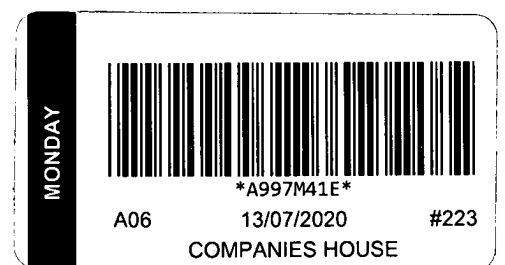


COMPANY REGISTRATION NUMBER: 05061060

**Ravensbourne Health Services (Holdings) Limited**  
**Annual Report and Consolidated Financial**  
**Statements**

**31 March 2020**



# **Ravensbourne Health Services (Holdings) Limited**

## **Annual Report and Consolidated Financial Statements**

**Year Ended 31 March 2020**

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# **Ravensbourne Health Services (Holdings) Limited**

## **Officers and Professional Advisers**

### **The Board of Directors**

Ross Driver  
James Heath (Resigned 2 September 2019)  
Stephanie Exell (Appointed 2 September 2019)

### **Company Secretary**

Infrastructure Managers Limited

### **Registered Office**

Cannon Place  
78 Cannon Street  
London  
EC4N 6AF

### **Independent Auditors**

KPMG LLP  
Chartered Accountants & Statutory Auditors  
66 Queen Square  
Bristol  
BS1 4BE

### **Bankers**

Barclays Bank Plc  
1 Churchill Place  
London  
E14 5HP

### **Solicitors**

CMS Cameron McKenna LLP  
Mitre House  
160 Aldersgate Street  
London  
EC1A 4DD

# **Ravensbourne Health Services (Holdings) Limited**

## **Directors' Report**

### **Year Ended 31 March 2020**

The directors present their report and the audited Annual Report and Consolidated Financial Statements of Ravensbourne Health Services (Holdings) Limited ("the Company") for the year ended 31 March 2020.

#### **Principal Activities**

The principal activity of the company during the year is that of a holding company for the investment in its subsidiary undertaking. The principal activity of the subsidiary is that of a Private Finance Initiative Concessionaire for the Ravensbourne Health Services Hospital Project, under the terms of a Project Agreement. The Agreement is for a term of 30 years and was entered into with Lewisham & Greenwich NHS Trust (the authority), providing additional facilities at the University Hospital, Lewisham.

#### **Performance Review**

The profit for the financial year, after taxation, amounted to £541,508 (2019: £326,415).

The profit for the financial year will be transferred to reserves.

The directors are satisfied with the overall performance of the Group and do not foresee any significant change in the Groups activities in the coming financial year.

#### **Key Performance Indicators**

The performance of the Group from a cash perspective is assessed six monthly by the testing of the covenants of the senior debt provider. The key indicator being the debt service cover ratio. The Group has been performing well and has been compliant, and is forecast to remain compliant with the covenants laid out in the Group loan agreement.

#### **Going Concern**

The Group had liabilities of £21,616,776 as at 31 March 2020 and generated a profit for the year then ended of £541,508. This is primarily a result of the Interest rate and RPI swaps, which are significantly out of the money, creating a large liability in the Statement of Financial Position. It is not the intention to close out these instruments before their maturity date, therefore there is no impact on the Group and parent company's ability to meet its liabilities as they fall due. The parent company had net assets of £1,000 as at 31 March 2020.

On 15 January 2018, the Constructing Party to the contract, Carillion JM Limited ("CJML") and its Performance Guarantor, Carillion PLC ("Carillion") entered into compulsory liquidation. This resulted in the project entering technical default.

During the year to 31 March 2017, the Facilities Manager ("FM") was changed under a benchmarking exercise. The incumbent was Sovereign Hospital Services Limited ("Sovereign") (a subsidiary of Carillion) who was replaced by Bouygues E&S FM UK Limited ("Bouygues") in February 2017. As a result of the change in FM provider, a 'Condition Survey' was performed to establish the 'legacy items' left as a result of the Carillion termination. The survey identified several latent defects.

# **Ravensbourne Health Services (Holdings) Limited**

## **Directors' Report** *(continued)*

### **Year Ended 31 March 2020**

#### **Going Concern** *(continued)*

As the latent defects were identified prior to the expiration period of the guarantee for repairing latent defects of 2 November 2018, the responsibility to repair these defects was with CJML. However, following the liquidation of Carillion, the project became liable for these repairs. A provision was included within the financial statements at 31 March 2018 for £1,763,000, representing the best estimate of the costs of the programme of works to rectify the defects. The Group has ringfenced the funds required for these works in the Maintenance Reserve Account and it has been determined that there is sufficient funding to meet these costs as they fall due. A programme of works has been identified and a plan put in place to ensure these are completed within agreed timescales. The balance at 31 March 2020 was £352,212 (2019: £1,494,914). The programme of works have been completed since the year end.

The Group has re-forecast the project's financial model following the liquidation of CJML, with the additional costs incurred resulting from this event not having a material change to the overall project profitability and sufficient funding being available to meet these costs as they fall due. The project remains profitable over the remaining life of the project.

On 5 June 2019, a waiver was obtained from the Lenders to end this event of default. As a result no default event exists at the date of signing of the accounts and the project is now running as normal. As a result, the bank loans which had been classified as repayable on demand as a result of the event of default, have been reclassified as partly due after one year.

The Directors have prepared cash flow forecasts which indicate that, taking account of severe but plausible downsides, the Group will have sufficient funds to meet its liabilities as they fall due. The COVID-19 pandemic continues to cause significant impact to the UK's economy; however, the Company has continued to be paid in full since the year end in accordance with Government guidance and the concession contract and does not expect this position to change. The project remains fully operational and as a result continues to be entitled to the receipt of the Unitary Payment. Further information of the Directors' assessment including the consideration of the impact of COVID-19 is contained within note 3b.

The Group was able to meet the financial covenants as at 31 March 2020, and is forecast to meet them for the foreseeable future.

Taking into account reasonable possible risks in operations to the Group, the fact the obligations of the Group's sole customer are underwritten by the Secretary of State for Health, the Directors have a reasonable expectation that the Group will be able to settle its liabilities as they fall due to the foreseeable future. It is therefore appropriate to prepare these financial statements on the going concern basis.

#### **Directors**

The directors who served the Company during the year and up to the date of this report were as follows:

Ross Driver  
Stephanie Exell  
James Heath

(Appointed 2 September 2019)  
(Resigned 2 September 2019)

# **Ravensbourne Health Services (Holdings) Limited**

## **Directors' Report** *(continued)*

### **Year Ended 31 March 2020**

#### **Dividends**

The directors do not recommend the payment of a dividend (2019: £nil).

#### **Principal risks and uncertainties**

The Authority is the sole client of the Group but the directors consider that no strategic risk arises from such a small client base since the Secretary of State for Health has underwritten the Authority's obligations under the Project Agreement. Performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees.

The Group is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are credit risk, liquidity risk and interest rate risk.

#### **Future prospects**

The Group will continue to provide support to the Health Trust in its operation of the hospital under the PFI scheme.

#### **Financial Instruments**

Due to the nature of the Group's business, the financial risks the directors consider relevant to this Group is credit, interest rate, cash flow and liquidity risk. The credit risk is not considered significant as the income is ultimately derived from established public sector counterparties.

##### *Interest rate risk*

The financial risk management objectives of the Group are to ensure that financial risks are mitigated by the use of financial instruments. The Group uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

##### *Cash Flow and Liquidity risk*

Many of the Cash Flow risks are addressed by means of contractual provisions. The Groups liquidity risk is principally managed through financing the Group by means of long term borrowings.

##### *COVID-19 risk*

The Group is exposed to the COVID-19 risk as a result of the inherent uncertainty around the impact of the pandemic on UK society and economy. Whilst the Group itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the ability to continue to perform required services. The Group is aware of the Government guidance for public bodies on payment to suppliers to ensure service continuity during and after the coronavirus outbreak, which provides additional assurance. Nevertheless, performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

# **Ravensbourne Health Services (Holdings) Limited**

## **Directors' Report** *(continued)*

### **Year Ended 31 March 2020**

#### **Small Company Provisions**

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. Accordingly, no Strategic Report has to be prepared.

#### **Disclosure of Information to Auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The auditors, KPMG LLP, are deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 8 July 2020 and signed by order of the board by:



Infrastructure Managers Limited  
Company Secretary

# **Ravensbourne Health Services (Holdings) Limited**

## **Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements**

### **Year Ended 31 March 2020**

The directors are responsible for preparing the Annual 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 Group and Company financial statements in accordance with UK Accounting Standards and applicable law (United Kingdom 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 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 accounting estimates that are reasonable and prudent;
- 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 the 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 the 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.



# **Ravensbourne Health Services (Holdings) Limited**

## **Independent Auditor's Report to the Members of Ravensbourne Health Services (Holdings) Limited**

**Year Ended 31 March 2020**

### **Opinion**

We have audited the financial statements of Ravensbourne Health Services (Holdings) Limited (the 'Company') for the year ended 31 March 2020 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2020 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going Concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Group and the Company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

# **Ravensbourne Health Services (Holdings) Limited**

## **Independent Auditor's Report to the Members of Ravensbourne Health Services (Holdings) Limited** *(continued)*

**Year Ended 31 March 2020**

### **Directors' Report**

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

### **Matters on Which We are Required to Report by Exception**

Under the Companies Act 2006 we are required 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 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report, and take advantage of the small companies' exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

### **Directors' Responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities**

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 our audit opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

# **Ravensbourne Health Services (Holdings) Limited**

## **Independent Auditor's Report to the Members of Ravensbourne Health Services (Holdings) Limited** *(continued)*

### **Year Ended 31 March 2020**

A fuller description of our responsibilities is provided on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### **The Purpose of Our Audit Work and to Whom We Owe Our Responsibilities**

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.

**NChrimes**

**Nathan Chrimes (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
66 Queen Square  
Bristol  
BS1 4BE  
10 July 2020

# Ravensbourne Health Services (Holdings) Limited

## Consolidated Statement of Comprehensive Income

Year Ended 31 March 2020

	Note	2020 £	2019 £
<b>Turnover</b>	<b>4</b>	<b>4,719,947</b>	<b>3,961,987</b>
Cost of sales		<u>(1,540,867)</u>	<u>(1,214,388)</u>
<b>Gross profit</b>		<b>3,179,080</b>	<b>2,747,599</b>
Administrative expenses		<u>(624,158)</u>	<u>(601,858)</u>
<b>Operating profit</b>	<b>5</b>	<b>2,554,922</b>	<b>2,145,741</b>
Other interest receivable and similar income	<b>7</b>	<b>2,739,341</b>	<b>2,890,154</b>
Interest payable and similar expenses	<b>8</b>	<u>(4,642,282)</u>	<u>(4,535,513)</u>
<b>Profit before taxation</b>		<b>651,981</b>	<b>500,382</b>
Tax on profit	<b>9</b>	<u>(110,473)</u>	<u>(173,967)</u>
<b>Profit for the financial year</b>		<b><u>541,508</u></b>	<b><u>326,415</u></b>
Fair value movements on cash flow hedging instruments, net of tax		<u>826,580</u>	<u>(233,641)</u>
<b>Total comprehensive income for the year</b>		<b><u>1,368,088</u></b>	<b><u>92,774</u></b>

All the activities of the group are from continuing operations.

The notes on pages 16 to 33 form part of these Financial Statements.

# Ravensbourne Health Services (Holdings) Limited

## Consolidated Statement of Financial Position

As at 31 March 2020

	Note	2020 £	2019 £
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	15,959,822	15,599,028
Debtors: amounts falling due after more than one year	11	40,896,558	42,763,560
Cash at bank and in hand		9,377,507	10,049,606
		<u>66,233,887</u>	<u>68,412,194</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(5,115,676)</u>	<u>(56,265,764)</u>
<b>Net current assets</b>		<u>61,118,211</u>	<u>12,146,430</u>
<b>Total assets less current liabilities</b>		<u>61,118,211</u>	<u>12,146,430</u>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(82,382,775)</u>	<u>(33,636,380)</u>
<b>Provisions for liabilities</b>			
Other provisions	14	<u>(352,212)</u>	<u>(1,494,914)</u>
<b>Net liabilities</b>		<u>(21,616,776)</u>	<u>(22,984,864)</u>
<b>Capital and reserves</b>			
Called up share capital	17	1,000	1,000
Hedging reserve	18	(21,498,372)	(22,324,952)
Retained earnings	18	(119,404)	(660,912)
<b>Total shareholders' deficit</b>		<u>(21,616,776)</u>	<u>(22,984,864)</u>

The Financial Statements were approved by the board of directors and authorised for issue on 8 July 2020, and are signed on behalf of the board by:



Stephanie Exell  
Director

Company registration number: 05061060

The notes on pages 16 to 33 form part of these Annual Report and Consolidated Financial Statements.

# Ravensbourne Health Services (Holdings) Limited

## Company Statement of Financial Position

As at 31 March 2020

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Investments	10	1,000	1,000
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	304,397	1,150,589
Debtors: amounts falling due after more than one year	11	5,779,299	6,738,847
		<u>6,083,696</u>	<u>7,889,436</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(304,397)</u>	<u>(1,150,589)</u>
<b>Net current assets</b>		<u>5,779,299</u>	<u>6,738,847</u>
<b>Total assets less current liabilities</b>		<u>5,780,299</u>	<u>6,739,847</u>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(5,779,299)</u>	<u>(6,738,847)</u>
<b>Net assets</b>		<u>1,000</u>	<u>1,000</u>
<b>Capital and reserves</b>			
Called up share capital	17	1,000	1,000
Retained earnings	18	—	—
<b>Total shareholders' funds</b>		<u>1,000</u>	<u>1,000</u>

The profit for the financial year of the parent company was £Nil (2019: £Nil).

The Financial Statements were approved by the board of directors and authorised for issue on 8 July 2020, and are signed on behalf of the board by:



Stephanie Exell  
Director

Company registration number: 05061060

# Ravensbourne Health Services (Holdings) Limited

## Consolidated Statement of Changes in Equity

Year Ended 31 March 2020

	Called up share capital £	Hedging reserve £	Retained earnings £	Total £
<b>At 1 April 2018</b>	1,000	(22,091,311)	(987,327)	(23,077,638)
Profit for the financial year			326,415	326,415
Other comprehensive income for the year:				
Fair value movements on cash flow hedging instruments, net of tax	—	(233,641)	—	(233,641)
<b>Total comprehensive income for the year</b>	—	(233,641)	326,415	92,774
<b>At 31 March 2019</b>	1,000	(22,324,952)	(660,912)	(22,984,864)
Profit for the financial year			541,508	<b>541,508</b>
Other comprehensive income for the year:				
Fair value movements on cash flow hedging instruments, net of tax	—	826,580	—	<b>826,580</b>
<b>Total comprehensive income for the year</b>	—	826,580	541,508	<b>1,368,088</b>
<b>At 31 March 2020</b>	<u>1,000</u>	<u>(21,498,372)</u>	<u>(119,404)</u>	<u><b>(21,616,776)</b></u>

Included in the fair value movement on cash flow hedging instruments is £2,412,433 (2019: £2,491,232) that was recycled through Interest Payable in the statement of comprehensive income.

The notes on pages 16 to 33 form part of these Financial Statements.

# **Ravensbourne Health Services (Holdings) Limited**

## **Company Statement of Changes in Equity**

**Year Ended 31 March 2020**

	Called up share capital £	Retained earnings £	Total £
<b>At 1 April 2018</b>	1,000	—	1,000
Profit for the financial year		—	—
<b>At 31 March 2019</b>	1,000	—	1,000
Profit for the financial year		—	—
<b>At 31 March 2020</b>	<u>1,000</u>	<u>—</u>	<u>1,000</u>

The notes on pages 16 to 33 form part of these Financial Statements.



# Ravensbourne Health Services (Holdings) Limited

## Consolidated Statement of Cash Flows

Year Ended 31 March 2020

	Note	2020 £	2019 £
Cash generated from operations	19	4,732,268	1,875,078
Interest paid		(5,730,085)	(3,443,711)
Interest received		2,739,341	2,890,154
Tax paid		(13,631)	(109,498)
Net cash from operating activities		<u>1,727,893</u>	<u>1,212,023</u>
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(1,777,760)	(1,600,640)
Repayments of loans from group undertakings		(622,232)	–
Net cash used in financing activities		<u>(2,399,992)</u>	<u>(1,600,640)</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(672,099)</b>	<b>(388,617)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>10,049,606</b>	<b>10,438,223</b>
<b>Cash and cash equivalents at end of year</b>		<b><u>9,377,507</u></b>	<b><u>10,049,606</u></b>

The notes on pages 16 to 33 form part of these Annual Report and Consolidated Financial Statements.

# **Ravensbourne Health Services (Holdings) Limited**

## **Notes to the Annual Report and Consolidated Financial Statements**

### **Year Ended 31 March 2020**

#### **1. General Information**

Ravensbourne Health Services (Holdings) Limited ("the Company") is a private company limited by shares and is registered, incorporated and domiciled in the UK. The address of its registered office is Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The principal activity of the company during the year is that of a holding company for the investment in its subsidiary undertaking.

The Company and Group's functional and presentation currency is the pound sterling. Amounts in these financial statements have been rounded to the nearest pound.

#### **2. Statement of Compliance**

The financial statements of Ravensbourne Health Services (Holdings) Limited have been prepared in compliance with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### **3. Accounting Policies**

##### **(a) Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention, except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

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 judgment in the process of applying the Groups accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

# **Ravensbourne Health Services (Holdings) Limited**

## **Notes to the Annual Report and Consolidated Financial Statements *(continued)***

### **Year Ended 31 March 2020**

#### **3. Accounting Policies *(continued)***

##### **(b) Going concern**

The Group had liabilities of £21,616,776 as at 31 March 2020 and generated a profit for the year then ended of £541,508. This is primarily a result of the Interest rate and RPI swaps, which are significantly out of the money, creating a large liability in the Statement of Financial Position. It is not the intention to close out these instruments before their maturity date, therefore there is no impact on the Group and parent company's ability to meet its liabilities as they fall due. The parent company had net assets of £1,000 as at 31 March 2020.

The Directors have prepared cash flow forecasts covering a period of 14 months from the date of approval of these financial statements through to 30 September 2021 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 Lewisham Hospital NHS Trust and the Directors expect these amounts to be received even in severe but plausible downside scenarios.

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 severe but plausible downside scenarios.

Consequently, the Directors are confident that the Group and the Company 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.

# **Ravensbourne Health Services (Holdings) Limited**

## **Notes to the Annual Report and Consolidated Financial Statements** *(continued)*

### **Year Ended 31 March 2020**

#### **3. Accounting Policies** *(continued)*

##### **(c) Disclosure exemptions**

The Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.
- including disclosures in respect of financial instruments, on the basis that it is a qualifying entity and the consolidated financial instruments disclosures, included in these financial statements, includes the Company's financial instrument disclosure.

##### **(d) Consolidation**

The consolidated financial statements include the Company and all its subsidiary undertakings. Where subsidiary undertakings are acquired during the period their results are included in the consolidated financial statements from the date of acquisition up to the date of the financial period end.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not included its individual Statement of Comprehensive Income.

##### **(e) Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. These estimates and judgments are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### ***Key sources of estimation uncertainty***

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

# **Ravensbourne Health Services (Holdings) Limited**

## **Notes to the Annual Report and Consolidated Financial Statements** *(continued)*

### **Year Ended 31 March 2020**

#### **3. Accounting Policies** *(continued)*

##### **Judgements and key sources of estimation uncertainty** *(continued)*

###### **i) Accounting for service concession arrangements**

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 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 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 total forecast lifecycle costs were to increase or decrease by 1%, this would not result in a material decrease or increase on profit in the current year.

###### **(f) Service concession arrangements**

The Agreement is for a term of 30 years and was entered into with Lewisham & Greenwich NHS Trust (the "Authority") to construct, operate and maintain the facilities at the University Hospital, Lewisham. At 31 March 2020 it is in year 14 of the project term.

Operation and maintenance of the facilities are outsourced to a third party (the "Sub-contractor") under contractual arrangements that provide certainty over the level of costs to be incurred by the Company. However, the maintenance risk ultimately lies with the 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 3e. The sub-contractor for the Company is Bouygues Energies & Services FM UK Ltd. The base fee per the sub-contractor contract is fixed and allows for an inflationary increase each year.

The unitary charge per the agreement with the Authority is a fixed base fee and allows for an inflationary increase each year.

Under the Agreement, when the actual insurance premiums paid fall under certain thresholds compared to the cost assumptions used during financial close, a saving is realised. The Authority is entitled to a share of those savings, as required under SOPC 4 requirements.

The Authority is also entitled under the Agreement to voluntarily terminate the contract by providing a six months' written notice to the Group. On termination, the Group is entitled to a termination compensation as defined within the Agreement.

The Group entered into swap agreements with the sole purpose to hedge against the risk of changing interest rates and RPI rates. The purpose of the interest rate hedge is to generate highly certain cash inflows so that the Group can meet its obligations under the terms of its borrowing arrangements. The purpose of the RPI hedge is to limit the cash flow variability to the Group due to changes in inflation. Further information can be found at note 16 (Financial Instruments).

# **Ravensbourne Health Services (Holdings) Limited**

## **Notes to the Annual Report and Consolidated Financial Statements** *(continued)*

### **Year Ended 31 March 2020**

#### **3. Accounting Policies** *(continued)*

##### **(g) Finance debtor and service income**

The Group is an operator of a PFI contract. The Group entered into its service concession arrangement before the date of transition to this FRS. Therefore its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS. The underlying asset is not deemed to be an asset of the Group under old UK GAAP, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

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 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 FRS 102 section 23. The Group recognises income in respect of the services provided 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.

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

##### **(h) 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 Group 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.

# Ravensbourne Health Services (Holdings) Limited

## Notes to the Annual Report and Consolidated Financial Statements *(continued)*

### Year Ended 31 March 2020

#### 3. Accounting Policies *(continued)*

##### (i) Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

##### i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is also recognised on the revaluations of derivative financial instruments, with the movements going through the Statement of Comprehensive Income.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability.

##### (j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

##### (k) Restricted cash

Cash at bank includes £4,163,353 (2019: £5,233,751 ) restricted from use in the business held in the Group's reserve accounts under the terms of the Credit Agreement.

# **Ravensbourne Health Services (Holdings) Limited**

## **Notes to the Annual Report and Consolidated Financial Statements** *(continued)*

### **Year Ended 31 March 2020**

#### **3. Accounting Policies** *(continued)*

##### **(l) Borrowings**

Borrowings are recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Statement of Comprehensive Income over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities.

##### **(m) Investments**

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

##### **(n) Provisions**

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

##### **(o) Financial instruments**

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price and subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are subsequently measured at fair value, with any changes recognised in the Statement of Comprehensive Income, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.



# Ravensbourne Health Services (Holdings) Limited

## Notes to the Annual Report and Consolidated Financial Statements *(continued)*

### Year Ended 31 March 2020

#### 3. Accounting Policies *(continued)*

##### Financial instruments *(continued)*

Any reversals of impairment are recognised in the Statement of Comprehensive Income immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Statement of Financial Position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

##### **(p) Hedge accounting**

The Group has entered into an arrangement with third parties that is designed to hedge future cash flows arising on variable rate interest loan arrangements, with the net effect of exchanging the cash flows arising under those arrangements for a stream of fixed interest cash flows ("interest rate swaps"). The Group has also entered into an arrangement with third parties that is designed to hedge future cash receipts arising from its principal activity (RPI swaps). The Company has designated that this arrangement is a hedge of another (non-derivative) financial instrument, to mitigate the impact of potential volatility on the Company's net cash flows.

To qualify for hedge accounting, documentation is prepared specifying the hedging strategy, the component transactions and methodology used for effectiveness measurement. Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows ("cash flow hedges") are recognised directly in a hedging reserve in equity and any ineffective portion is recognised immediately in the statement of comprehensive income. Amounts deferred in equity in respect of cash flow hedges are subsequently recognised in the Statement of Comprehensive Income in the same period in which the hedged item affects net profit or loss or the hedging relationship is terminated and the underlying position being hedged has been extinguished.

#### 4. Turnover

Turnover arises from:

	2020	2019
	£	£
Rendering of services	<u>4,719,947</u>	<u>3,961,987</u>

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

# Ravensbourne Health Services (Holdings) Limited

## Notes to the Annual Report and Consolidated Financial Statements *(continued)*

### Year Ended 31 March 2020

#### 5. Operating Profit

Operating profit or loss is stated after charging:

	2020 £	2019 £
Fees payable for the audit of the annual report and consolidated financial statements	<u>18,940</u>	<u>20,460</u>

Included in the fee above is £16,440 (2019: £17,960) for the audit of the subsidiary Ravensbourne Health Services Limited.

In addition to the above, fees of £Nil (2019: £2,500) were payable to the Group's auditor for the provision of Taxation Compliance Services.

#### 6. Particulars of Employees and Directors

The average number of persons employed by the Group during the financial year, including the directors, amounted to nil (2019: nil). The directors did not receive any remuneration from the Company during the year (2019: £nil). During the year the Group paid £100,970 (2019: £99,036) to Infrastructure Investments Holdings Limited, a related entity, for qualifying services by two directors.

#### 7. Other Interest Receivable and Similar Income

	2020 £	2019 £
Interest on cash and cash equivalents	50,348	44,958
Finance debtor interest receivable	<u>2,688,993</u>	<u>2,845,196</u>
	<u>2,739,341</u>	<u>2,890,154</u>

#### 8. Interest Payable and Similar Expenses

	2020 £	2019 £
Interest on bank loans and overdrafts	3,109,706	3,718,096
Interest due to Group undertakings	<u>1,532,576</u>	<u>817,417</u>
	<u>4,642,282</u>	<u>4,535,513</u>

#### 9. Tax on Profit

##### Major components of tax income

	2020 £	2019 £
<b>Current tax:</b>		
UK current tax income	68,411	53,956
<b>Deferred tax:</b>		
Origination and reversal of timing differences	<u>42,062</u>	<u>120,011</u>
<b>Tax on profit</b>	<u>110,473</u>	<u>173,967</u>

# Ravensbourne Health Services (Holdings) Limited

## Notes to the Annual Report and Consolidated Financial Statements *(continued)*

### Year Ended 31 March 2020

#### 9. Tax on Profit *(continued)*

##### Reconciliation of tax expense

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

	2020 £	2019 £
Profit before taxation	<u>651,981</u>	<u>500,382</u>
Profit by rate of tax	123,876	95,073
Other timing differences	(5,754)	78,894
Effect of changes in tax rates	<u>(7,649)</u>	<u>—</u>
Total tax charge	<u>110,473</u>	<u>173,967</u>

##### Factors that may affect future tax expense

A change to the future UK corporation tax rate was announced in the 11 March 2020 Budget. The rate will no longer drop to 17% with effect from 1 April 2020 but will remain at the previous rate of 19%. This change had been substantively enacted on 17 March 2020, prior to the balance sheet date and therefore is recognised in these financial statements.

#### 10. Investments

The group has no investments.

##### Company

	Shares in Group undertakings £
Cost	
At 1 April 2019 and 31 March 2020	<u>1,000</u>
Impairment	
At 1 April 2019 and 31 March 2020	<u>—</u>
Carrying amount	
At 1 April 2019 and 31 March 2020	<u>1,000</u>
At 31 March 2019	<u>1,000</u>

##### Subsidiaries, associates and other investments

# Ravensbourne Health Services (Holdings) Limited

## Notes to the Annual Report and Consolidated Financial Statements *(continued)*

### Year Ended 31 March 2020

#### 10. Investments *(continued)*

The Company owns 100% of the issued share capital (ordinary shares) of Ravensbourne Health Services Limited, whose registered office is Cannon Place, 78 Cannon Street, London, EC4N 6AF.

	2020 £	2019 £
Aggregate capital and reserves	(21,616,776)	(22,984,864)
Profit for the year	541,508	326,415

The directors acknowledge the investment is in net liabilities, the cause of this is due to the derivative financial instruments being significantly out of the money. The directors have reviewed the investments forecasts and projections and have reasonable expectation that no impairment indicators exist and the investment will continue in operation existence for the foreseeable future.

#### 11. Debtors

Debtors amounts falling due within one year are as follows:

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Trade debtors	12,122	100,517	–	–
Amounts owed by Group undertakings	–	–	304,397	1,150,589
Prepayments and accrued income	38,464	24,936	–	–
Corporation tax repayable	27,921	57,416	–	–
Finance Debtor	2,295,187	2,295,177	–	–
Unitary Charge Control Account	13,586,128	13,120,982	–	–
	<u>15,959,822</u>	<u>15,599,028</u>	<u>304,397</u>	<u>1,150,589</u>

Debtors amounts falling due after more than one year are as follows:

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Amounts owed by Group undertakings	–	–	5,779,299	6,738,847
Deferred tax asset	5,115,495	4,687,310	–	–
Finance Debtor	35,781,063	38,076,250	–	–
	<u>40,896,558</u>	<u>42,763,560</u>	<u>5,779,299</u>	<u>6,738,847</u>

#### Company

The amounts owed by Group undertakings within one year relates to accrued interest on loan notes of £304,397 (2019: £1,150,589) the balance is non interest bearing and repayable on demand.

The amounts owed by Group undertakings greater than one year represent Unsecured Loan Notes which bear interest at 10% and fall for repayment in 2034.

# Ravensbourne Health Services (Holdings) Limited

## Notes to the Annual Report and Consolidated Financial Statements *(continued)*

### Year Ended 31 March 2020

#### 12. Creditors: amounts falling due within one year

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Bank loans and overdrafts	1,873,887	53,618,217	—	—
Trade creditors	907,009	775,125	—	—
Amounts owed to Group undertakings	304,397	1,150,589	304,397	1,150,589
Accruals and deferred income	1,618,174	-547,267	—	—
Taxation and social security	412,209	174,566	—	—
	<u>5,115,676</u>	<u>56,265,764</u>	<u>304,397</u>	<u>1,150,589</u>

#### Group and Company

The bank loans are stated net of debt issue costs of £37,549 (2019: £587,063).

Bank loans and overdrafts have been classified as due within one year in 2019 as a result of the project being in technical default. A waiver was signed on 5 June 2019, ending the period of technical default. Bank loans and overdrafts have subsequently been reclassified as partly due within more than one year. For further detail see directors' report.

The bank loan bears interest at LIBOR plus 0.85% per annum. The loan is repaid in six monthly instalments commencing September 2007 until March 2035.

The amounts owed to Group undertakings relates to accrued interest on loan notes of £304,397 (2019: £1,150,589). The balances are unsecured, non interest bearing and are repayable on demand.

Included within Accruals and deferred income is a balance of £363,985 (2019: £268,945) relating to fees payable to the shareholders for the provision of directors' services.

#### 13. Creditors: amounts falling due after more than one year

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Bank loans and overdrafts	50,062,276	—	—	—
Amounts owed to Group undertakings	5,779,299	6,738,847	5,779,299	6,738,847
Derivative financial liability	26,541,200	26,897,533	—	—
	<u>82,382,775</u>	<u>33,636,380</u>	<u>5,779,299</u>	<u>6,738,847</u>

# Ravensbourne Health Services (Holdings) Limited

## Notes to the Annual Report and Consolidated Financial Statements *(continued)*

### Year Ended 31 March 2020

#### Group

The bank loans and amounts owed to group undertakings are stated net of debt issue costs of £734,022 (2019: £223,047).

The Group's secured creditors have the benefit of first ranking charges granted by the Group over the whole of its investments, undertaking, property, assets, insurances and rights under certain contracts, both present and future, together with a first ranking charge over all of the ordinary shares of the Group and the Group's subordinated loan stock.

Amounts owed to Group undertakings include Unsecured Loan Notes issued on 7 July 2004, these Loan Notes total £7,500,000 on issue and are unsecured. Interest is payable on the Loan Notes at 10% per annum and this loan falls due for repayment in full in 2035.

#### Company

On 7 July 2004 the Company and Ravensbourne Health Services Limited created £7,500,000 unsecured Loan Notes 2034, constituted under Deed Polls entered into on the same date.

Under the terms of an Equity Subscription Agreement dated 7 July 2004, the company's shareholders have subscribed for Loan Stock of Ravensbourne Health Services (Holdings) Limited of £7,500,000. Ravensbourne Health Services (Holdings) Limited has in turn subscribed for £7,500,000 Loan Stock of Ravensbourne Health Services Limited. The proceeds of the stock issue are being used by the group to finance its obligations under its Project Agreement with the Lewisham Hospital National Health Service Trust.

Interest is payable on the Loan Notes at 10% per annum. The principal falls due for payment in 2035.

### 14. Provisions for Liabilities

#### Group

	Other provision £
At 1 April 2019	1,494,914
Charge against provision	(1,142,702)
<b>At 31 March 2020</b>	<b><u>352,212</u></b>

The Company does not have any provisions.

#### Group

During the year to 31 March 2017, a number of latent defects were identified with the original construction. These would have originally been the responsibility of Carillion JM Limited to rectify, but following their liquidation in January 2018, the Group is now responsible for repairing the defect. A provision was recognised in the year to 31 March 2018 for the best estimate of the cost of the programme of works required. The works have been completed since the year end.

# Ravensbourne Health Services (Holdings) Limited

## Notes to the Annual Report and Consolidated Financial Statements (continued)

### Year Ended 31 March 2020

#### 15. Deferred Tax

The deferred tax included in the Statement of Financial Position is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Included in debtors (note 11)	<u>5,115,495</u>	<u>4,687,310</u>	<u>—</u>	<u>—</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Accelerated capital allowances	1,287	1,404	—	—
Unused tax losses	165,113	208,859	—	—
Derivative financial instruments	5,042,828	4,572,581	—	—
Short term timing differences	(93,733)	(95,534)	—	—
	<u>5,115,495</u>	<u>4,687,310</u>	<u>—</u>	<u>—</u>

The deferred tax asset expected to reverse in 2021 is £53,950. This primarily relates to the reversal of timing differences on capital allowances and short term timing differences.

	<b>2020</b>
	<b>£</b>
Opening balance	4,687,310
Movement through the profit or loss	(42,062)
Movement through other comprehensive income	470,247
<b>Closing balance</b>	<u><b>5,115,495</b></u>

#### 16. Financial Instruments

The carrying amount for each category of financial instrument is as follows:

##### Financial assets that are debt instruments measured at amortised cost

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Financial assets that are debt instruments measured at amortised cost	<u>38,076,250</u>	<u>40,371,427</u>

##### Financial liabilities measured at fair value through profit or loss

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Financial liabilities measured at fair value through profit or loss	<u>(26,541,200)</u>	<u>(26,897,533)</u>	<u>—</u>	<u>—</u>

# Ravensbourne Health Services (Holdings) Limited

## Notes to the Annual Report and Consolidated Financial Statements *(continued)*

### Year Ended 31 March 2020

#### 16. Financial Instruments *(continued)*

##### Financial liabilities measured at amortised cost

	Group	
	2020	2019
	£	£
Financial liabilities measured at amortised cost	<u>(58,019,859)</u>	<u>(61,507,653)</u>

The fair values of the interest rate and RPI swap have been calculated by discounting the fixed cash flows at forecasted forward interest and RPI rates over the term of the financial instrument. The bank borrowing and finance debtor are both held at amortised cost.

##### Hedge accounting

Derivatives are financial instruments that derive their value from the price of an underlying item, such as interest rates or other indices. The Group's use of derivative financial instruments is described below.

##### Interest rate swaps

On 7 July 2004 the Group entered into two interest rate swaps with third parties for the notional amount as all of the Group's variable rate borrowings with banks which has the commercial effect of swapping the variable rate interest coupon on those loans for a fixed rate coupon of 5.37%. The bank loans and related interest rate swaps amortise at the same rate over the life of the loan/swap arrangements. Cash flows on both the loan and the interest rate swaps are paid semi-annually on 31 March and 30 September each year and expire on 31 October 2034.

The Directors believe that the hedging relationship between the interest rate swaps and related variable rate bank loans meet the criteria set out in FRS 102 section 12.18 and as a consequence have concluded that these derivatives meet the definition of a cash flow hedge and have formally designated them as such.

##### RPI swaps

On 7 July 2004 the Group also entered into two arrangements with third parties for the purpose of exchanging the vast majority of variable cash inflows arising from the operation of the Group's service concession asset in exchange for a pre-determined stream of cash inflows from these third parties. These arrangements meet the definition to be classified as derivative financial instruments.



# Ravensbourne Health Services (Holdings) Limited

## Notes to the Annual Report and Consolidated Financial Statements *(continued)*

### Year Ended 31 March 2020

#### 16. Financial Instruments *(continued)*

Under the terms of the project agreements, the Group is permitted to charge its principal customer, The Lewisham and Greenwich NHS Trust, an agreed amount for the services it provides. This amount is uplifted each year commencing 1 April using the current RPI for February against the base date RPI. These derivative arrangements (RPI swaps) have the effect of exchanging variable cash inflows (impacted by changes in RPI) in exchange for a known and predetermined stream of cash flows expected to arise over the same period. Cash flows on the revenue is received on a monthly basis whilst cash flows on the RPI swaps are paid on a semi-annual basis on 31 March and 30 September each year and expire on 2 November 2036.

The Directors believe that the use of these RPI swaps is consistent with the Group's risk management objective and strategy for undertaking these hedges. The vast majority of the Group's cash outflows relate to borrowings (after interest rate swaps - see above) that carry a fixed coupon so that both the principal repayments, and coupon payments (after interest rate swaps - see above) are predetermined. The purpose of these hedges is to generate highly certain cash inflows so that the Company can meet its obligations under the terms of its borrowing arrangements. The Directors believe that the hedging relationship meet the criteria set out in FRS 102 section 12.18 and that the forecast cash inflows are highly probable and as a consequence have concluded that the RPI swap derivatives meet the definition of a cash flow hedge and have formally designated them as such.

Carrying value of all derivative financial instruments

All of the Group's derivative financial instruments are carried at fair value. The net carrying value of all derivative financial instruments at 31 March 2020 amounted to net liabilities of £26,541,200 (2019: £26,897,533) comprising liabilities of £4,053,345 for RPI swaps (2019: £6,165,702) and liabilities of £22,487,855 for interest rate swaps (2019: £20,731,831). The effective portion of the movements in the fair value of these derivative financial instruments have been recorded in the cash flow hedge reserve amounting to a debit of £356,333 (2019: credit of £281,495). There is no ineffective portion.

#### 17. Called Up Share Capital

Issued, called up and fully paid

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

#### 18. Reserves

Hedging reserve - This reserve records fair value movements on cash flow and net investment hedging instruments.

Retained earnings - This reserve records retained earnings and accumulated losses.

# Ravensbourne Health Services (Holdings) Limited

## Notes to the Annual Report and Consolidated Financial Statements *(continued)*

### Year Ended 31 March 2020

#### 19. Cash Generated from Operations

	2020 £	2019 £
Profit for the financial year	541,508	326,415
<i>Adjustments for:</i>		
Other interest receivable and similar income	(2,739,341)	(2,890,154)
Interest payable and similar expenses	4,642,282	4,535,513
Tax on profit	110,473	173,967
<i>Changes in:</i>		
Trade and other debtors	1,904,900	2,205,347
Trade and other creditors	1,415,148	(2,207,924)
Provisions and employee benefits	(1,142,702)	(268,086)
	<u>4,732,268</u>	<u>1,875,078</u>

#### 20. Analysis of Changes in Net Debt

	At 1 Apr 2019 £	Cash flows £	Non-cash movements £	Movement in fair values £	At 31 Mar 2020 £
Cash at bank and in hand	10,049,606	(672,099)	—	—	9,377,507
Debt due within one year	(54,768,806)	4,156,874	48,433,648	—	(2,178,284)
Debt due after one year	(33,636,380)	622,232	(49,724,960)	356,333	(82,382,775)
	<u>(78,355,580)</u>	<u>4,107,007</u>	<u>(1,291,312)</u>	<u>356,333</u>	<u>(75,183,552)</u>

#### 21. Related Party Transactions

##### Company

The Company is wholly owned by Infrastructure Investments (Portal) Limited Partnership and Infrastructure Investments Portal Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

Details of balances outstanding with wholly owned members of the group at the year end can be found in notes 11 and 12.

# **Ravensbourne Health Services (Holdings) Limited**

## **Notes to the Annual Report and Consolidated Financial Statements** *(continued)*

### **Year Ended 31 March 2020**

#### **22. Controlling Party**

The Company is jointly owned by Infrastructure Investments (Portal) Limited Partnership and Infrastructure Investments Portal Limited, both registered at 12 Charles II Street, London, SW1Y 4QU.

The ultimate parent undertaking is HICL Infrastructure Company Limited, incorporated in Guernsey. Registered office at 12 Charles II Street, London, SW1Y 4QU. On 1 April 2019, HICL Infrastructure Company Limited transferred all of its assets to HICL Infrastructure Plc. As a result, the ultimate beneficial owner of the company changed from HICL Infrastructure Company Limited to HICL Infrastructure Plc, a company listed on the London Stock Exchange and registered at 12 Charles II Street, London, SW1Y 4QU.