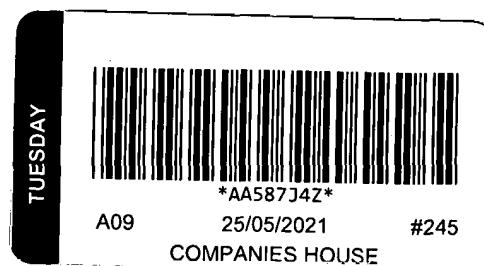


Registration number: 4826487

Octagon Healthcare Group Limited

Annual Report and Financial Statements
for the Year Ended 31 December 2020



Octagon Healthcare Group Limited

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Octagon Healthcare Group Limited

Company Information

Directors	N Rae D North (Alternate for N Rae) D J Brooking S.J Clark (Alternate for D J Brooking)
Company secretary	Semperian Secretariat Services Limited
Registered office	Third Floor Broad Quay House Prince Street Bristol BS1 4DJ
Independent Auditor	BDO LLP 55 Baker Street London W1U 7EU

Octagon Healthcare Group Limited

Strategic Report for the Year Ended 31 December 2020

The Directors present their strategic report for the year ended 31 December 2020.

Principal activity

The principal activity of the Company is that of a holding company.

In January 1998, the Group entered into a contract ("the Project") with the Norfolk and Norwich University Hospitals NHS Foundation Trust (previously known as the Norfolk and Norwich University Hospital NHS Trust) ("the Trust") for the design and construction of a new 809 bed acute hospital, including the provision of a range of support services. In July 2000 the contract was extended to include the provision of a further 144 beds. Construction of the main hospital was completed in August 2001 and the extension in August 2002. During 2002 the Trust requested further large variations to the contract to provide further additional beds, specialist operating theatres, additional renal units and an expanded teaching facility. All of these additional facilities were completed by January 2003.

In December 2003 the Octagon Group refinanced its operations and negotiated an extension of the initial contract term with The Trust to 35 years, ending in 2037. Octagon Healthcare Group Limited was instrumental in the restructuring for the refinancing. The Group comprises of Octagon Healthcare Limited, Octagon Healthcare Holdings (Norwich) Limited, Octagon Healthcare Funding PLC and Octagon Healthcare Group Limited.

During the year the Group has continued to provide full non-clinical facilities management services.

Results and review of business

The result for the year is set out in the profit and loss account on page 11. The directors consider the performance of the Group during the year and the financial position at the end of the year, to be in line with the long term expected performance of the project, and its prospects for the future to be satisfactory.

S172

Throughout the year the board has made due consideration during its discussions and decision-making of the matters set out in section 172 and below is a description of how the directors have had regards to these matters when performing their duties:

- *The likely consequences of any decisions in the long-term;*

The Group has made no decisions during the year that have material long term consequences.

- *The interests of the Group's employees;;*

The Group has no employees (2019: nil).

- *The impact of the Group's operations on the community and the environment*

The Group has very limited direct impact on the environment as it has no greenhouse gas emissions. Notwithstanding that the Group is committed to minimizing environmental disruption from its activities. The board upholds the Group's environmental policy in all its activities and requires all parties to the arrangement to do the same.

The board recognises that the Group it is a key partner in the delivery of public infrastructure and encourages its partners in considering and delivering Environmental, Social and Governance (ESG) values and initiatives to achieve socially responsible investing.

- *The desirability of the Group maintaining a reputation for high standards of business conduct*

The Group is committed, in its day to day operations and dealings with all affiliates to uphold the highest standard of business conduct and integrity. The directors are not responsible for setting a "business culture" in the traditional sense, but are committed to understanding the culture of the manager and service providers and raise any concerns in this regard if necessary.

- *The need to act fairly between members of the Group*

The members of the Group are represented at board meetings by their appointed directors. Conflicts on matters to be discussed are identified at each meeting of the board. Directors representing a member with a conflict of interest may therefore be excluded from any discussion or vote in regards to it.

The directors are cognisant of their duty under s172 in their deliberation as a board on all matters. Decisions made by the board take into account the interests of all the Group's key stakeholders and reflect the board's belief that the long term sustainable success of the Group is linked directly to its key stakeholders.

Octagon Healthcare Group Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

The directors have identified the Group's main stakeholders as the following:

The Group's shareholders, bondholders and Credit Provider

Principal considerations of the board are whether the investment objective of the Group is meeting shareholder and bondholder expectations and how the Management Services Agreement provider (Manager) implements the objective. These are discussed at all board meetings, which are held regularly throughout the year. There are regular bondholder briefing meetings to which all bondholders are invited.

The Bonds are secured by an irrevocable financial guarantee policy issued by the Credit Provider, the Board regularly discuss the obligations under this policy and how the manager is fulfilling these at board meetings. The board frequently engage with the Credit Provider and keep them updated on matters as required.

The Manager

The delivery by the manager of its services is fundamental to the long term success of the Group. The board seeks to engage regularly with the manager at board meetings. Regular reporting is provided to the board by the manager, which will alert the board to changes to regulation or market practice, which will inform the board's decision making.

The client

The board recognises the importance of working in partnership with its public sector client to successfully deliver a key public infrastructure asset. On behalf of the Group, the manager fosters this partnership through regular meetings with the client representative and other key managers. The manager provides regular monthly reporting to the public sector client on the performance of its obligations under the PFI arrangement. Periodically the directors will also meet with the public sector client to discuss key service delivery matters.

The service providers

On behalf of the Group, the manager seeks to maintain a constructive relationship with the service providers by meeting regularly. The service provider reports provided to the Group contain service provision information and relevant information about the performance of the PFI contract. These reports are reviewed by both the manager and the board. Periodically the directors will also meet with the service provider to discuss key service delivery matters.

Principal risks and uncertainties

The Group has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customer, funders and sub-contractors as determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the Group could be exposed to subcontractor failure to perform their obligations. The financial risks and the measures taken to mitigate them are as detailed in the Directors' Report.

COVID-19 Pandemic

The risks posed by the current COVID-19 pandemic include the Trust not paying the Unitary Charge, a risk of the service provider falling behind on fulfilling their contractual requirements due to staff sickness, resulting in a high level of deductions and the risk of service provider failure. The Cabinet Office released a Procurement Policy Note (Action Note PPN 02/20) on 20 March 2020 that states contracting authorities (i.e. NHS Trusts) should put in place the most appropriate payment measures to support supplier cash flow. On 2 April 2020 a further guidance note was issued relating to PFI projects. This note stated that PFI contractors should consider themselves part of the public sector response to the COVID-19 emergency and asked that contracting authorities maintain unitary charge payments and moderate payment and performance regimes as appropriate. In addition to this, the Trust have written to the Group expressing that they wish to work together and support one another at this time and that they are not looking to apply contractual deductions. Any deductions would however be passed down to the service providers.

The service provider is continually updating its Business Continuity Plans to demonstrate how services will be covered in the event of certain levels of staff sickness. These have been reviewed by the Board.

The Board have assessed the financial stability of the service provider and continue to assess new information. As the service provider has a large number of public sector customers, in particular hospitals, they are supported by the Payment Policy Note for the public sector to ensure cashflow is maintained and therefore the board consider the risk of failure to be low.

The board have considered the additional risks posed by the Covid-19 pandemic and have concluded that the Group can mitigate these risks and continue to operate as a going concern for the foreseeable future.

Octagon Healthcare Group Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Going Concern

The Group had net liabilities of £51,765,000 as at 31 December 2020 (2019: £57,192,000) due to the fair value of a derivative in addition to goodwill amortization and generated a profit for the year then ended of £11,385,000 (2019: £14,608,000).

The Directors believe the Group has sufficient funding in place through the use of monthly Project Company cashflows with a full concession financial forecast and expect the Group to be in compliance with its debt covenants even in downside scenarios arising from factors such as COVID-19. The impact of which is described in note 2.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Key performance indicators ('KPIs')

1. Performance deductions under the service contract

Financial penalties are levied against the Group by The Trust in the event of performance standards not being achieved or parts of the hospital becoming unavailable for their anticipated use in accordance with the detailed criteria set out in the Project Agreement. Where appropriate deductions are passed on to the service provider but the quantum of any deductions is an indication of the Group's performance. For the year ending 31 December 2020, a total of £nil deductions were levied against the Group (2019: £nil). The deduction relates to nil% (2019: nil%) of the total fees charged by the service providers. Performance against this measure was considered satisfactory.

2. Financial performance and financial position

The Board have modelled the anticipated financial outcome of the Project across its full term. The Directors monitor actual financial performance and position against this forecast. As at 31 December 2020, the Group's performance against this measure was satisfactory.

For the year ended 31 December 2020, turnover for the Group was £58,681,000 (2019: £62,055,000). The decrease to revenue is due to decreased operations during the year includes planned variations alongside a decreased margin due to changes in overall cost forecasts on the contract. Administrative expenses primarily decreased from prior year due to a reduction in professional fees relating to a variation which was not rechargeable to the Client. Profit before tax for the year ended 31 December 2020 was £13,346,000 (2019: £16,954,000) and profit after tax was £11,385,000 (2019: £14,608,000). The principal reason for the movement is the movement in fair value of the Group's derivative contract which resulted in an income of £5,400,000 for the year ended 31 December 2020, an income of £6,995,000 in 2019. These amounts are not subject to corporation tax, the charge for which was £1,961,000 (2019 £2,346,000), the decrease reflecting the lower levels of profit in 2020 excluding the fair value movements noted above.

Financial covenants have been met in the year and are forecast to continue to be met in the future. In the year ended 31 December 2020 £4,013,000 of loans held in the Group were repaid (2019: £3,057,000). Due to restrictions on available cash (contractual increases to Maintenance Reserve Account and Debt Service Reserve reserving required) not all profits for the year were distributed out for the year, resulting in a major movement in shareholder deficit, with a balance of £51,765,000 (2019: £57,192,000) standing at year end. The principal reason for the deficit is the fair value of the Group's derivative contract which is a liability of £27,446,000 at 31 December 2020 (2019: £32,846,000).

Approved by the Board on 19 May 2021 and signed on its behalf by:
.....*N Rae*.....

N Rae

Director

Octagon Healthcare Group Limited

Directors' Report for the Year Ended 31 December 2020

Registration number: 4826487

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

Future developments

No significant changes are expected to the Group's activities, as set out in the Strategic Report, in the foreseeable future.

Dividends

A dividend of £5,957,700 (£4.50 per ordinary share) was paid during the year (2019: £13,187,600 £9.95 per ordinary share).

Financial risk management

The Group has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the Group's performance. The directors have policies for managing each of these risks and they are summarised below:

Brexit risk

The directors have assessed the impact, on the Group, arising from the terms of the United Kingdom's withdrawal from the European Union.

As the Group operates solely in the United Kingdom the directors do not expect the Group will be directly impacted by changes to the trading arrangements, with the EU and the rest of the world, however the directors continue to monitor any potential impact arising from the wider financial markets and the Group's supply chain.

Interest rate risk

The bond and loan interest has been fixed through the use of fixed funding rates, plus a margin.

Inflation risk

The Group's income is linked to inflation. Whilst a proportion of its costs are also linked to inflation, providing a natural hedge, its debt is fixed rate and therefore the Group is subject to inflation risk. It has chosen to manage its exposure to this risk through using an RPI swap. This RPI swap has been used to convert approximately 67% of the debt service on the Group's fixed rate bonds from a fixed rate to a floating rate.

Liquidity risk

The Group adopts a prudent approach to liquidity management by endeavoring to maintain sufficient cash and liquid resources to meet its obligations as they fall due. In addition, the Group is contractually obliged to reserve cash in a debt service reserve to cover its debt liabilities for the next 6 months and reserve cash in a maintenance reserve account to cover its lifecycle liabilities for future periods.

Credit risk

The Group receives the majority of its revenue from the Trust and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality. The Trust's liabilities are covered by a Government guarantee to settle any liabilities contractually due in the course of its operations.

Major maintenance replacement risk

The Group takes the risk that its projections for ongoing major maintenance replacement of the building and relevant equipment are adequate. These projections have been reviewed and approved by third parties and are subject to regular review by the directors.

Octagon Healthcare Group Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Directors of the Company

The directors who held office during the year were as follows:

N Rae

D North (Alternate for N Rae)

D J Brooking

S J Clark (Alternate for D J Brooking)

Directors' responsibilities statement

The directors are responsible for preparing the 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 they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the Group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Streamlined energy and carbon reporting

The Group is a low energy user, emitting and consuming less than 40mWh in the current and previous reporting period. Energy emissions from activities, including greenhouse gases (GHG), and the consumption of energy for the Group's own use has been considered in making this assessment. As an operator of a Government Private Finance Initiative, the Group:

- does not utilize any transportation;
- had no employees during the year; and
- services provided under the Project Agreement and related contracts are outsourced to the subcontractor.

As such, the Group is not required to make detailed disclosures of energy and carbon information under the Companies Act 2006.

Octagon Healthcare Group Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Qualifying third party indemnity provisions

The Group has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware. Adequate Director and Officer indemnity insurance is in place.

Reappointment of auditors

During the year KPMG resigned as incumbent auditor. BDO LLP were appointed auditor for the year ending December 2020.

Approved by the Board on 19 May 2021 and signed on its behalf by:



N Rae

Director

Octagon Healthcare Group Limited

Independent Auditors' Report to the members of Octagon Healthcare Group Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Octagon Healthcare Group Limited ("the Parent Company") and its subsidiaries ("The Group") for the year ended 31 December 2020 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and 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).

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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Octagon Healthcare Group Limited

Independent Auditors' Report to the members of Octagon Healthcare Group Limited (continued)

Other Companies Act 2006 reporting

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.

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to management bias in accounting estimates and posting inappropriate journal entries to manipulate the fair value of the Group's assets.

Octagon Healthcare Group Limited

Independent Auditors' Report to the members of Octagon Healthcare Group Limited (continued)

Audit procedures performed by the engagement team included:


- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in areas involving significant estimates, with the key sources of estimation identified as the determination of service margins and lifecycle costs; and
- Identifying and testing journal entries, in particular any material journal entries posted and/or with unusual descriptions.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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:

.....BEEEF00CF07B4FA.....

Cassie Forman-Kotsapa (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
Date: 19 May 2021

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

Octagon Healthcare Group Limited

Consolidated Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Turnover	4	58,681	62,055
Cost of sales		(40,554)	(42,004)
Gross profit		18,127	20,051
Administrative expenses		(3,029)	(3,095)
Operating profit	5	15,098	16,956
Gain on derivative financial instruments		5,400	6,995
Interest receivable and similar income	6	11,811	12,256
Interest payable and similar expenses	7	(18,963)	(19,253)
Profit before tax		13,346	16,954
Taxation	8	(1,961)	(2,346)
Profit for the financial year		11,385	14,608

The above results were derived from continuing operations.

The Group has no other Comprehensive Income for the year other than the profit for the financial year stated above.

The notes on pages 16 to 30 form part of these financial statements.

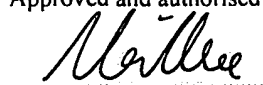
Octagon Healthcare Group Limited

Consolidated Balance Sheet as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Intangible assets – goodwill	9	37,378	39,701
Tangible assets – land and buildings	11	107	114
Current assets			
Debtors: Amounts falling due within one year	12	40,931	41,669
Debtors: Amounts falling due after more than one year	13	156,567	162,293
Cash at bank and in hand		24,045	21,611
		<u>221,543</u>	<u>225,573</u>
Creditors: Amounts falling due within one year	14	<u>(19,850)</u>	<u>(14,831)</u>
Net current assets		<u>201,693</u>	<u>210,742</u>
Total assets less current liabilities		<u>239,178</u>	<u>250,557</u>
Creditors: Amounts falling due after more than one year	14	<u>(290,943)</u>	<u>(307,749)</u>
Net liabilities		<u>(51,765)</u>	<u>(57,192)</u>
Capital and reserves			
Called up share capital	18	13	13
Profit and loss account		(51,778)	(57,205)
Total shareholder deficit		<u>(51,765)</u>	<u>(57,192)</u>

The notes on pages 16 to 30 form part of these financial statements.

Approved and authorised by the Board on 19 May 2021 and signed on its behalf by:



N Rae
Director

Octagon Healthcare Group Limited

Company Balance Sheet as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Investments	10	82,132	82,132
Current assets			
Debtors: Amounts falling due within one year	12	13	13
Debtors: Amounts falling due after more than one year	13	31,938	31,938
		<u>31,951</u>	<u>31,951</u>
Creditors: Amounts falling due within one year	14	<u>(82,132)</u>	<u>(82,132)</u>
Net current liabilities		<u>(50,181)</u>	<u>(50,181)</u>
Total assets less current liabilities		<u>31,951</u>	<u>31,951</u>
Creditors: Amounts falling due after more than one year	14	<u>(31,938)</u>	<u>(31,938)</u>
Net assets		<u>13</u>	<u>13</u>
Capital and reserves			
Called up share capital	18	13	13
Total equity		<u>13</u>	<u>13</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £5,958,000 (2019 £13,188,000).

The notes on pages 16 to 30 form part of these financial statements.

Approved and authorised by the Board on 19 May 2021 and signed on its behalf by:



N Rae
Director

Octagon Healthcare Group Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2020

	Note	Called up Share Capital £ 000	Profit and loss account £ 000	Total shareholder deficit £ 000
At 1 January 2019		13	(58,625)	(58,612)
Profit for the year		-	14,608	14,608
Total comprehensive income		-	14,608	14,608
Dividends	19	-	(13,188)	(13,188)
At 31 December 2019		13	(57,205)	(57,192)
At January 2020		13	(57,205)	(57,192)
Profit for the year		-	11,385	11,385
Total comprehensive income		-	11,385	11,385
Dividends	19	-	(5,958)	(5,958)
As 31 December 2020		13	(51,778)	(51,765)

Included within the profit and loss account are unrealised losses of £27,446,000 (2019: £34,846,000) in respect of fair value movements on the RPI swap held.

Company Statement of Changes in Equity for the Year Ended 31 December 2020

	Note	Called up Share Capital £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2019		13	-	13
Profit for the year		-	13,188	13,188
Total comprehensive income		-	13,188	13,188
Dividends	19	-	(13,188)	(13,188)
At 31 December 2019		13	-	13
At January 2020		13	-	13
Profit for the year		-	5,958	5,958
Total comprehensive income		-	5,958	5,958
Dividends	19	-	(5,958)	(5,958)
As 31 December 2020		13	-	13

The notes on pages 16 to 30 form part of these financial statements.

Octagon Healthcare Group Limited

Consolidated Cash Flow Statement for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Cash flows from operating activities			
Profit for the year		11,385	14,608
Adjustments for:			
(Gains) on derivative movements		(5,400)	(6,995)
Depreciation and amortization	9,11	2,330	2,329
Net interest expense	6,7	7,152	6,997
Taxation	8	1,961	2,346
		<u>17,428</u>	<u>19,285</u>
Decrease in trade and other debtors		6,762	106
(Increase)/decrease in payables		<u>(1,807)</u>	<u>2,696</u>
		22,383	22,087
Tax paid		<u>(3,485)</u>	<u>(2,293)</u>
Net cash from operating activities		<u>18,898</u>	<u>19,794</u>
Cash flows from investing activities			
Interest received		11,811	12,256
Net cash from investing activities		<u>11,811</u>	<u>12,256</u>
Cashflows from financing activities			
Interest paid		(18,304)	(20,534)
Repayment of borrowings		(4,013)	(3,057)
Dividends paid	19	(5,958)	(13,188)
Net cash from financing activities		<u>(28,275)</u>	<u>(36,779)</u>
Net increase/(decrease) in cash and cash equivalents		2,434	(4,729)
Cash and cash equivalents at 1 January		21,611	26,340
Cash and cash equivalents at 31 December		<u>24,045</u>	<u>21,611</u>

The notes on pages 16 to 30 form part of these financial statements.

Octagon Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1. General information

The principal activity of the Group is to finance and operate the Norfolk & Norwich University Hospital under the Government's Private Finance Initiative.

The Group is a private company limited by shares and is incorporated and domiciled in England.

The address of its registered office is:

Third Floor
Broad Quay House
Prince Street
Bristol
BS1 4DJ

The Group's functional and presentation currency is the pound sterling. Amounts have been rounded to the nearest £1,000.

2. Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The consolidated financial statements include the financial statements of the Group and its subsidiary undertakings made up to 31 December 2020. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

In accordance with Section 408 of the Companies Act 2006, Octagon Healthcare Group Limited is exempt from the requirement to present its own profit and loss account. The result for the financial period dealt with in the financial statements of Octagon Healthcare Group Limited is disclosed in the company statement of changes in equity.

Going concern

The Group had net liabilities of £51,765,000 for the year ended 31 December 2020 (2019: £57,192,000 and generated a profit for the year then ended of £11,385,000 (2019: £14,608,000)).

The Directors have prepared cash flow forecasts covering a period of 14 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement which are underwritten by the Secretary of State for Health.

In making this assessment the Directors have considered the potential impact of the emergence and spread of COVID-19.

The Group's operating cash inflows are largely dependent on unitary charge receipts receivable from the Norfolk and Norwich University Hospitals NHS Foundation Trust and the Directors expect these amounts to be received even in severe but plausible possible downside scenarios.

Octagon Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2. Accounting policies (continued)

The Group continues to provide the asset in accordance with the contract and is available to be used. As a result, the Group does not believe there is any likelihood of a material impact to the unitary payment.

The Directors have assessed the viability of its main sub-contractors and reviewed the contingency plans of the sub-contractors and are satisfied in their ability to provide the services in line with the contract without significant additional costs to the Group, even in downside scenarios, due to the underlying contractual terms. To date, there has been no adverse impact on the services provided by the Group or its sub-contractors arising from COVID-19. However, in the unlikely event of a subcontractor failure, the Group has its own business continuity plans to ensure that service provision will continue.

The Directors believe the Group has sufficient funding in place and expect the Group to be in compliance with its debt covenants even in plausible downside scenarios.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Revenue recognition

Service income is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Group and value added taxes.

The Group recognises pass through income (Operation expenditure recharged) and variation income (Capital expenditure recharged with a margin) when it has fully fulfilled its contractual obligations. The Group includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the project company, within the financial statements as turnover and operating costs.

Where appropriate, service income received under the PFI contract in respect of services provided during the operational phase of the contract is deferred to future periods in order to match those elements of income with the costs to which they relate. The turnover and cost of sales are recorded in the profit and loss account in the period in which the relevant costs are incurred.

Transactions to which the Group does not have access to all the significant benefits and risks are excluded from the financial statements.

Finance debtor and interest receivable

The Group is an operator of a Public Finance Initiative (PFI) contract. The subsidiary Octagon Healthcare Limited entered into a project agreement (the contract) with Norfolk and Norwich University Hospitals NHS Foundation Trust (the Trust) to design, build, finance, operate and maintain Norfolk & Norwich University Hospital. Under the contract operations include the provision of hard and soft facilities management services to the Trust. The project company has passed these obligations down to Serco Limited respectively via subcontracts. The obligation to provide major maintenance works (lifecycle) is retained by the project company. The timing and extent of the major maintenance works is a key assumption that will affect the cashflows of the company, further information is shown in note 3. The contract does not entitle the Trust to any share of the profits of the company.

The Group has elected to take the exemption under FRS 102 paragraph 35.10 (i) to continue to apply its previous accounting treatment in respect of Service Concession Arrangements entered into prior to the date of transition to FRS 102. The costs incurred in constructing the assets have been treated as a finance debtor. This treatment arose from applying the guidance within previous UK GAAP which indicated that the project's principal agreements transfer substantially all the risks and rewards relating to the property to the Trust. The Trust is able to terminate the contract on an event of default and does have the right to do so without. If this event occurs the Trust is liable to pay the company compensation as set out in the Contract, which would include the senior debt, swap breakage costs, redundancy costs and other FM provider losses and the market value of the subordinated debt.

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. During the operational phase the Trust pays Project Co. a fixed Unitary Charge payment, as determined in the Contract, that is inflated by RPI each year. Income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The company recognises revenue in respect of the services provided, including lifecycle services, as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Octagon Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2. Accounting policies (continued)

Fixed Asset Investments

Fixed asset investments are held at the lower of cost less any provision for impairment.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 32 years from the date of refinancing, this being equal to the remaining life of the Group's Private Finance Initiative contract with Norfolk and Norwich University Hospital NHS Trust. Goodwill is tested for impairment in accordance with Section 27 Impairment Of Assets when there is an indication that goodwill should be impaired.

Tax

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 is also recognised directly in other comprehensive income.

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 Group operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense (notably fair value movement on the RPI swap) are non-taxable as an election has been made to disregard these fair value movements for tax purposes.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisitions and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Fixed building	Straight line

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits including contractually reserved cash, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. The restricted MRA (Maintenance Reserve Account) and DSR (Debt Service Reserve) cash at the end of December 2020 totaled £19,770,000 (2019: £16,159,000).

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition or issue unless it is required to be measured at fair value through profit and loss or has been designated as such. A trade receivable without a significant financing component is initially measured at the transaction price.

Octagon Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2. Accounting policies (continued)

Financial Instruments

i. Recognition and initial measurement

ii. Classification and subsequent measurement

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit and loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

All financial assets not classified as measured at amortised cost or fair value through profit and loss as described above are measured at fair value through profit and loss. This includes all derivative financial assets.

Financial instruments and contract assets

The Group recognises loss allowances for Expected Credit Losses ("ECLs") on financial assets measured at amortised cost;

- Loss allowances for trade receivables and the finance debtor are always measured at an amount equal to lifetime ECL.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

iii. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Octagon Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2. Accounting policies (continued)

If the Group enters into transactions whereby it transfers assets recognised in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

iv. Derivatives

RPI swaps are held to manage the RPI exposures on revenue.

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.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividends and other distributions to Group's Shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Group's Shareholders. These amounts are recognised in the Statement of Changes in Equity.

Investments

Investments in equity in the parent Company accounts are held as fixed assets and are stated at cost less an appropriate provision to reflect any impairment in the value of the investments. Any other impairment of fixed assets is reflected as impairment charges.

3. Critical accounting judgements and estimation uncertainty

Judgements, estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may subsequently differ from these estimates.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates made are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements, adopted by management, in applying the company's accounting policies are described below:

Octagon Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

3. Critical accounting judgements and estimation uncertainty (continued)

Estimates

Accounting estimates

Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the service concession contract. Lifecycle costs are a significant proportion of future expenditure. Given the length of the project company's service concession contract, the forecast of lifecycle costs is subject to significant estimation uncertainty and changes in the amount and timing of expenditure could have material impacts. As a result, there is a significant level of judgement applied in estimating future lifecycle costs. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis and periodic technical evaluations of the physical condition of the facilities are undertaken. In addition, comparisons of actual expenditure are compared to the lifecycle forecast. If the total future lifecycle expenditure is increased by 5% there would be a £337k reduction to revenue and profit before tax. In contrast, if there was a decrease in the total future lifecycle expenditure by 5% there would be an increase of £342k to revenue and profit before tax.

4. Turnover

	2020	2019
	£ 000	£ 000
Unitary charge service income	47,757	49,833
Variation income	4,407	7,528
Pass through income	6,517	4,694
	<u>58,681</u>	<u>62,055</u>

The Group has been engaged solely in continuing activities in a single class of business within the United Kingdom.

5. Operating profit

The Group had no employee's during the year (2019: none). The emoluments of the directors are paid by the controlling parties. The controlling parties charged £104,000 (2019: £102,000) to the Group in respect of Director services.

The audit fee in respect of the Group was £32,000 for the year (2019: £35,000). In addition an extended audit fee of £2,600 was incurred in the year ending 31 December 2020.

6. Interest receivable and similar income

	2020	2019
	£ 000	£ 000
Imputed interest receivable on finance debtor	11,756	12,115
Interest income on bank deposits	55	141
	<u>11,811</u>	<u>12,256</u>

Octagon Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

7. Interest payable and similar expenses

	2020	2019
	£ 000	£ 000
Interest on loans	14,823	15,075
Bond fees	308	312
Interest on sub debt	3,832	3,866
	<u>18,963</u>	<u>19,253</u>

8. Taxation

a) Tax expense included in profit and loss

	2020	2019
	£ 000	£ 000
Current taxation		
UK corporation tax	1,952	2,346
UK corporation tax adjustment to prior periods	9	-
	<u>1,961</u>	<u>2,346</u>
Deferred taxation		
Arising from origination and reversal of timing differences	-	-
Total deferred taxation	-	-
Tax on profit on ordinary activities	<u>1,961</u>	<u>2,346</u>

b) Reconciliation of tax charge

The tax on profit before tax for the year is lower (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%).

The differences are reconciled below:

	2020	2019
	£ 000	£ 000
Profit before tax	13,346	16,954
Corporation tax at standard rate	<u>2,536</u>	<u>3,221</u>
Expenses/(income) not (taxable)/deductible for tax purposes	(1,026)	(1,329)
Amounts not deductible for tax purposes	451	454
Adjustments to tax charge in respect of prior years	-	-
Deferred tax expense (credit) from origination and reversal of timing differences	-	-
Total tax charge	<u>1,961</u>	<u>2,346</u>

c) Tax rate changes

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

Octagon Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

9. Intangible assets

Group	Goodwill £ 000
<i>Cost</i>	
At beginning and end of year	77,069
<i>Amortisation</i>	
At beginning of the year	37,368
Charge for year	2,323
At end of year	39,701
<i>Net book value</i>	
At 31 December 2020	37,378
At 31 December 2019	39,701

As required by FRS 102, at each reporting date the goodwill balance is reviewed for indications of impairment and if such indicators are identified, to assess the recoverable amount of that goodwill. The directors are satisfied that no impairment indicators have been identified.

The annual amortisation of £2,323,000 (2019: £2,323,000) is disclosed within the administrative expenses of the Group.

10. Investments

Company	Cost of investment £ 000
At beginning and end of year	82,132

The following subsidiaries are companies incorporated in England and Wales. The Group has direct holdings in Octagon Healthcare Funding Plc and Octagon Healthcare Holdings (Norwich) Limited and an indirect holding in Octagon Healthcare Limited (all shareholdings are 100% of ordinary share capital):

	Principal activity
Octagon Healthcare Funding PLC	Finance
Octagon Healthcare Holdings (Norwich) Limited	Holding Company
Octagon Healthcare Limited	PFI operation concession

The registered office for the companies shown above is: Third Floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ.

Octagon Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

11. Tangible assets

	Land and buildings £ 000	Total £ 000
Cost or valuation		
At 1 January 2020	121	121
Additions	-	-
At 31 December 2020	121	121
Depreciation		
At 1 January 2020	(7)	(7)
Charge for the year	(7)	(7)
At 31 December 2020	(14)	(14)
Carrying amount		
At 31 December 2020	107	107
At 31 December 2019	114	114

Included within the net book value of land and buildings above is £107,000 (2019 - £114,000) in respect of long leasehold land and buildings.

12. Debtors: Amounts falling due within one year

	Group	
	2020 £ 000	2019 £ 000
Finance debtor	5,727	5,342
Trade debtors	1,016	2,466
Prepayments and accrued income	5,764	5,714
Accrued Service Concession Income	28,327	28,147
Corporation tax	97	-
	<u>40,931</u>	<u>41,669</u>

	Company	
	2020 £ 000	2019 £ 000
Amounts due from subsidiary	13	13
	<u>13</u>	<u>13</u>

Octagon Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

13. Debtors: Amounts falling due after one year

	Group	
	2020	2019
	£ 000	£ 000
Finance debtor	156,567	162,293
	<u>156,567</u>	<u>162,293</u>
	Company	
	2020	2019
	£ 000	£ 000
Subordinated loan	31,938	31,938
	<u>31,938</u>	<u>31,938</u>

The subordinated loan is unsecured and repayable in 2036 subsequent to the repayment of the group bank loans. Interest is payable on the loan at a rate of 12% per annum.

14. Creditors

		Group	
	Note	2020	2019
		£ 000	£ 000
Due within one year			
Bond	15	11,237	3,350
Trade creditors		3,985	5,653
Other taxation and social security		1,053	1,173
Accruals and deferred income		2,654	2,473
Corporation tax		-	1,427
Derivative financial instruments		921	755
		<u>19,850</u>	<u>14,831</u>
		Company	
	Note	2020	2019
		£ 000	£ 000
Due within one year			
Amounts due to group company		50	50
Group loan		82,082	82,082
		<u>82,132</u>	<u>82,132</u>

Octagon Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

14. Creditors (continued)

		Group	
	Note	2020	2019
		£ 000	£ 000
Due after one year			
Bond	15	232,480	243,720
Subordinated loans		31,938	31,938
Derivative financial instruments		26,525	32,091
		<u>290,943</u>	<u>307,749</u>

		Company	
	Note	2020	2019
		£ 000	£ 000
Due after one year			
Subordinated loans		31,938	31,938
		<u>31,938</u>	<u>31,938</u>

15. Loans and borrowings

	2020	2019
	£ 000	£ 000
Loans and borrowings falling due within one year		
Bond	11,237	3,350
	<u>11,237</u>	<u>3,350</u>

	2020	2019
	£ 000	£ 000
Loans and borrowings falling due between one and five years		
Bond	54,152	51,229
	<u>54,152</u>	<u>51,229</u>

	2020	2019
	£ 000	£ 000
Loans and borrowings falling due after more than five years		
Bond	178,328	192,491
Subordinated loans	31,938	31,938
	<u>210,266</u>	<u>224,429</u>

Octagon Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

15. Loans and borrowings (continued)

The timing of cash payments, including interest, will result in payments being made within the following periods:

	Group	
	2020	2019
	£ 000	£ 000
Within 1 year	25,116	17,522
1 – 2 years	27,551	25,116
2 – 5 years	74,686	77,189
Greater than 5 years	235,244	260,295

Bond under 1 year

The loans are secured by fixed and floating charges over the assets of the Group. They are repayable in half-yearly instalments at a rate of interest of 5.333%.

Bond over 1 year

The loans are secured by fixed and floating charges over the assets of the Group. They are repayable in half-yearly instalments at a rate of interest of 5.333%. Final repayments are made in June 2036.

Subordinated loans over 1 year

The shareholders' subordinated debt is unsecured and repayable in 2036 subsequent to the repayment of the Bond. Interest is payable on the loan at a rate of 12% per annum.

16. Net debt reconciliation

The below is an analysis of change in net debt of the Group from the beginning to the end of the current reporting period:

	Borrowings due within one year	Borrowings due after one year	Subtotal	Cash and cash equivalents	Net debt
	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 January 2020	3,350	275,658	279,008	(21,611)	257,397
Cash flows	(22,317)	-	(22,317)	(2,434)	(24,751)
Other non-cash changes	30,204	(11,240)	18,964	-	18,964
Balance at 31 December 2020	11,237	264,418	275,655	(24,045)	251,610

Octagon Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

17. Financial instruments

The Group held the following financial instruments at 31 December

		Amortised cost	
	Note	2020	2019
		£ 000	£ 000
Financial assets			
Financial assets - current			
Finance debtor	12	5,727	5,342
Trade debtors	12	1,016	2,466
Accrued Service Concession Income	12	28,327	28,147
Cash at bank and in hand		24,045	21,611
Financial assets – non current			
Finance debtor	13	156,567	162,293
Financial liabilities			
Financial liabilities - current			
Trade creditors	14	3,985	5,653
Bond	14	11,237	3,350
Financial liabilities – non current			
Bond	14	232,480	243,720
Sub loan	14	31,938	31,938
Fair value through profit and loss			
	Note	2020	2019
		£ 000	£ 000
Financial liabilities			
Financial liabilities - current			
Derivative financial instrument	14	921	755
Financial liabilities – non current			
Derivative financial instrument	14	26,525	32,091
		<u>27,446</u>	<u>32,846</u>

The Directors estimate that the carrying amounts of cash, trade receivables and trade payables approximate to their fair value due to the short-term maturity of these instruments.

The fair value of derivatives is calculated by a third party (Befius, the derivative provider). This is done by discounting estimated future cash flows based on the terms and maturity of the swap contract and using market expectations of inflation through the life of the contract.

As described previously the derivative financial instrument is in place to mitigate the risk in inflation and its impact on revenue. The fair values at the reporting date are demonstrated in note 14 and the table above.

Changes in the fair value of the derivative go through net movement in fair value derivative.

Octagon Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

18. Share Capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£ 000	No.	£ 000
Ordinary shares of £0.01 each	1,325,000	13	1,325,000	13

19. Dividends

	2020	2019
	£ 000	£ 000
Dividends - £4.50 (2019: £9.95) per ordinary share	5,958	13,188

20. Related party transactions

The following information is provided in accordance with FRS 102 – paragraph 33.9 as being transactions with related parties for the year:

The Group incurred the following costs in respect of provision of staff and support services from Imagile Infrastructure Management Limited which is part of the Semperian group of companies. Semperian PPP Investment Partners No2 Limited is part of the Semperian group of companies:

	Type of expense	Year ended 31 December 2020	Year ended 31 December 2019
		£ 000	£ 000
Imagile Infrastructure Management Limited	Management Services	368	366

Management fees balance outstanding at year end was £nil (2019: £nil).

Director fees amounting to £104,331 (2019: £101,372) were paid in the period as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
	£ 000	£ 000
Semperian PPP Investment Partners No2 Limited	52	34
Innisfree Nominees Limited	52	34
3i Infrastructure Seed Assets G.P. Limited	-	34

Director fees balance outstanding at year end was £nil (2019: £nil).

Octagon Healthcare Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

20. Related party transactions (continued)

The Group has issued subordinated loan notes totalling £31,938,000, held by the following:

	Year ended 31 December 2020	Year ended 31 December 2019
	£ 000	£ 000
Semperian PPP Investment Partners No2 Limited	15,969	15,969
Innisfree Nominees Limited	15,969	15,969

The loan notes bear interest at 12% per annum and are repayable in 2036 subsequent to the repayment of the bonds.

During the year interest totalling £3,832,000 on the subordinated loan was paid to the following:

	Year ended 31 December 2020	Year ended 31 December 2019
	£ 000	£ 000
Semperian PPP Investment Partners No2 Limited	1,916	1,047
Innisfree Nominees Limited	1,916	1,689
3i Infrastructure Seed Assets G.P. Limited	-	1,130

The loan note interest balance outstanding at year end was £nil (2019: £nil).

During the year ending 31 December 2019 3i sold its shareholding and loan notes in the Octagon Healthcare Group Limited, to Semperian PPP Investments Partners and Innisfree Nominees Limited. As the transaction above occurred before the sale, 3i is considered a related party.

21. Parent and ultimate parent undertaking

The controlling parties at 31 December 2020 are Innisfree Nominees Limited (which holds legal title on behalf of Innisfree M&G PPP LP as to 38.64% and Innisfree PFI Secondary Fund 2 LP as to 13.16%) and Semperian PPP Investment Partners No. 2 Limited which hold 50% each of the issued share capital of Octagon Healthcare Group Limited. In the directors' opinion there is no ultimate controlling party.

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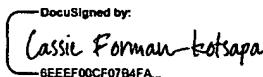
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