interest Rate Swaps which mature in 2021. The swaps are carried at fair value.

	18 April 2017 £000	15 April 2016 £000
Opening fair value interest rate swap liability	1,683	1,672
Swap cost paid or accrued during the period	(403)	(291)
Charge to the profit and loss account	129	302
Closing fair value interest rate swap liability	1,409	1,683

Interest Rate Swap contracts with a principal amount of £7.2 million (2016: £7.5 million) have floating interest receipts linked to the 3 month LIBOR rate and have fixed interest rate payments at an interest rate commencing at 4.84% and rising to 6.13% over the term of the swaps.

The Director has received from the counterparties a statement of the liability at 18 April 2017 of the Interest Rate Swaps. He has also received a valuation from an appropriately skilled independent valuer, which corroborates the value received from the counterparties.

The movement in the fair value of the Interest Rate Swap during the period reflects changes in anticipated future long term interest rates, the cost of replacing the Interest Rate Swaps, and the contracted amounts payable by the Company during the period for the difference between floating and fixed interest rates.

18 Called up share capital

	18 April 2017 £000	15 April 2016 £000
Allotted , called up and fully paid		
101 Ordinary shares of £1 each (2016: 101)	-	-

On 18 April 2006, the Company was incorporated with 101 £1 shares issued at par. All shares issued during the period were ordinary share capital carrying equal voting rights.

19 Reserves

Called up share capital represents the nominal value of issued shares.

Amounts within share premium included any premium received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium. On 4 June 2015, a capital reduction was implemented by means of a court order, under which the share premium account was cancelled and credited to reserves, reducing the balance on the share premium account to £Nil.

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

On 29 May 2015, the Company's then immediate parent, Hospital Midco S.a.r.l, novated to the Company for the sum of £1 its interest in a RPI swap instrument. The fair value at that date, of £0.19 million has been recognised as a capital contribution in the prior year.

20 Transactions with related parties

The Company is a wholly owned subsidiary of Hospital Topco Limited and has taken advantage of the exemption in FRS 102 not to disclose transactions with Hospital Topco Limited or other wholly owned subsidiaries within the group.

On 29 May 2015, certain of the Company's lenders became the shareholders of Hospital Topco Limited, the Company's ultimate parent company. The amount of the Company's loan facility attributable to shareholders as at 18 April 2017 was £4.4 million (2016: £4.6 million) with interest charged during the period of £0.177 million (2016: £0.149 million).

21 Contingent liabilities

Security provided regarding the Theatre Propcos' Debt
The Company has charged all its assets to secure its liabilities to the Lenders and to Interest Rate Swap counterparties. The Company has cross-collateralised that security with loans and Interest Rate Swaps made at the same time under the same overall arrangements to other Theatre Propcos and is therefore a guarantor of all such arrangements. At 18 April 2017, the total amount owed to the Lenders by all members of the Theatre Propcos was £1,933.4 million (2016: £1,931.5 million) the mark-to-market value of the Interest Rate Swaps was £195.7 million (2016: £233.8 million) and the aggregate market value of the property assets provided as security was £1,599.8 million (2016: £1,671.4 million) book value.

Future Deferred Tax
Following the reporting date, the UK Government has announced its intention to introduce retrospective legislation that will materially impact on the Company's ability to utilise its deferred tax losses carried forward. At the time of signing of these financial statements no date had been set for the introduction of this legislation and therefore no assessment of the impact can be made.

22 Subsequent events

There were no material post statement of financial position events requiring disclosure identified between 18 April 2017 and the date the financial statements were signed.

23 Controlling party

The Company's immediate parent company is Hospital Midco S.a.r.l, a company incorporated in Luxembourg. The Directors are of the opinion that the Company has no controlling party.