

Company Registration No. 05986955 (England and Wales)

**FORTH HEALTH HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**



# FORTH HEALTH HOLDINGS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	S Gordon	(Appointed 9 July 2019)
	K O'Brien	(Appointed 30 April 2019)
	M Templeton	(Appointed 30 April 2019)
	M Parker	(Appointed 9 July 2019)
<b>Secretary</b>	HCP Management Services Limited	
<b>Company number</b>	05986955	
<b>Registered office</b>	8 White Oak Square London Road Swanley Kent BR8 7AG	
<b>Auditor</b>	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE	
<b>Banker</b>	Bank of Scotland Edinburgh Branch New Uberior House Edinburgh EH3 9BN	

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# FORTH HEALTH HOLDINGS LIMITED

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# FORTH HEALTH HOLDINGS LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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The Directors present the strategic report for the year ended 31 December 2019.

### Business Review

Forth Health Limited achieved Financial Close with NHS Forth Valley to design, build, finance and operate "The New Acute Hospital for Forth Valley" on 15 May 2007. Forth Health Holdings Limited, which wholly owns Forth Health Limited, is wholly owned by Palio (No 11) Limited. The Funders to the project are Halifax Bank of Scotland (HBoS) and European Investment Bank (EIB).

The Group profit after taxation for the year is £643,000 (2018: £994,000) and the net liabilities of the Group are £101,450,000 (2018: £111,330,000).

The hospital is fully operational and running with no major issues to report.

### Principle Risks and Uncertainties

The Group's activities expose it to a number of financial risks including liquidity risk, interest rate risk, credit risk and lifecycle risk. These risks are further explained in the Directors' Report.

The concession relies on complex contractual arrangements. There is a risk that the contracts do not operate as intended or are subject to interpretation contrary to our expectations and therefore do not underpin the cash flows of the Group as expected.

### Coronavirus (Covid-19)

We have considered the impact of Coronavirus (Covid-19) and based on our risk assessment are satisfied that this will not directly impact the Group's ability to meet its liabilities as they fall due over the next twelve months.

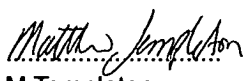
### Development and performance

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

### Key performance Indicators

The key performance indicator for the Group is the level of performance and unavailability deductions levied by the client, since this reflects the quality of the service being provided. During the period, the Group suffered nominal deductions.

On behalf of the board



M Templeton

**Director**

29 May 2020

# **FORTH HEALTH HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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The Directors present their annual report and audited financial statements for the year ended 31 December 2019.

#### **Principal activities**

The principal activity of the Group is the design, build and operation of a hospital for NHS Forth Valley under a Private Finance Initiative agreement. The principal activity of the Company is to act as the holding company of Forth Health Limited.

#### **Directors**

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

J Pritchard	(Resigned 30 April 2019)
C Dix	(Resigned 30 April 2019)
S Gordon	(Appointed 9 July 2019)
K O'Brien	(Appointed 30 April 2019)
M Templeton	(Appointed 30 April 2019)
M Parker	(Appointed 9 July 2019)

#### **Going concern**

The Directors have a reasonable expectation that the Group 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 in the notes to the financial statements.

#### **Coronavirus (Covid-19)**

We have considered the impact of Coronavirus (Covid-19) and based on our risk assessment are satisfied that this will not directly impact the Group's ability to meet its liabilities as they fall due over the next twelve months.

#### **Results and dividends**

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £190,000 (2018: £-). The Directors do not recommend payment of a final dividend.

#### **Qualifying third party indemnity provisions**

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

#### **Financial risk management objectives and policies**

##### **Liquidity Risk**

The Group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Group has sufficient liquid resources to meet the operating needs of the business. At the start of the PFI contract, the Group negotiated debt facilities with an external party to ensure that the Group has sufficient funds over the life of the PFI concession.

##### **Interest rate risk**

The Group's borrowings expose it to cash flow risk primarily due to the financial risks of changes in interest rates. The Group uses interest rate swaps to manage the risk and reduce its exposure to changes in interest rates.

# FORTH HEALTH HOLDINGS LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **Lifecycle Risk**

Lifecycle expenditure is the main risk to the Group. The risk being that the allowance for lifecycle costs factored into the financial model is insufficient to cover future lifecycle expenditure, thus resulting in lower profitability and reduced distributions. This is mitigated by regular lifecycle reviews undertaken by the management services provider and a detailed lifecycle review performed every five years.

### **Credit risk**

The Group's principal financial assets are cash, financial assets and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables which are with one counterparty, although in the opinion of the board of directors this risk is limited as the receivables are with a local government authority.

### **Future developments**

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

### **Auditor**

Johnston Carmichael LLP were appointed as auditor to the Group 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.

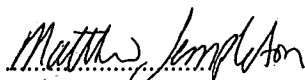
### **Statement of disclosure to auditor**

Each of the Directors in office at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware, and
- the Director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board



M Templeton

**Director**

Date: 29 May 2020

# **FORTH HEALTH HOLDINGS LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2019***

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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 (United Kingdom Accounting Standards and applicable law), 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 Company, and of the profit or loss of the Group 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 Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **FORTH HEALTH HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF FORTH HEALTH HOLDINGS LIMITED**

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#### **Opinion**

We have audited the consolidated financial statements of Forth Health Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
  - the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.
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# **FORTH HEALTH HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF FORTH HEALTH HOLDINGS LIMITED**

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#### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the group and the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the group and 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.

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 4 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 group's and the 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 the directors 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 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.

# FORTH HEALTH HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF FORTH HEALTH HOLDINGS LIMITED

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As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit approach.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### Use of our report

This report is made solely to the group'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 group and the parent 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 group and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Johnston Carmichael LLP*

Irvine Spowart (Senior Statutory Auditor)  
for and on behalf of Johnston Carmichael LLP

Chartered Accountants  
Statutory Auditor

*29 May 2020*  
7-11 Melville Street  
Edinburgh  
EH3 7PE

# FORTH HEALTH HOLDINGS LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
<b>Turnover</b>	<b>3</b>	32,302	29,720
Cost of sales		(27,409)	(24,823)
<b>Gross profit</b>		<u>4,893</u>	<u>4,897</u>
Interest receivable and similar income	<b>7</b>	16,574	16,882
Interest payable and similar expenses	<b>8</b>	(20,673)	(20,552)
<b>Profit before taxation</b>		<u>794</u>	<u>1,227</u>
Tax on profit	<b>9</b>	(151)	(233)
<b>Profit for the financial year</b>		<u>643</u>	<u>994</u>
<b>Other comprehensive income</b>			
Cash flow hedges gain arising in the year	<b>16</b>	11,360	2,765
Tax relating to other comprehensive income	<b>18</b>	(1,933)	(470)
<b>Total comprehensive income for the year</b>		<u><u>10,070</u></u>	<u><u>3,289</u></u>

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

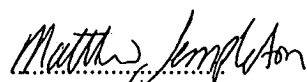
# FORTH HEALTH HOLDINGS LIMITED

## GROUP BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
<b>Current assets</b>			
Debtors falling due after more than one year	13	306,971	315,061
Debtors falling due within one year	13	61,151	57,277
Cash at bank and in hand		12,441	9,804
		<u>380,563</u>	<u>382,142</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(16,440)</u>	<u>(13,920)</u>
<b>Net current assets</b>		364,123	368,222
<b>Creditors: amounts falling due after more than one year</b>	15	(465,573)	(479,552)
<b>Net liabilities</b>		<u>(101,450)</u>	<u>(111,330)</u>
<b>Capital and reserves</b>			
Called up share capital	19	27	27
Hedging reserve	19	(108,587)	(118,014)
Profit and loss reserves	19	7,110	6,657
<b>Total shareholders' funds</b>		<u>(101,450)</u>	<u>(111,330)</u>

The financial statements were approved by the board of directors and authorised for issue on 29 May 2020.....  
and are signed on its behalf by:



M Templeton  
Director

# FORTH HEALTH HOLDINGS LIMITED

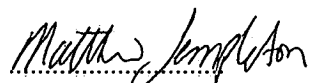
## COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019

		2019		2018	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Investments	11		27		27
<b>Current assets</b>					
Debtors falling due after more than one year	13	29,514		29,514	
Debtors falling due within one year	13	2,946		2,723	
		<u>32,460</u>		<u>32,237</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(2,946)</u>		<u>(2,723)</u>	
<b>Net current assets</b>			29,514		29,514
<b>Total assets less current liabilities</b>			29,541		29,541
<b>Creditors: amounts falling due after more than one year</b>	15		(29,514)		(29,514)
<b>Net assets</b>			<u>27</u>		<u>27</u>
<b>Capital and reserves</b>					
Called up share capital	19		27		27
<b>Total shareholders' funds</b>			<u>27</u>		<u>27</u>

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £nil (2018: £nil).

The financial statements were approved by the board of directors and authorised for issue on 29 May 2020..... and are signed on its behalf by:



M Templeton  
Director

Company Registration No. 05986955

# FORTH HEALTH HOLDINGS LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £'000	Hedging reserve £'000	Profit and loss reserves £'000	Total £'000
<b>Balance at 1 January 2018</b>		27	(120,309)	5,663	(114,619)
<b>Year ended 31 December 2018:</b>					
Profit for the year		-	-	994	994
Other comprehensive income:					
Cash flow hedges gains		-	2,765	-	2,765
Tax relating to other comprehensive income		-	(470)	-	(470)
Total comprehensive income for the year		-	2,295	994	3,289
<b>Balance at 31 December 2018</b>		27	(118,014)	6,657	(111,330)
<b>Year ended 31 December 2019:</b>					
Profit for the year		-	-	643	643
Other comprehensive income:					
Cash flow hedges gains		-	11,360	-	11,360
Tax relating to other comprehensive income		-	(1,933)	-	(1,933)
Total comprehensive income for the year		-	9,427	643	10,070
Dividends	10	-	-	(190)	(190)
<b>Balance at 31 December 2019</b>		27	(108,587)	7,110	(101,450)

# FORTH HEALTH HOLDINGS LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Called up share capital £'000	Profit and loss reserves £'000	Total £'000
<b>Balance at 1 January 2018</b>		27	-	27
<b>Year ended 31 December 2018:</b>				
Profit and total comprehensive income for the year		-	-	-
<b>Balance at 31 December 2018</b>		27	-	27
<b>Year ended 31 December 2019:</b>				
Profit and total comprehensive income for the year		-	190	190
Dividends	10	-	(190)	(190)
<b>Balance at 31 December 2019</b>		27	-	27

# FORTH HEALTH HOLDINGS LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	£'000	2018 £'000	£'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	22		26,440		24,928
Income taxes paid			(270)		(252)
<b>Net cash inflow from operating activities</b>			26,170		24,676
<b>Investing activities</b>					
Movement in financial assets		(934)	217		
Interest received		118	(61)		
<b>Net cash used in investing activities</b>			(816)		(156)
<b>Financing activities</b>					
Interest paid		(20,403)		(19,065)	
Repayment of bank loans		(2,124)		(2,147)	
Dividends paid to equity shareholders		(190)		-	
<b>Net cash used in financing activities</b>			(22,717)		(21,212)
<b>Net increase in cash and cash equivalents</b>			2,637		3,308
Cash and cash equivalents at beginning of year			9,804		6,496
<b>Cash and cash equivalents at end of year</b>			12,441		9,804



# **FORTH HEALTH HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **1 Accounting policies**

#### **Company information**

Forth Health Holdings Limited is a private company limited by shares, domiciled and incorporated in the United Kingdom and registered 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.

The 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 for parent company information presented within the consolidated financial statements:

- 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': 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;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

#### **1.2 Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking drawn up to 31 December each year. The subsidiary has a year ended of 31 December 2019.

#### **1.3 Going concern**

The Company exists to hold investments in its subsidiary that provides services under certain private finance agreements. The subsidiary is set up as a Special Purpose Company under non-recourse arrangements and therefore the Company has limited its exposure to the liabilities. In the event of default of the subsidiary, the exposure is limited to the extent of the investment it has made.

The Group is in a net liabilities position as at 31 December 2019 due to the fair value of the interest rate and RPI swaps. The Directors have reviewed the Group's forecasts and projections, taking into account future cash requirements and forecast receipts, which show that the Group can continue to meet its debts as they fall due.

The Directors therefore, at the time of approving the financial statements, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.4 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 and 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.

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.

#### 1.5 Fixed asset investments

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### 1.6 Cash and cash equivalents

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

#### 1.7 Financial instruments

The Group 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 Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the balance sheet, 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.

##### **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.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 1 Accounting policies

(Continued)

#### **Loans and receivables**

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

#### **Service Concession**

The Group has been established to provide services under certain private finance agreements with NHS Forth Valley. Under the terms of these Agreements, NHS Forth Valley (as grantor) controls the services to be provided by the Group over the contract term. Based on the contractual arrangements the Group has classified the project as a service concession arrangement, and has accounted for the principal assets of, and income streams from, the project in accordance with FRS 102, Section 34.12 Service Concession Arrangements.

The Group has chosen to adopt the transitional arrangements available within FRS 102, Section 35.10 (i) and as such the service concession arrangement has continued to be accounted for using the same accounting policies being applied at the date of transition to FRS 102 (1 January 2014). The nature of the asset has therefore not changed; however, there has been a change in the description from Finance Debtor to Financial Asset.

Under the terms of the arrangement, the Group has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor (NHS Forth Valley), and as such the asset is accounted for as a financial asset. The financial asset has initially been recognised at the fair value of the consideration received, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

#### **Impairment of financial assets**

Financial assets 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 Group 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.

# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 1 Accounting policies

(Continued)

#### **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 Group after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. The effective interest rate method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

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

#### **Other financial liabilities**

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the group statement of comprehensive income in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

#### **Derecognition of financial liabilities**

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

### 1.8 Equity instruments

Equity instruments issued by the Group 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 Group.

### 1.9 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in the group statement of comprehensive income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the group statement of comprehensive income depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

The Group does not hold or issue derivative financial instruments for speculative purposes.

# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 1 Accounting policies

(Continued)

#### **Hedge accounting**

The Group designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

#### **Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

The gain or loss relating to the ineffective portion is recognised immediately in the group statement of comprehensive income, and is included in the 'other gains and losses' line in this item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the group statement of comprehensive income in the periods when the hedged item is recognised in the group statement of comprehensive income in the same line as the recognised hedged item. However when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability concerned.

### 1.10 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 group 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 Group'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 profit and loss account, 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 if, and only if, there is 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.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.11 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 2 Judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about 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.

#### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### *Hedge Accounting*

The Directors consider the Group to have met the criteria for cash flow hedge accounting and the Group has therefore recognised fair value movements on derivatives in effective hedging relationships through other comprehensive income as well as the deferred tax thereon.

#### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### *Valuation of derivative financial instruments*

The Directors use their judgement in selecting a suitable valuation technique for derivative financial instruments. All derivative financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases, the Group uses valuation techniques to assess the reasonableness of the valuation provided by the derivative counterparty. These techniques use a discounted cash flow analysis based on market observable inputs derived from similar instruments in similar and active markets. The fair value of derivative financial instruments at the balance sheet date was a liability of £132,783,000 (2018: £144,152,000 liability). The Directors do not consider the impact of own credit risk to be material.

#### *Service concession arrangement*

As disclosed in Note 1, the Group accounts for the project as a service concession arrangement. The Directors use their judgement in selecting the appropriate financial asset rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the financial asset; and also the service margin that is used to recognise service revenue. The Directors have also used their judgement in assessing the appropriateness of the future maintenance costs that are included in the Group's forecasts. The Directors will continue to monitor the condition of the assets and undertake a regular review of maintenance spend.

# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 3 Turnover and other revenue

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

	2019 £'000	2018 £'000
<b>Turnover analysed by class of business</b>		
Service Fee Income	30,847	28,898
Pass-through Income	614	126
Variation Income	648	506
Rental Income	114	114
Other Income	79	76
	<u>32,302</u>	<u>29,720</u>

	2019 £'000	2018 £'000
<b>Turnover analysed by geographical market</b>		
United Kingdom	<u>32,302</u>	<u>29,720</u>

### 4 Auditor's remuneration

	2019 £'000	2018 £'000
Fees payable to the Group's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the Group and Company	<u>13</u>	<u>16</u>

Auditor's remuneration is payable to Johnston Carmichael LLP (2018: Deloitte LLP).

### 5 Employees

The Group had no employees during the current or prior year.

### 6 Directors' remuneration

No directors received any remuneration for services to the Group during the current or prior year.

### 7 Interest receivable and similar income

	2019 £'000	2018 £'000
<b>Interest income</b>		
Interest on bank deposits	119	70
Interest receivable on financial asset	16,455	16,812
	<u>16,574</u>	<u>16,882</u>

# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 8 Interest payable and similar expenses

	2019	2018
	£'000	£'000
Interest on bank overdrafts and loans	16,806	16,917
Interest payable to group undertakings	3,867	3,635
	<u>          </u>	<u>          </u>
Total finance costs	20,673	20,552
	<u>          </u>	<u>          </u>

### 9 Taxation

	2019	2018
	£'000	£'000
<b>Current tax</b>		
UK corporation tax on profits for the current period	151	233
	<u>          </u>	<u>          </u>

For the year ended 31 December 2019, the UK corporation tax rate of 19% is applied.

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 15 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax asset/(liability) as at 31 December 2019 has been calculated based on 17%.

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:

	2019	2018
	£'000	£'000
Profit before taxation	794	1,227
	<u>          </u>	<u>          </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	151	233
	<u>          </u>	<u>          </u>
Taxation charge in the financial statements	151	233
	<u>          </u>	<u>          </u>

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2019	2018
	£'000	£'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	1,933	470
	<u>          </u>	<u>          </u>



# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 10 Dividends

2019 £'000	2018 £'000
Interim paid	-

### 11 Fixed asset investments

	Notes	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Investments in subsidiaries	12	-	-	27	27

#### Movements in fixed asset investments Company

	Shares in group undertakings £'000
<b>Cost or valuation</b>	
At 1 January 2019 and 31 December 2019	27
<b>Carrying amount</b>	
At 31 December 2019	27
At 31 December 2018	27

### 12 Subsidiaries

Details of the Company's subsidiary at 31 December 2019 is as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Forth Health Limited	8 White Oak Square, London Road, Swanley, BR8 7AG	Design, Build, finance and operate Forth Valley Royal Hospital for NHS Forth Valley Health Board.	Ordinary Shres	100

# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 13 Debtors

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year:</b>				
Notes				
Trade debtors	5,062	4,971	-	-
Corporation tax recoverable	2	-	-	-
Amounts owed by group undertakings	-	-	2,946	2,723
Financial asset	5,519	5,923	-	-
Other financial asset	9,351	8,417	-	-
Unitary charge control account	41,069	37,628	-	-
Prepayments and accrued income	148	338	-	-
	<u>61,151</u>	<u>57,277</u>	<u>2,946</u>	<u>2,723</u>
<b>Amounts falling due after more than one year:</b>				
Amounts owed by group undertakings	-	-	29,514	29,514
Financial asset	284,732	290,889	-	-
	<u>284,732</u>	<u>290,889</u>	<u>29,514</u>	<u>29,514</u>
Deferred tax asset	19	22,239	24,172	-
	<u>306,971</u>	<u>315,061</u>	<u>29,514</u>	<u>29,514</u>
<b>Total debtors</b>	<u>368,122</u>	<u>372,338</u>	<u>32,460</u>	<u>32,237</u>

Other financial assets include amounts held within deposit accounts with a maturity of not less than 3 months from the initial deposit.

#### Amounts due from subsidiary undertakings

At the year end, the Company was owed £29,514,000 (2018: £29,514,000) in subordinated debt loans from its subsidiary, Forth Health Limited. The subordinated debt is unsecured and is subject to interest at 12.00%. The debt is repayable by instalments from surplus funds to 2041. Accrued interest of £2,946,000 (2018: £2,723,000) is outstanding as at 31 December 2019.

# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 14 Creditors: amounts falling due within one year

	Notes	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Bank loans	17	2,608	1,994	-	-
Trade creditors		4,659	3,455	-	-
Amounts owed to parent undertakings	17	2,946	2,723	2,946	2,723
Corporation tax payable		-	116	-	-
Other taxation and social security		436	565	-	-
Bank loan accrued interest		2,214	2,287	-	-
Accruals and deferred income		3,577	2,780	-	-
		<u>16,440</u>	<u>13,920</u>	<u>2,946</u>	<u>2,723</u>

### 15 Creditors: amounts falling due after more than one year

	Notes	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Bank loans	17	303,276	305,886	-	-
Amount due to parent undertakings	17	29,514	29,514	29,514	29,514
Derivative financial instruments measured at fair value through profit or loss		132,783	144,152	-	-
		<u>465,573</u>	<u>479,552</u>	<u>29,514</u>	<u>29,514</u>

Amounts included above which fall due after five years are as follows:

Payable by instalments	285,108	290,330	-	-
Payable other than by instalments	29,514	29,514	29,514	29,514
	<u>314,622</u>	<u>319,844</u>	<u>29,514</u>	<u>29,514</u>

### 16 Financial instruments

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
<b>Carrying amount of financial liabilities</b>				
Measured at fair value through profit or loss				
- Other financial liabilities	<u>132,783</u>	<u>144,152</u>	<u>-</u>	<u>-</u>

# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 16 Financial instruments

(Continued)

#### Derivative Financial Instruments

The interest and RPI swaps have a fixed rate of 5.001% and 3.06% and expire on 2041 and 2042 respectively. The swaps settle on a semi-annual basis. The floating rate on the interest rate swap is six months' Libor and on the RPI swap is 12 month RPI. The Group will settle the difference between the fixed and floating rates on a net basis.

All interest rate swap contracts are designated as hedges of variable interest rate risk of the Group's floating rate borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swaps. All RPI swap contracts are designated as hedges of variable RPI risk of a portion of the Group's income. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the RPI swaps.

The fair value of the derivative financial instruments above comprise the fair value of the interest rate and RPI swaps designated in an effective hedging relationship. The change in fair value of the interest rate and RPI swaps that were recognised in other comprehensive income in the period was a gain of £11,360,000 (2018: £2,765,000).

### 17 Loans and overdrafts

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Bank loans	305,884	307,880	-	-
Loans from group undertakings	29,514	29,514	29,514	29,514
	<u>335,398</u>	<u>337,394</u>	<u>29,514</u>	<u>29,514</u>
Payable within one year	2,608	1,994	-	-
Payable after one year	<u>332,790</u>	<u>335,400</u>	<u>29,514</u>	<u>29,514</u>

The loans are secured by a fixed and floating charge over all the assets of the Group and a charge over the shares of the Group.

#### Bank loans

The Group has loans provided by Halifax Bank of Scotland and European Investment Bank in order to finance the construction of the project. The loans are repayable in installments by 2041 based on an agreed percentage amount of the total facilities per annum.

Interest on the facility is charged at rates linked to LIBOR. The Group has entered into fixed interest rate swaps to mitigate its interest rate exposure. The fixed interest rate on the facility, after taking into consideration the swap and including all margins, is 5.06%.

#### Subordinated debt

At the year end, the Group owed £29,514,000 in loans to the immediate parent company, Forth Health Holdings Limited. The subordinated debt is unsecured and is subject to interest at 12%. The debt is repayable by instalments from surplus funds to 2041. Accrued interest of £2,946,000 (2018: £2,723,000) is outstanding as at 31 December 2019.

# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 18 Deferred taxation

Deferred tax assets and liabilities are offset where the Group or Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2019 £'000	Assets 2018 £'000
<b>Group</b>		
Deferred tax on interest rate and RPI swap fair value	22,239	24,172

	Group 2019 £'000	Company 2019 £'000
<b>Movements in the year:</b>		
Asset at 1 January 2019	(24,172)	-
Charge to other comprehensive income	1,933	-
Asset at 31 December 2019	(22,239)	-

The deferred tax asset in relation to the interest rate and RPI swap liability is expected to affect profit or loss over the period to maturity of the interest rate and RPI swap.

### 19 Share capital

	Group and company 2019 £'000	2018 £'000
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
27,000 ordinary shares of £1 each	27	27

#### Other reserves

The Group's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses.

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

### 20 Controlling party

The Company's immediate parent company is Palio (No 11) limited which is 100% owned by Jura Holdings Limited, a Guernsey registered company owned by a consortium of jointly-led funds managed by Dalmore Capital Limited and Equitix Investment Management Limited. The Directors regard Jura Holdings Limited as the ultimate parent of the Company. The Directors consider that there is no ultimate controlling entity.

# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### 21 Related party transactions

As a wholly owned subsidiary of Jura Acquisition Limited, the Company has taken advantage of the exemption under FRS 102 Section 33 not to provide information on related party transactions with other undertakings in the Jura Infrastructure Limited group. A copy of the financial statements of Jura Infrastructure Limited can be obtained from its registered office at Heritage Hall, PO Box 225, Le Marchant Street, St Peter Port, Guernsey, GY1 4HY.

### 22 Cash generated from group operations

	2019 £'000	2018 £'000
Profit for the year after tax	643	994
Adjustments for:		
Taxation charged	151	233
Finance costs	20,673	20,552
Investment income	(119)	(70)
Movements in working capital:		
Decrease in debtors	3,221	2,909
Increase in creditors	1,871	310
<b>Cash generated from operations</b>	<b>26,440</b>	<b>24,928</b>