

Company Registration No. 05462470 (England and Wales)

CAPITAL HOSPITALS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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CAPITAL HOSPITALS LIMITED

COMPANY INFORMATION

Directors	Mr T Pearson Mrs G Birley-Smith Ms J Acred Ms S Sidhu Mr L J Falero Mr J D Sutcliffe Miss K O'Brien	(Appointed 21 June 2021) (Appointed 27 September 2021)
	Ms J Acred is a non-executive director.	
Secretary	Vercity Social Infrastructure (UK) Limited (previously known as HCP Social Infrastructure (UK) Limited)	
Company number	05462470	
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG	
Auditor	BDO LLP 55 Baker Street London W1U 7EU	
Bankers	Lloyds Bank 25 Gresham Street London EC2V 7HN	

CAPITAL HOSPITALS LIMITED

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CAPITAL HOSPITALS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Fair review of the business

The principal activity of Capital Hospitals Limited (the "Company") is to design, build, finance, maintain and deliver certain non-clinical services to the Barts and Royal London Hospitals in accordance with a forty two year contract (the "Project Agreement") with the Barts and The London NHS Trust. Contract negotiations were successfully completed on 27 April 2006 and construction commenced thereon. Barts and The London NHS Trust merged with Newham University Hospital NHS Trust and Whipps Cross University Hospital NHS Trust on 1 April 2013 to become the Barts Health NHS Trust (the "Trust"). On 29 March 2016 the project reached "Actual Global Completion" when the final construction phase was handed over. From this point 100% of the unitary charge has been invoiced to the Trust.

The directors do not foresee any change in the activities of the Company.

Development and performance

The Company made a profit after tax of £1,782,000 (2020: £3,640,000) for the year on a turnover of £71,016,000 (2020: £63,353,000). At 31 December 2021 the Company had net assets of £25,640,000 (2020: £23,858,000).

Underlying costs for Lifecycle works were £991,000 higher than in the previous year ended 31 December 2020 due to the level of high cost replacement projects being undertaken.

Pass through income increased by £5,109,000 versus the previous year ended 31 December 2020 due to increased utilities costs and other variation works undertaken.

Operating profit increased to £10,723,000 (2020: £10,207,000), mainly driven by higher costs on which margin is recognised.

Profit before taxation decreased by £2,304,000 to £2,200,000 (2020: £4,504,000). Interest payable increased by £5,848,000 due to the increase in the RPI rate in 2021 compared to the 2020 rate which affected financing costs. This has also caused an increase in the interest received on the finance debtor by £3,713,000 albeit a smaller variance due to the values of the debt versus the finance debtor. The remainder is the result of the increased operating profit explained above.

Investment in the Project is funded primarily by index-linked guaranteed secured bonds, index-linked loans, mezzanine notes and subordinated loan notes secured by the Company's fellow subsidiary, Capital Hospitals (Issuer) plc, and on-lent to the Company pursuant to a proceeds on-loan agreement. The terms of the intra-group loan match those of the external borrowings. Repayment of these borrowings started in September 2016 following the project reaching Global Completion.

Financial covenants have been met during the year and having considered the anticipated future performance and position of the Company, the directors are of the opinion that the covenants will continue to be met in the future.

The finance debtor represents the attributable costs of construction, not yet recovered through the Private Finance Initiative ("PFI") unitary charge income. The directors believe this financial asset to be fully recoverable over the term of the Project Agreement.

CAPITAL HOSPITALS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Principal risk and uncertainties

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

Sole client

The Trust is the sole client of the Company and the directors consider that no risk arises from a single client base as the Trust's obligations under the Project Agreement are underwritten by the Secretary of State for Health.

Major maintenance

The principal risk borne by the Company is that maintenance and replacement costs exceed those forecast in the financial model agreed at financial close. This risk is mitigated by regular management review of actual expenditure against budget and technical evaluations of the physical condition of the facilities.

Going Concern

The directors have prepared cash flow forecasts which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due. Further information of the directors' assessment including the consideration of the impact of COVID-19 is contained within note 1.2.

Taking into account reasonable possible risks in operations to the Company, the fact the obligations of the Company's sole customer are underwritten by the Secretary of State for Health, the directors have a reasonable expectation that the Company 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.

Availability

During the operational phase the principal source of funds available to the company to meet its liabilities under the bonds' and loans' on-loan agreements held with its fellow subsidiary is the unitary charge received from the Trust under the Project Agreement. Failure to achieve the forecast levels of performance could result in lower than forecast revenues and this may adversely affect the company's ability to make payments to its fellow subsidiary in respect of those liabilities. Deductions incurred in the year and prior year were recovered from the service provider, resulting in a net deduction to the Company of £nil (2020: £nil).

Service performance

Performance risk under the Project Agreement and related contracts are passed on to the service providers. The obligations of these subcontractors are underwritten by parent company guarantees and performance bonds. Ultimately, poor performance may result in the Trust having the right to terminate the Project Agreement. As noted in the representations of the key performance indicators, the levels of deductions levied in the year were all under the Warning Notice thresholds and not considered to pose a risk to the Project.

War in Ukraine

The Company has assessed its potential exposure to the conflict in the Ukraine and the economic sanctions imposed. It has requested that its subcontractors confirm that they are not contracting with any company that is included within the sanctions. These assessments have not highlighted any concerns. The main risk for the Company is the increase in the cost and supply of Buildings Lifecycle items as it has inflation and availability risk for these works. The Directors continually review the lifecycle programme to ensure the most cost-effective solutions are sourced on a timely basis. No issues have been encountered to date.

CAPITAL HOSPITALS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Key performance indicators

The directors have modelled the anticipated financial outcome of the project across the term of the contract up to the end of the concession. The directors monitor actual performance against this anticipated performance and as outlined in this report. The Company's performance as at 31 December 2021 against this measure was considered satisfactory. Financial penalties are levied by the Trust in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service providers but the quantum is an indication of unsatisfactory performance. During the financial year deductions of £84,000 (2020: £169,000) were levied by the Trust and passed onto the service providers. This deduction amounts to only 0.4% (2020: 0.7%) of the total fees charged by the service providers. The Company is providing a full range of facilities management services as required under the Project Agreement and the directors consider this low level of deduction to be satisfactory.

Service provider failure

The likelihood of this risk is assessed through the review of service provider financial statements and through discussions with the service providers. The Company currently considers the likelihood of this risk as being low. However, as continuity of service delivery is of paramount importance, the Company has a Business Continuity Plan which details how the Company would deal with a service provider failure. This includes directly employing staff and sub-contractors until a replacement sub-contractor is in place.

Section 172 Companies Act 2006 Statement

The directors have a duty to promote the success of the Company for the benefit of the shareholders as a whole and to describe how this duty has been performed with regard to those matters set out in section 172 of the Companies Act 2006 ("section 172").

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

- i. The Company's immediate shareholders and credit provider via a fellow subsidiary
Principal considerations of the board are whether the investment objective of the Company is meeting shareholder and credit providers expectations and the how the manager implements the objective. These are discussed at all board meetings, which are held regularly throughout the year. The board also attends regular shareholder and credit provider briefing meetings to ensure that engagement with those parties is optimised.

The underlying funding of the project through the Company's fellow subsidiary includes the bonds which are secured by an irrevocable financial guarantee policy issued by Assured Guaranty (UK) Limited (50%) and Ambac Assurance UK Limited (50%). The index-linked bank loan, provided by European Investment Bank, is secured by an irrevocable and unconditional financial guarantee issued by Assured Guaranty (UK) Limited (50%) and Ambac Assurance UK Limited (50%) respectively. The board regularly discusses the obligations under this policy and how the manager is fulfilling these at board meetings and through engagement with the senior management of the manager. The board frequently engages with all credit providers and keeps them updated on matters as required.

- ii. 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 Company, 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.
- iii. The service providers
On behalf of the Company, the manager seeks to maintain a constructive relationship with the service providers by meeting regularly. The service provider reports provided to the Company 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.

CAPITAL HOSPITALS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Section 172 Companies Act 2006 Statement (continued)

iv. The manager

The delivery by the manager of its services is fundamental to the long term success of the Company. The board seeks to engage regularly with the manager through a number of forums, including at board meetings, portfolio briefings and through engagement with the manager's senior leadership team. 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.

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:

a. The likely consequences of any decision in the long term

The Company has outsourced the management of the Company to Vercity Social Infrastructure (UK) Limited ("Vercity"), the manager. The delivery by the manager of its services is fundamental to the long term success of the Company. The board seeks to engage regularly with the manager through a number of forums, including at board meetings, portfolio briefings and through engagement with the manager's senior leadership team. 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.

b. The interests of the Company's employees

As an externally managed Company, the company's activities are all outsourced and therefore it does not have any employees. The Company does however, pay due regard to the interests and safety of all those engaged by contractors to the company to perform services on its behalf.

The safety of all day to day staff associated with the delivery of services to the Company are mainly governed by the Management Services Agreement with Vercity. Employees of Vercity are required to maintain general competencies and training in health and safety as appropriate to delivery their duties. Vercity regularly communicate these competencies to all the investor groups related to projects under its management. Specific on-site training needs for project engaged staff are also sponsored directly by the Company as required.

c. The need to foster the Company's business relationships with suppliers, customers and others

The Company is committed to upholding the underlying principle of PFI of working in partnerships with all parties to the arrangement. As noted above, the Company has policies and procedures to ensure regular communication is maintained between the parties and ensure that the supply chain is managed effectively in order that Company obligations to its public sector client and service providers can be upheld.

d. The impact of the Company's operations on the community and the environment

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

The board recognises that the Company 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.

CAPITAL HOSPITALS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Section 172 Companies Act 2006 Statement (continued)

e. The desirability of the Company maintaining a reputation for high standards of business conduct


The Company 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.

f. The need to act fairly between members of the Company

The members of the Company are represented at board meetings by their appointed director(s). 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 cognizant 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 Company's key stakeholders and reflect the board's belief that the long term sustainable success of the Company is linked directly to its key stakeholders.

On behalf of the Board



.....
Ms S Sidhu
Director

.....
23/05/2022

CAPITAL HOSPITALS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and audited financial statements for the year ended 31 December 2021.

Results and dividends

The results for the year are set out on page 13.

No interim dividends were paid. (2020: £nil). The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr T Pearson	
Mrs G Birley-Smith	
Ms J Acred	
Ms J Fegan	(Resigned 30 April 2021)
Ms S Sidhu	
Mr P Bannister	(Resigned 21 June 2021)
Mr L J Falero	
Mr J F Dingle	(Resigned 21 June 2021)
Mr J D Sutcliffe	(Appointed 21 June 2021)
Mr A Thakrar	(Appointed 21 June 2021 and resigned 27 September 2021)
Miss K O'Brien	(Appointed 27 September 2021)

Ms J Acred is a non-executive director.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies note 1.2 to the financial statements.

COVID-19 risk

The Company 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 Company 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. 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 board continue to actively monitor developments.

Supplier payment policy

The Company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the Company's contractual and other legal obligations.

Trade creditors of the Company at the year-end were equivalent to 25 (2020: 20) day's purchases, based on the average daily amount invoiced by suppliers during the year.

CAPITAL HOSPITALS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Financial instruments

Treasury operations and financial instruments

The Company's principal financial instruments comprise intra-group loans, index linked bonds and bank loan, cash and short term deposits. The main purpose of these financial instruments is to ensure, via the terms of the financial instruments, that the profile of the debt service costs is tailored to match expected revenues arising from the Project Agreement.

The Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities. Board approval is required for the use of any new financial instrument, and the Company's ability to do so is restricted by covenants in its existing funding agreements. Exposure to liquidity, counter-party credit and interest rate risks arise in the normal course of the Company's business.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities and operating needs of the business. The Company aims to mitigate liquidity risk by closely monitoring the timing of cash flows within the Company.

Interest rate risk

The Company is exposed to interest rate risk on interest bearing liabilities with floating interest rates. The directors do not consider this exposure to be significant, this is because the secured bonds and bank loan are subject to UK Retail Price Index adjustment calculated on a half yearly basis. The Retail Price Index adjustment is linked to the Unitary Charge, therefore the risk is materially hedged other than timing on the movement in Retail Price Indices.

The mezzanine debt and subordinated loan notes both have fixed interest rates until the end of the concession.

Credit risk

The Company's principal financial assets are cash, finance debtor and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables which are with the Trust as the sole client of the Company. The directors consider that no significant risk arises from such a small client base since there are no indications that the Trust will not be able to fulfil their obligations. In addition the Secretary of State for Health has underwritten the Trust's obligations. The carrying value of the financial asset of £1,226,123,000 (2020: £1,248,355,000) is the maximum credit exposure.

Future developments

The directors are not aware, at the date of this report, of any major changes in the Company's activities in the next year.

Auditor

BDO LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Energy and carbon report

As the company has not consumed or emitted more than 40,000 kWh of energy in the current or prior reporting period, the company qualifies as a low energy user and is not required to report on its emissions, energy consumption or energy efficiency activities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

CAPITAL HOSPITALS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

On behalf of the board



.....
Ms S Sidhu

Director

Date: 23/05/22

CAPITAL HOSPITALS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

CAPITAL HOSPITALS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPITAL HOSPITALS LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Capital Hospitals Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity 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*.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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.

CAPITAL HOSPITALS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF CAPITAL HOSPITALS LIMITED

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, 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 obtained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates. We considered the significant laws and regulations to be Companies Act 2006 and the applicable accounting standards.

CAPITAL HOSPITALS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF CAPITAL HOSPITALS LIMITED

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 Company's assets.

Audit procedures performed by the engagement team included:

- We considered the processes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud and how management monitors those processes and controls;
- We challenged 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;
- We performed substantive testing on account balances and transactions, which were considered to be a greater risk of susceptibility to fraud;
- We targeted journal entry testing based on identified characteristics the audit team considered could be indicative of fraud, as well as a focus on large and unusual transactions based upon our knowledge of the business;
- We made enquiries of Management, those charged with governance and those responsible for legal and compliance procedures as to whether there was any correspondence from regulators in so far as the correspondence related to financial statements; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

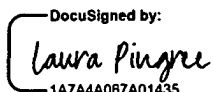
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, 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:


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23 May 2022

Laura Pingree (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London

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

CAPITAL HOSPITALS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Turnover	3	71,016	63,353
Operating costs		(60,293)	(53,146)
Operating profit		10,723	10,207
Interest receivable and similar income	7	62,041	59,013
Interest payable and similar expenses	8	(70,564)	(64,716)
Profit before taxation		2,200	4,504
Taxation	9	(418)	(864)
Profit for the financial year		1,782	3,640

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The accompanying notes on pages 16-26 form an integral part of the financial statements.

There is no other comprehensive income in the period.

CAPITAL HOSPITALS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Current assets			
Debtors falling due after more than one year	10	1,282,715	1,283,421
Debtors falling due within one year	10	28,204	34,981
Short term deposits	11	89,494	86,921
Cash at bank and in hand		60,981	62,741
		<u>1,461,394</u>	<u>1,468,064</u>
Creditors: amounts falling due within one year	12	<u>(81,330)</u>	<u>(74,011)</u>
Net current assets		1,380,064	1,394,053
Creditors: amounts falling due after more than one year	13	<u>(1,354,424)</u>	<u>(1,370,195)</u>
Net assets		<u>25,640</u>	<u>23,858</u>
Capital and reserves			
Called up share capital	15	50	50
Profit and loss account		25,590	23,808
Total equity		<u>25,640</u>	<u>23,858</u>

The accompanying notes on pages 16-26 form an integral part of the financial statements.

The financial statements were approved by the board of directors and authorised for issue on 23/05/22 and are signed on its behalf by:



Ms S Sidhu
Director

Company Registration No. 05462470

CAPITAL HOSPITALS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2020	50	20,168	20,218
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	3,640	3,640
Balance at 31 December 2020	50	23,808	23,858
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	1,782	1,782
Balance at 31 December 2021	50	25,590	25,640

The accompanying notes on pages 16-26 form an integral part of the financial statements.

CAPITAL HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

The Company is a private company limited by shares incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income; and
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Capital Hospitals (Holdings) Limited. These consolidated financial statements are available from Companies House.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements, through to 30 September 2023, which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. In order to settle its own financial obligations and meet compliance requirements of its external borrowings the Company is dependent on generating sufficient cashflows to settle the payments of principal and interest on the the funding which Capital Hospitals (Issuer) Plc raised. Those forecasts are dependent on the Company's 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 ongoing impact of COVID-19. The Company's operating cash inflows are largely dependent on unitary charge receipts receivable from Barts Health NHS Trust and the directors expect these amounts to be received even in severe but plausible downside scenarios. The Company continues to provide the asset in accordance with the contract and is available to be used. As a result, the Company does not believe there is any likelihood of a material impact to the unitary payment. All deductions since the year ended 31 December 2021 to the date of approval of the financial statements have been recovered via the service providers.

CAPITAL HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

The directors have assessed the viability of the Company's 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 Company, even in downside scenarios, due to the underlying contractual terms. To date, there has been no adverse impact on the services provided by the Company or its sub-contractors arising from COVID-19. However, in the unlikely event of a subcontractor failure, the Company has its own business continuity plans to ensure that service provision will continue.

The directors believe Capital Hospitals Limited has sufficient funding in place and expect the Company to be in compliance with its debt covenants even in severe but plausible downside scenarios.

The directors are confident that 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.

1.3 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Income received in respect of the service concession is allocated between revenue, capital repayment of, and interest income on, the PFI financial asset using the effective interest rate method. Service revenue is recognised as a margin on non-pass-through operating and maintenance costs, at margin levels determined appropriate to the risks associated with each cost category.

Pass through income represents the direct pass through of recoverable costs, as specified in the Project Agreement.

Variation income relates to the recharge of costs incurred for the alteration of the facilities or the services provided, requested by the Authority.

1.4 Short term investments

Short term investments comprise of deposits with a maturity of more than three months, but less than one year.

1.5 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, and other short-term liquid investments with original maturities of three months or less.

1.6 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

CAPITAL HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Loans and receivables

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

Service Concession Accounting

The Company is an operator of a Public Finance Initiative ("PFI") contract. The Company entered into the Project Agreement with the Barts Health NHS Trust (the "Trust") to design, build, finance, operate and maintain the Barts and Royal London Hospitals. The contract negotiations were successfully completed on 27 April 2006 and construction commenced immediately. The project has been fully operational since 29 March 2016. The concession period is for 42 years, during this period the Company has contracted to provide hard services to the Trust. The Company has passed these obligations down to a subcontractor via a subcontract. The obligation to provide major maintenance works (lifecycle) is undertaken by the Facilities Management Provider, however, as discussed in the strategic report, the risk that the costs exceed those forecast in the financial model is borne by 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 2. The Project Agreement entitles the Trust to a share in any savings made by the Company on the actual insurance premiums incurred versus those assumed during the contract negotiations. Any savings are shared with the Trust on a quinquennial basis.

The Trust are entitled to terminate the Project Agreement at anytime by giving 6 months written notice to the Company. If the Trust exercise this right they are liable to pay the Company compensation as set out in the Project Agreement, which would include the senior debt, redundancy costs and other Facilities Management provider losses and the market value of the subordinated debt and shareholder equity.

As the Company entered into the contract prior to the date of transition to FRS102, the Company has taken advantage of the exemption in section 35.10 (i) of FRS102 which permits it to continue to account for the service concession arrangements under the accounting policies adopted under old UK GAAP. In particular, the underlying asset is not deemed to be an asset of the Company under old UK GAAP, because the risks and rewards of ownership as set out in that standard are deemed to lie principally with the Trusts.

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 pay the Company a fixed Unitary Charge payment, as determined in the Project Agreement, 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.

CAPITAL HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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 company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and intra-group loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings classified as basic financial instruments

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

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.7 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

CAPITAL HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.9 Interest receivable and payable

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

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

2 Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about of service revenue and appropriate levels of margin to apply to each cost category, the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following judgements have had the most significant effect on amounts recognised in the financial statements.

CAPITAL HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The 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 differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates 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.

Service concession accounting - lifecycle

As in any PFI contract the cost related to lifecycle services are a significant component of the total forecast costs however, by their nature those costs tend to arise later in the concession period as major items of plant and equipment or parts of the physical facilities require major maintenance or replacement. As a result the cost subject to this forecast are necessarily less certain than other elements of the costs of delivering the services which arise more evenly over the concession period. In addition, the lifecycle cost estimate must take into account those costs related to the risks assumed by the Company after the expiry of the 12 year defect liability period under the construction contract. The level of estimation uncertainty is further increased by the nature of the assets within the project which comprise a 10 and 17 storey tower block and contain a mix of new and refurbished assets. This is uncommon in hospitals built under concession contracts and therefore the external benchmarking data which has been used by the directors to inform the forecast of lifecycle costs may not accurately reflect the actual costs which will be incurred in future periods. There is no enhanced inflation protection for the Company against the pricing of planned lifecycle works that are subsequently deferred or delayed and the resulting differential in cost could, therefore, outstrip the rate of inflation applied to calculate income.

If the cumulative costs of lifecycle over the remainder of the concession were to increase by 5% the impact for the year to 31 December 2021 on recognised margin for this service would result in a revenue decrease by £163,000, should the costs be 5% lower than forecast it would result in an increase in revenue of £169,000.

Service concession accounting - maintenance

In relation to routine maintenance, the service providers are subject to periodic market benchmarking as to price, however, the risk of increases in market pricing above indexation is borne solely by the Company. In addition, the location and nature of the facilities and the unique nature of the contractual provisions are such that the risk of price increases above indexation is in the view of the directors more likely compared to other concessions and their general experience of the industry and market in which they operate.

As a result the directors consider that the forecast of routine maintenance activity over the life of the concession is subject to a greater degree of estimation uncertainty. The directors estimate of these costs includes sufficient contingency to take account of the uncertainty in relation to these costs in assessing the total forecast costs and hence is reflected in the margin expected on these services across the life of the concession. If these costs are 5% higher than the directors' current estimate of the probable increase at each subsequent benchmark event, the impact would be to decrease revenue by £76,000 for the year ended 31 December 2021. Should the costs be 5% lower than estimated it would result in an increase in revenue by £74,000 for the year ended 31 December 2021.

CAPITAL HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

3 Turnover

An analysis of the Company's turnover is as follows:

	2021 £'000	2020 £'000
Turnover analysed by class of business		
Services	46,504	43,764
Passthrough	24,486	19,377
Other income	26	212
	<u>71,016</u>	<u>63,353</u>

	2021 £'000	2020 £'000
Turnover analysed by geographical market		
United Kingdom	<u>71,016</u>	<u>63,353</u>

4 Auditor's remuneration

	2021 £'000	2020 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	<u>34</u>	<u>33</u>
For other services		
Extended audit work	<u>3</u>	<u>3</u>

5 Employees

The company had no employees during the year (2020: nil).

6 Directors' remuneration

	2021 £'000	2020 £'000
Sums paid to third parties for directors' services	<u>240</u>	<u>227</u>

The proportion of the above treated as remuneration for qualifying services to the Company is £220,000 (2020: £207,000).

CAPITAL HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

7 Interest receivable and similar income

	2021 £'000	2020 £'000
Interest income		
Interest on bank deposits	85	770
Interest receivable on the finance debtor	61,956	58,243
	<u>62,041</u>	<u>59,013</u>

8 Interest payable and similar expenses

	2021 £'000	2020 £'000
Interest on financial liabilities measured at amortised cost:		
Bond interest	42,912	38,904
Mezzanine Interest	2,045	2,098
Loan Interest	13,394	12,213
Sub-debt Interest	10,222	9,474
Other financing costs	1,991	2,027
	<u>70,564</u>	<u>64,716</u>

9 Taxation

	2021 £'000	2020 £'000
Current tax		
UK corporation tax on profits for the current period	418	864

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £'000	2020 £'000
Profit before taxation	<u>2,200</u>	<u>4,504</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	418	856
Adjustment in respect of prior periods	-	8
Taxation charge for the year	<u>418</u>	<u>864</u>

For the year ended 31 December 2021, the UK Corporation tax rate of 19% is applied.

There are no deferred tax balances at 31 December 2021 (2020: £nil).

CAPITAL HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade debtors	4,923	5,252
Corporation tax recoverable	1,107	513
Amounts owed by fellow group undertakings	-	187
Finance debtor	19,956	27,172
Prepayments and accrued income	2,218	1,857
	<u>28,204</u>	<u>34,981</u>

	2021 £'000	2020 £'000
Amounts falling due after more than one year:		
Finance debtor	1,206,167	1,221,183
Accrued service concession income	76,548	62,238
	<u>1,282,715</u>	<u>1,283,421</u>

Total debtors	<u>1,310,919</u>	<u>1,318,402</u>
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11 Short term deposits

	2021 £'000	2020 £'000
Bank deposit accounts	<u>89,494</u>	<u>86,921</u>

12 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	6,351	6,033
Amounts owed to fellow group undertakings	60,349	54,276
Other taxation	5,236	5,295
Other creditors	300	-
Accruals and deferred income	9,094	8,407
	<u>81,330</u>	<u>74,011</u>

13 Creditors: amounts falling due after more than one year

	Notes	2021 £'000	2020 £'000
Amounts owed to fellow group undertakings	14	<u>1,354,424</u>	<u>1,370,195</u>

CAPITAL HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

14 Loans

	2021 £'000	2020 £'000
Loans from group undertakings	1,414,773	1,424,471
Payable within one year	60,349	54,276
Payable after one year	1,354,424	1,370,195
	1,414,773	1,424,471
Amounts included above which fall due after 5 years:	1,152,556	1,177,841

Investment in the project is funded primarily by the index-linked guaranteed secured bonds, index-linked bank loans, mezzanine notes and subordinated loan notes secured by a fellow subsidiary, Capital Hospitals (Issuer) plc and on-lent to the Company pursuant to a proceeds on-loan agreement. The borrowings therefore represent an intercompany loan between the Company and Capital Hospitals (Issuer) plc. The terms of the intra-group loan owed by the Company match those of the borrowings secured by Capital Hospitals (Issuer) plc, which are set out below.

The bonds are secured by an irrevocable and unconditional financial guarantee issued by Assured Guaranty (UK) Limited (50%) and Ambac Assurance UK Limited (50%) respectively. The bonds are repayable in half yearly instalments, repayments commenced 30 September 2016 and are subject to an interest rate of 1.703% subject to UK Retail Price Index adjustment calculated on a half yearly basis. The Company released its right to retain £275,000,000 of bonds as a result of the project reaching Actual Global Completion at which point the project was not required to retain the ability to access the funds.

The index-linked bank loan is secured by an irrevocable and unconditional financial guarantee issued by Assured Guaranty (UK) Limited (50%) and Ambac Assurance UK Limited (50%) respectively. The bank loan is repayable in half yearly instalments, repayments commenced 30 September 2016 and are subject to an interest rate of 1.550% subject to UK Retail Price Index adjustment calculated on a half yearly basis.

The subordinated loan notes are repayable in half yearly instalments commencing March 2026 and subject to an interest rate of 11%.

Mezzanine Notes are unsecured and are repayable in half yearly instalments which commenced March 2020 and are subject to an interest rate of 10.5%.

15 Share capital and reserves

	2021 Number	2020 Number	2021 £'000	2020 £'000
Ordinary share capital Issued and fully paid 50,000 Ordinary of £1 each	50,000	50,000	50	50

CAPITAL HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

16 Related party transactions

Under the terms of Shareholders' Agreements the Equitix and Innisfree groups and Healthcare (Barts) Ltd provide the Company with directors services. Directors fees totalling £57,900, £57,900 and £29,000 (2020: £57,000, £57,000 and £27,000) were incurred to Equitix, Innisfree and Healthcare (Barts) Ltd respectively. As at 31 December 2021 trade creditors include £nil, £nil and £15,500 (2020: £nil, £nil and £15,000) due to Equitix, Innisfree and Healthcare (Barts) Ltd respectively and accruals include £57,908, £28,954 and £nil (2020: £28,233, £28,233 and £nil).

On 21 June 2021 Skanska TAM Limited and Skanska TAM (Nordic) Limited sold shares held in Capital Hospitals (Holdings) Limited and loan note stock held in Capital Hospitals (Issuer) plc whereby Equitix Noble Bidco Limited became a 37.5% shareholder, together with holding Mezzanine Notes and Subordinated debt in proportion to this shareholding.

On 27 April 2006 the Company entered into a £1,001,280,000 fixed price (subject to contract permitted adjustments) design and build contract with Skanska Major Projects Ltd and Skanska Rashleigh Weatherfoil Ltd (Skanska Barts & The London). The contract value increased to £1,016,321,000 as a result of amendments agreed on 30 August 2007. The value of work completed under the contract during the year was £nil (2020: £nil), this is because global completion was reached in March 2016. As at 31 December 2021 trade creditors include £51,000 (2020: £51,000) due to Skanska Barts & The London.

On 27 April 2006 the Company entered into a hard services contract with Skanska Rashleigh Weatherfoil Ltd for the provision of Estates and Waste Services relating to the Barts & The Royal London Hospitals project. The value of work completed under the contract for the year was £26,446,000 (2020: £26,207,000). Additional payments to the contractor was made in respect of variations totalling £584,000 (2020: £628,000). As at 31 December 2021 trade creditors include £1,090,000 (2020: £2,347,000) due to Skanska Rashleigh Weatherfoil Ltd.

In 2006 the Company entered into transactions in the ordinary course of business for the duration of the project agreement with its management service provider Vercity Social Infrastructure (UK) Limited. Vercity Holdings Limited, the parent company of Vercity Social Infrastructure (UK) Limited, is owned by Innisfree M&G PPP LP, a fund co-managed by Innisfree Limited and M&G Investment Management Limited. Innisfree Limited also manages some of the funds invested in the Company. Transactions in the year with Vercity Social Infrastructure (UK) Limited totalled £1,707,000 (2020: £1,747,000). As at 2021 reporting date £182,000 was still outstanding (2020: £176,000).

17 Controlling party

The Company is a subsidiary undertaking of Capital Hospitals (Holdings) Limited which is also the ultimate parent company incorporated in the United Kingdom. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

The smallest and largest group in which the financial statements of the Company are consolidated is Capital Hospitals (Holdings) Limited. The consolidated accounts of the group are available to the public and may be obtained from 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.