

Registered number: 04057595

ROEHAMPTON HOSPITAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020



ROEHAMPTON HOSPITAL LIMITED

COMPANY INFORMATION

Directors	SA Carter JNE Cowdell CT Solley PA Would (resigned 14 April 2021) RAM Gillespie (resigned 1 April 2021) AL Tennant H Holman (appointed 1 April 2021) G S Pearce (appointed 14 April 2021)
Company secretary	G B Bucur
Registered number	04057595
Registered office	3rd Floor (South Building) 200 Aldersgate Street London EC1A 4HD
Independent auditor	BDO LLP 3 Hardman Street Manchester M3 3AT

ROEHAMPTON HOSPITAL LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 5
Directors' responsibilities statement	6
Independent auditor's report to the shareholders of Roehampton Hospital Limited	7 - 9
Profit and loss and other comprehensive income	10
Balance sheet	11
Statement of changes in equity	12 - 13
Notes to the financial statements	14 - 27

ROEHAMPTON HOSPITAL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2020

The directors present their annual strategic report and the audited financial statements for the year ended 30 September 2020.

Business review

The results of the company for the year are set out in the Statement of Comprehensive Income on page 13. Turnover for the year was £11,128,000 (2019: £11,660,000) with profit before taxation of £2,081,000 (2019: £2,095,000). The decrease in profit is due to concession accounting and fluctuations to the mark up on costs applied. During the year the company paid out dividends amounting to £1,333,000 (2019: £717,000).

At the year end the company has total outstanding debt of £59,481,000 (2019: £61,579,000) and holds cash reserves totaling £12,165,000 (2019: £16,685,000).

The business has remained compliant with debt service and cover ratios during the year and scheduled debt interest and capital payments were made as planned.

Development and performance of the business

Full operational services are being provided and these are generally progressing well, with minimal performance deductions. The project continues to operate smoothly following the transfer of the original 30 year concession agreement to NHS Property Services Limited during 2013.

The Company continues to provide full operational services at Queen Mary's Hospital, Roehampton. The project is operating smoothly with minimal performance inductions incurred. There were no significant developments outside the project agreement during the year.

Principal risks and uncertainties

Exposure to movements in interest rates and the retail prices index was hedged at financial close via a fixed interest rate swap and an RPI swap respectively. The senior debt facility was increased in 2008 to fund a variation in part of the hospital. This interest on additional borrowing, which represents approximately 2% of total senior debt, is not hedged. The directors do not consider the additional exposure to be material.

There is a risk of financial loss through unavailability and performance deductions. This is mitigated as deductions are fully passed down to the sub contractors. Contractual compliance and reporting requirements are regularly monitored to ensure all undertakings are met on a timely basis.

Insurance cover for the year has been purchased within budgeted costs.

In light of the global Covid-19 pandemic the Directors have considered the stability of financial counterparties and have concluded that all financial counterparties have the ability to meet all contractual obligations.

ROEHAMPTON HOSPITAL LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Financial key performance indicators

The key indicators of performance is the level of penalties which can be imposed for unavailability of hospital areas or for sub-standard delivery of operational services and debt service cover ratios. The deductions for the year came to £1,285 (2019 - £2,045) which represent less than 1% of the total fees charged by the service providers. These are therefore deemed to be inconsequential and do not pose a significant risk to the Company.

The Company's management produces comparisons of actual cash flows against forecast cash flows from the finance model and analyse any fluctuations. On both these measures, the directors are satisfied that budget assumptions are being met.

This report was approved by the board on 25 August 2021 and signed on its behalf.



H Holman
Director

ROEHAMPTON HOSPITAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2020

The directors present their report and the financial statements for the year ended 30 September 2020.

Principal activities

The principal activities of the company are to design, construct and operate certain facilities and provide nonclinical services at Queen Mary's Hospital, Roehampton for a period of 30 years under a concession agreement with NHS Property Services Limited (previously Wandsworth PCT). The agreement to provide a new hospital, associated facilities management and hotel services and equipment services was signed on 6 May 2004.

Construction of the hospital commenced on 22 September 2003 and was completed in February 2006. The concession agreement was transferred from Wandsworth PCT to NHS Property Services Limited and a Deed of Safeguard was signed on 21 March 2013 to ensure that the terms of the agreement remain the same.

Results and dividends

The profit for the year, after taxation, amounted to £1,614,000 (2019 - £1,677,000).

The company made a dividend payment in the year of £1,333,000 (2019: 717,000).

Directors

The directors who served during the year were:

SA Carter
JNE Cowdell
CT Solley
PA Would (resigned 14 April 2021)
RAM Gillespie (resigned 1 April 2021)
AL Tennant
H Holman (appointed 1 April 2021)
GS Pearce (appointed 14 April 2021)

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

ROEHAMPTON HOSPITAL LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

Corporate Governance

The company is committed to high standards of corporate governance, as are appropriate for the longer term obligations to finance, construct and operate non-clinical services for the new Queen Mary's Hospital, Roehampton under the Private Finance Initiative programme.

Corporate governance principles have been implemented within the framework established by agreement between the shareholding parties who have launched the company under a concession agreement with NHS Property Services Limited. The Board has taken note of the UK Corporate Governance Code which applies to equity quoted plc's with certain reporting requirements; this company, not being an equity quoted plc, is not bound by the code's requirements but has voluntarily adopted certain of those principles as noted below.

This report is a narrative on the principles of corporate governance, as applied in this company. It does not provide a detailed statement to identify those provisions of the Code from which the company's governance differs.

A The Board

1. The Board meets quarterly and reviews operating performance against the financial model and detailed management budgets. This model incorporates all aspects of the strategic business plan and associated risks; all proposals for contract variations are vetted before approval against the model. The Board reserves its own decision on all contractual expenditure and associated funding, and has established the provision of management, Company secretary and accountancy services for the implementation of the project.
2. The Board comprises 6 non-executive directors nominated by each participating shareholder.
3. The Board receives quarterly information which encompasses all corporate, business, financial and relationship matters which are necessary and appropriate for the purposes of monitoring and progressing the complex contractual obligations for the hospital project.
4. Nominations for any changes to Board membership are subject to the shareholders' separate or collective decision.
5. For the particular interests of the shareholders in the continuity of the project, no directors retire by rotation.

B Remuneration

No directors received remuneration directly from the subsidiary company. The remuneration for the services of the Non-Executive Directors is set out in Note 4.

C Dialogue with Institutions

The Board maintains regular liaison with Bank of Scotland as senior lender to the company.

ROEHAMPTON HOSPITAL LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

D Financial Reporting

1. The Board, after seeking appropriate external advice, decides upon accounting policies which are appropriate for the company and ensures that they are consistently applied.
2. The Board has instigated a rigorous process of internal control, under the discipline of contractual agreements, in order to safeguard the outcomes for the company in terms of operational performance, financial control, legal and regulatory compliance, provision for risk factors and longer-term relationships.
3. The Board has decided to undertake the role of an Audit Committee with all directors. The Audit Committee meets annually to review the Management Letter tabled by the Auditor.

D Financial Reporting (Continued)

4. The Board continues to satisfy itself that, given the contractual and long-term funding provisions, the company will continue to trade as a going concern.

E Internal Controls

The Board maintains a sound system of internal control to safeguard shareholders' investments and the company's assets.

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 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

The Directors have given due consideration and concluded that there have been no events that have had a significant impact on the Company 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 on 25 August 2021 and signed on its behalf.



H Holman
Director

ROEHAMPTON HOSPITAL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of 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 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 Company will continue in business.

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

ROEHAMPTON HOSPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROEHAMPTON HOSPITAL LIMITED

Opinion

We have audited the financial statements of Roehampton Hospital Limited (the 'Company') for the year ended 30 September 2020, which comprise the statement of comprehensive income, the statement of financial position, 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 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 UK, including the FRC'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 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.

ROEHAMPTON HOSPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROEHAMPTON HOSPITAL LIMITED (CONTINUED)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic and Directors 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.

Opinions 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 Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have 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 Strategic report or the Directors' report.

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.

ROEHAMPTON HOSPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROEHAMPTON HOSPITAL LIMITED (CONTINUED)

Responsibilities of Directors

As explained more fully in the Responsibilities of directors, 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 the 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. This 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 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.

DocuSigned by:

D8CD362D513C4D9
Stuart Wood (Senior Statutory Auditor)

for and on behalf of
BDO LLP, Statutory Auditor

Manchester, UK

25 August 2021

ROEHAMPTON HOSPITAL LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	Note	2020 £000	2019 £000
Turnover		11,128	11,660
Cost of sales		(7,446)	(8,037)
Gross profit		3,682	3,623
Administrative expenses		(602)	(633)
Operating profit		3,080	2,990
Interest receivable and similar income	5	3,241	3,409
Interest payable and expenses	6	(4,240)	(4,304)
Profit before tax		2,081	2,095
Tax on profit	7	(467)	(418)
Profit for the financial year		1,614	1,677
Other comprehensive income for the year			
Effective portion of changes in fair value of cash flow hedge		1,538	(7,570)
Net change in fair value of cashflow hedge recycled to profit and loss		2,814	2,797
Taxation in respect of items of other comprehensive income	14	(145)	718
Other comprehensive income/(loss) for the year		4,207	(4,055)
Total comprehensive income/(loss) for the year		5,821	(2,378)

The notes on pages 14 to 27 form part of these financial statements.

ROEHAMPTON HOSPITAL LIMITED
REGISTERED NUMBER: 04057595

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Note	2020 £000	2019 £000
Current assets			
Debtors: amounts falling due after more than one year	9	69,590	72,271
Debtors: amounts falling due within one year	9	7,664	2,497
Cash at bank and in hand		12,165	16,685
		<u>89,419</u>	<u>91,453</u>
Creditors: amounts falling due within one year	10	(13,843)	(12,643)
Net current assets		<u>75,576</u>	<u>78,810</u>
Total assets less current liabilities		<u>75,576</u>	<u>78,810</u>
Creditors: amounts falling due after more than one year	11	(83,224)	(90,398)
Provisions for liabilities			
Other provisions	15	(5,470)	(6,018)
		<u>(5,470)</u>	<u>(6,018)</u>
Net liabilities		<u>(13,118)</u>	<u>(17,606)</u>
Capital and reserves			
Called up share capital	16	50	50
Other reserves	17	(23,830)	(28,037)
Profit and loss account	17	10,662	10,381
Shareholders' Equity		<u>(13,118)</u>	<u>(17,606)</u>

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



H Holman
Director

Date: 25 August 2021

The notes on pages 14 to 27 form part of these financial statements.

ROEHAMPTON HOSPITAL LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	Called up share capital	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 October 2019	50	(28,037)	10,381	(17,606)
Comprehensive income for the year				
Profit for the year	-	-	1,614	1,614
Taxation in respect of items of other comprehensive income	-	(145)	-	(145)
Hedge effective portion of change in fair value of designated hedging	-	1,538	-	1,538
Net change in fair value of cashflow hedge recycled to profit and loss	-	2,814	-	2,814
Other comprehensive income for the year	-	4,207	-	4,207
Total comprehensive income for the year	-	4,207	1,614	5,821
Dividends: Equity capital	-	-	(1,333)	(1,333)
Total transactions with owners	-	-	(1,333)	(1,333)
At 30 September 2020	50	(23,830)	10,662	(13,118)

The notes on pages 14 to 27 form part of these financial statements.

ROEHAMPTON HOSPITAL LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	Called up share capital	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 October 2018	50	(23,982)	9,421	(14,511)
Comprehensive income for the year				
Profit for the year	-	-	1,677	1,677
Taxation in respect of items of other comprehensive income	-	718	-	718
Hedge effective portion of change in fair value of designated hedging	-	(7,570)	-	(7,570)
Net change in fair value of cashflow hedge recycled to profit and loss	-	2,797	-	2,797
Other comprehensive loss for the year	-	(4,055)	-	(4,055)
Total comprehensive loss for the year	-	(4,055)	1,677	(2,378)
Dividends: Equity capital	-	-	(717)	(717)
Total transactions with owners	-	-	(717)	(717)
At 30 September 2019	50	(28,037)	10,381	(17,606)

The notes on pages 14 to 27 form part of these financial statements.

ROEHAMPTON HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. Accounting policies

1.1 Basis of preparation of financial statements

Roehampton Hospital Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The Company was incorporated on 17th August 2000.

These 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 financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS102 "The Financial Reporting Standard applicable in the the UK and Republic of Ireland":

- o the requirements of section 4 statement of Financial Position paragraph 4.12(a)(iv);
- o the requirements of Section 7 Statement of Cashflows;
- o the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iv), 11.48(b) and 11.48(c);
- o the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- o the requirements of Section 33 Related Party Disclosure paragraph 33.7.

This information is included in the consolidated financial statements of Roehampton Hospital Holdings Limited as at 30 September 2020 and these financial statements may be obtained from Companies House Crown Way, Cardiff, CF14 3UZ.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

The financial statements are presented in Sterling (£) and presented to the nearest £'000.

ROEHAMPTON HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. Accounting policies (continued)

1.2 Going concern

The financial statements are prepared on the going concern basis for reasons stated in the Directors' Report.

The company currently has net liabilities of £13,118,000 (2019: £17,606,000) as a result of accounting for the fair value of interest rate and RPI swap agreements, the majority of which do not crystallise as liabilities for a number of years. As such, the Company's forecasts and projections, taking account of the impact of swaps and reasonably possible changes in trading performance, show that it should be able to operate within the level of its current facilities and continue to meet forecast loan covenants.

In the annual review of the Company's going concern, the Directors have considered the long term impact of the Covid-19 pandemic. Recent Government Procurement Policy Note sets out information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the current coronavirus, Covid-19, outbreak confirming that the suppliers will continue to be paid as normal. The Company has entered into long-term contracts with its single customer and suppliers, and after careful review of these contracts the Directors are confident that the Company can operate as normal for the next twelve months. The Directors have committed to carrying out regular reviews of the Company's cash flows to monitor the ongoing situation.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

1.3 Finance debtor and service fee income

The Company is an operator of a Private Finance Initiative (PFI) contract, which was entered into prior to the transition to FRS102. Therefore the accounting has been continued using the accounting policies applied prior to the date of transition to FRS102 as follows. The underlying asset was not deemed to be an asset of the Company under FRS5, Application Note G, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Trust.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. Amounts receivable under the agreement relating to the hospital facilities transferred are included under debtors and represent the total amount outstanding under the agreement less unearned interest. Finance lease income is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the lease.

In the operational phase, the balance of unitary payments received, after accounting for the finance debtor interest and amortisation components (which together sum to a constant figure in each period, as in a lease) is accounted for as turnover. This figure is adjusted in each period to ensure that income recognised more accurately reflects the value of economic benefits provided to the public sector client in each period, and is necessary due to the inflationary nature of the unitary payments. As a consequence of this adjustment to turnover, which is generally positive in the first half of the concession and negative in the second half (and must net out over the whole concession), a unitary payment control account debtor is recorded on the balance sheet.

ROEHAMPTON HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. Accounting policies (continued)

1.4 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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 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 income.

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:

- o 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
- o 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.

1.5 Amortisation of issue costs

Issue costs are deducted against debt and amortised over the life of the instrument. This amortisation is charged to the Statement of Comprehensive Income when incurred.

1.6 Lifecycle costs

Provisions are made in respect of life cycle maintenance to the extent that the group is obliged to undertake maintenance in future periods. The result is to spread the total anticipated contractual cost over the course of the concession; this accounting policy, applied prior to the date of FRS102 transition has been continued in accordance with the grandfathering of the wider service concession accounting as noted in section 1.3.

1.7 Interest receivable and Interest payable

Interest receivable and Interest payable

Interest payable and similar charges include interest payable on borrowings and associated ongoing financing fees.

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.

Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Other interest receivable and similar income is recognised in profit or loss as it accrues.

ROEHAMPTON HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. Accounting policies (continued)

1.8 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.9 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

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 in 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.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised then paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

ROEHAMPTON HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. Accounting policies (continued)

1.10 Financial instruments

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

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 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 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 flows 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 impairment loss is recognised in the Statement of Comprehensive income.

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 Company would receive for the asset if it were to be sold at the reporting date.

ROEHAMPTON HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. Accounting policies (continued)

1.10 Financial instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet 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, 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, except for hedging instruments in a designated hedging relationship that qualify for hedge accounting, where the resulting gain or loss is recognised as described in section 1.11 below.

1.11 Hedge accounting

The Company has entered into variable to fixed rate interest swaps to manage its exposure to interest rate cash flow risk on its variable rate debt. These derivatives are measured at fair value at each balance sheet date. To the extent the 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.

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

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

Key sources of estimation uncertainty

Financial Asset Interest Rate - Accounting for the service concession contract and finance debtor requires estimation of an appropriate finance debtor interest rate.

Fair value of interest rate swaps - The fair value of interest rate swaps is determined by reference to mark-to-market valuations.

Fair value of RPI swap - The fair value of the RPI swap is determined by reference to mark-to-market valuations. A deferred tax asset is recognised on this fair value at 19% (2019 - 17%).

3. Turnover

The whole of the turnover is attributable to the principal activity of the company.

ROEHAMPTON HOSPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

4. Directors' remuneration

	2020	2019
	£000	£000
Directors' emoluments	138	176
	138	176

None of the directors received emoluments directly from the company (2019: £nil). A payment is made for the services of the non-executive directors to their employer.

No staff are directly employed by the company (2019: £nil).

5. Interest receivable

	2020	2019
	£000	£000
Finance debtor interest receivable	3,122	3,251
Amortisation of issue costs	62	64
Bank interest receivable	57	94
	3,241	3,409

6. Interest payable and similar expenses

	2020	2019
	£000	£000
Bank interest payable	3,731	3,787
Interest on mezzanine bank loan	131	140
Interest on loans from shareholders	378	377
	4,240	4,304

7. Taxation

	2020	2019
	£000	£000
Corporation tax		
Current tax on profits for the year	467	418
Total current tax	467	418

ROEHAMPTON HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - *higher than*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	2,081	2,095
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	422	398
Effects of:		
Adjustments to tax charge in respect of prior periods	19	20
Deferred tax	26	-
Total tax charge for the year	467	418

Factors that may affect future tax charges

For the year ended 30 September 2020, the UK corporation tax rate of 19% is applied.

The March 2020 Budget announced that a rate of 19% would continue to apply from 1 April 2020, and this change was substantively enacted on 17 March 2020. The deferred tax asset as at 30 September 2020 has been calculated based on a rate of 19%.

An increase in the UK corporation tax rate to 25% (effective from April 2023) was substantively enacted in May 2021. This will potentially increase the Group's deferred tax asset and reduce its reported tax charge in the financial statements for the year ended 31 September 2021 accordingly.

8. Dividends

	2020 £000	2019 £000
Interim dividends paid	1,333	717
	1,333	717

ROEHAMPTON HOSPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

9. Debtors

	2020 £000	2019 £000
Due after more than one year		
Amounts recoverable on long term contracts	64,001	66,576
Deferred tax asset	5,589	5,695
	<u>69,590</u>	<u>72,271</u>
	2020 £000	2019 £000
Due within one year		
Trade debtors	5,341	115
Other debtors	24	151
Prepayments and accrued income	20	48
Amounts recoverable on long term contracts	2,279	2,144
Deferred tax	-	39
	<u>7,664</u>	<u>2,497</u>

10. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Bank overdrafts	799	-
Bank loans	2,319	1,912
Other loans	136	124
Deferred tax	26	-
Trade creditors	1,767	2,280
Corporation tax	66	742
Other taxation and social security	605	-
Cash flow hedge - RPI swap	489	405
Other creditors	-	15
Accruals and deferred income	4,904	4,693
Cash flow hedge - Interest rate swap	2,732	2,472
	<u>13,843</u>	<u>12,643</u>

Terms of the bank and subordinated loans can be found in note 11.

ROEHAMPTON HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

	2020 £000	2019 £000
Bank loans	51,281	53,666
Other loans	2,470	2,602
Amounts owed to group undertakings	3,275	3,275
Cash flow hedge - RPI swap	9,010	12,564
Cash flow hedge - Interest rate swap	17,188	18,291
	<u>83,224</u>	<u>90,398</u>

The Company has a 30 year term loan which is repayable in 54 semi-annual installments commencing on 31 March 2006. The interest rate payable is LIBOR plus 0.9% in the operational phase. The Company has entered into a swap transaction resulting in interest being charged on this loan at a rate of 5.375%. The loan is secured by a fixed and floating charge over the assets of the Company. The base facility matures on 30th September 2032.

The mezzanine facility carries an interest rate of LIBOR plus 4% and is repayable in 53 semi-annual installments commencing on 31 March 2006. The base facility matures on 31st March 2032.

The Company has unsecured loan stock issued to the current shareholders. The interest rate chargeable on the loan notes is 10.5% per annum to 31 March 2018 and 11.5% thereafter. Interest is paid twice yearly. This loan requires repayment by 31 March 2033.

12. Analysis of Debt

	2020 £000	2019 £000
In one year or less, or on demand	2,455	2,036
Between one and two years	2,314	2,455
Between two and five years	9,119	7,532
In five years or more	45,126	49,027
Plus: issue costs	467	529
	<u>59,481</u>	<u>61,579</u>

ROEHAMPTON HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

13. Financial instruments

	2020 £000	2019 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>17,656</u>	<u>16,800</u>
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	(19,920)	(20,763)
Financial liabilities measured at amortised cost	<u>(66,952)</u>	<u>(68,566)</u>
	<u>(86,872)</u>	<u>(89,329)</u>

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, and financial assets.

Financial liabilities measured at amortised cost comprise trade creditors, accruals, bank loans, other creditors VAT and corporation tax.

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

The Company's principal financial instruments comprise of a term loan, mezzanine loan and unsecured loan stock. The main purpose of these financial instruments is to ensure that the profile of the debt service costs is tailored to match expected revenues arising from the Concession Agreement. The company does not undertake financial instrument transactions which are speculative or unrelated to the company's trading activities.

The main risks arising from the Company's financial instruments are interest rate risk, inflation risk and liquidity risk.

ROEHAMPTON HOSPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

13. Financial instruments (continued)

Interest rate risk

The term loan and mezzanine loan are exposed to interest rate risk, however the Company has entered into a fixed interest rate swap to minimise risk from movements in base interest rates on its floating rate term loan. The unsecured loan stock is not exposed to interest rate risk.

Inflation rate risk

The unitary charge income is subject to indexation risk which is mitigated through a RPI swap in place to minimise risk from movements in inflation.

Liquidity risk

The Company has entered into a fixed price index swap to achieve a correlation between the impact of inflationary increases on operating margin and finance charges in order to minimise cash flow variance.

2020

	Carrying amount £000	Total Expected Cash Flows £000	1 year or less £000	1 to 2 years £000	2 to 5 years £000	5 years and over £000
Swap liabilities						
Interest rate swap	19,920	20,119	2,738	2,604	6,866	7,911
RPI swap	9,499	12,465	506	529	2,088	9,342
	<u>29,419</u>	<u>32,584</u>	<u>3,244</u>	<u>3,133</u>	<u>8,954</u>	<u>17,253</u>

2019

	Carrying amount £000	Total Expected Cash Flows £000	1 year or less £000	1 to 2 years £000	2 to 5 years £000	5 years and over £000
Swap liabilities						
Interest rate swap	20,763	21,346	2,485	2,478	6,798	9,585
RPI swap	12,969	15,331	413	522	2,000	12,396
	<u>33,732</u>	<u>36,677</u>	<u>2,898</u>	<u>3,000</u>	<u>8,798</u>	<u>21,981</u>

ROEHAMPTON HOSPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

14. Deferred taxation

	2020	2019
	£000	£000
At beginning of year	5,734	5,016
Charged to profit or loss	(26)	-
Charged to other comprehensive income	(145)	718
At end of year	5,563	5,734

A deferred tax asset has been recognised to the extent that the directors consider that it is more likely than not that sufficient taxable profits will be available in the future against which the deferred tax asset can be recovered.

This asset will unwind in line with the periodic swap payments made.

The deferred taxation balance is made up as follows:

	2020	2019
	£000	£000
Other timing differences	(26)	-
Deferred tax on derivative financial instruments	5,589	5,734
	5,563	5,734

15. Provisions

	Lifecycle provision £000
At 1 October 2019	6,018
Charged to profit or loss	1,081
Utilised in year	(1,629)
At 30 September 2020	5,470

Provisions are made in respect of life cycle maintenance to the extent that the Company is obliged to undertake maintenance in future periods.

This provision will unwind over the life of the concession as lifecycle payments fall due.

ROEHAMPTON HOSPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

16. Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
50,000 (2019: 50,000) Ordinary shares of £1.00 each	50	50

17. Reserves

Other reserves

The cash flow hedge reserve includes all current and prior period change in fair value of designated hedging and the associated tax movement.

Statement of Comprehensive Income

The Statement of Comprehensive Income includes all current and prior period retained profits and losses.

18. Related party transactions

	2020 Expenditure £000	2020 Creditor £000	2019 Expenditure £000	2019 Creditor £000
Sodexo Limited	7,937	(1,673)	7,472	(1,208)
Equitix Healthcare Limited	104	(2,129)	101	(2,129)
	<u>8,041</u>	<u>(3,802)</u>	<u>7,573</u>	<u>(3,337)</u>

Sodexo Limited is a related party as a sister company of Sodexo Investment Services Limited, 10% shareholders of Roehampton Hospital Holdings Limited. Expenditure relates to services and financing.

Equitix Healthcare Limited is a related party as a 65% shareholder of Roehampton Hospital Holdings Limited.

19. Controlling party

The Company is a subsidiary undertaking of Roehampton Hospital Holdings Limited. The ultimate controlling party is Roehampton Hospital Holdings Limited.

The largest group in which the results of the Company are consolidated is that headed by Roehampton Hospital Holdings Limited, registered at 3rd Floor (South Building), 200 Aldersgate Street, London, EC1A 4HD. No other group financial statements include the results of the Company. The consolidated financial statements of the group are available to the public and may be obtained from 3rd Floor (South Building), 200 Aldersgate Street, London, EC1A 4HD.