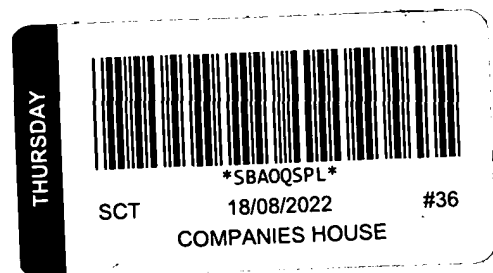


**FORTH HEALTH HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**



# FORTH HEALTH HOLDINGS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	S Gordon K O'Brien M Templeton
<b>Secretary</b>	Vercity 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 Bishops Court 29 Albyn Place Aberdeen AB101YL
<b>Banker</b>	Bank of Scotland Edinburgh Branch New Uberior House Edinburgh EH3 9BN

# FORTH HEALTH HOLDINGS LIMITED

## CONTENTS

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	<b>Page</b>
Strategic report	1
Directors' report	2 - 3
Directors' responsibilities statement	4
Independent auditor's report	5 - 8
Group statement of comprehensive income	9
Group balance sheet	10
Company balance sheet	11
Group statement of changes in equity	12
Company statement of changes in equity	13
Group statement of cash flows	14
Notes to the financial statements	15 - 30

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# FORTH HEALTH HOLDINGS LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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

### 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. Funders to the project are a syndicate of five corporate lenders and European Investment Bank (EIB).

The Group loss after taxation for the year is £2,428,000 (2020: £667,000 profit) and the net liabilities of the Group are £119,878,000 (2020: £101,230,000). The Company incurred one-off costs for the settlement of a legal dispute with one of its sub-contractors. This is the primary driver for the Company making a loss in 2021. The Directors do not consider there to be any associated risk to future performance of the Company.

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

### Principal 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.

### 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.

Financial performance indicators for the Group are compliance with its debt covenants set out in the Facilities Agreement with the Lender. These were compliant during 2021 and the latest financial forecast indicates that there are no anticipated future breaches.

On behalf of the board



.....  
M Templeton

Director

Date: 29 / 06 / 2022  
.....

# **FORTH HEALTH HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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

#### **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.

#### **Results and dividends**

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

#### **Directors**

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

S Gordon  
K O'Brien  
M Templeton

#### **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 accounting policy note 1.3 in the notes to the financial statements.

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

The risks posed by the current Covid-19 pandemic include the risk of the service provider falling behind on fulfilling their contractual requirements due to staff sickness resulting in a high level in deductions and the risk of service provider failure. The risk of increased deductions is primarily mitigated through performance risk under the Project Agreement and related contracts being substantially passed onto service providers. In addition the client has provided relief from certain contractual requirements to reflect the increased usage of the facility and enhanced patient movements. Furthermore, the level of deductions during 2021 has remained low and there is no indication that this will change in the foreseeable future. In respect of the risk of service provider failure, the likelihood of this risk is assessed through the review of service provider financial statements and through discussions with the service provider. The Company mitigates the risk through a Business Continuity Plan which details how the Company would deal with service provider failure. This includes both short term contingency plans and longer term replacement provider plans to ensure the Company's continuity of service. The board continue to actively monitor developments.

#### **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.

# FORTH HEALTH HOLDINGS LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### **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.

### **Lifecycle Risk**

Lifecycle expenditure is the main risk to the business. 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. The Company is also exposed to inflation risk in respect of lifecycle costs. The Company's income is linked to the Retail Price Index (RPI) therefore this risk is materially hedged other than the timing of actual lifecycle spend and differences between construction cost inflation and RPI.

### **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**

The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

### **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 auditor of the Group 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 auditor of the Group is aware of that information.

On behalf of the board



.....  
M Templeton  
Director

29 / 06 / 2022

Date: .....

# **FORTH HEALTH HOLDINGS LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2021***

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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 financial statements of Forth Health Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 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 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 2021 and of the group's loss 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

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 group's and parent 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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.



# **FORTH HEALTH HOLDINGS LIMITED**

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

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

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

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

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of 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.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement are 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 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 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 is considered 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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below.

# **FORTH HEALTH HOLDINGS LIMITED**

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

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

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We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- United Kingdom Accounting Standards, including Financial Reporting Standard FRS 102;
- UK Companies Act; and
- UK Corporation taxes legislation.

We gained an understanding of how the group and parent company are complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of any relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the group and parent company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance;
- Reviewing the level of and reasoning behind the group and parent company's procurement of legal and professional services;
- Performing analytical procedures to identify any unusual or unexpected relationships; and
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias.

Our audit procedures were designed to respond to the risk of material misstatements 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 intentional concealment, forgery, collusion, omission or misrepresentation. 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/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

# FORTH HEALTH HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF FORTH HEALTH HOLDINGS LIMITED

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#### 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*

**Jenny Junnier (Senior Statutory Auditor)**  
**For and on behalf of Johnston Carmichael LLP**

29 / 06 / 2022  
Date: .....

**Chartered Accountants**  
**Statutory Auditor**

Bishops Court  
29 Albyn Place  
Aberdeen  
AB101YL

# FORTH HEALTH HOLDINGS LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Turnover	3	30,872	33,505
Cost of sales		(29,578)	(28,460)
<b>Gross profit</b>		<b>1,294</b>	<b>5,045</b>
Interest receivable and similar income	6	15,680	16,115
Interest payable and similar expenses	7	(20,212)	(20,336)
<b>(Loss)/profit before taxation</b>		<b>(3,238)</b>	<b>824</b>
Tax on (loss)/profit	9	810	(157)
<b>(Loss)/profit for the financial year</b>		<b>(2,428)</b>	<b>667</b>
<b>Other comprehensive income</b>			
Cash flow hedges loss arising in the year	14	(31,948)	(3,784)
Tax relating to other comprehensive income		15,728	3,337
<b>Total comprehensive (expense)/income for the year</b>		<b>(18,648)</b>	<b>220</b>

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 2021

	Notes	2021 £'000	£'000	Restated 2020 £'000	£'000
<b>Current assets</b>					
Debtors falling due after more than one year	12	351,815		347,125	
Debtors falling due within one year	12	22,250		11,911	
Cash at bank and in hand		15,139		22,012	
		<u>389,204</u>		<u>381,048</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(23,223)</u>		<u>(22,585)</u>	
<b>Net current assets</b>			365,981		358,463
<b>Creditors: amounts falling due after more than one year</b>	15		(485,859)		(459,693)
<b>Net liabilities</b>			<u>(119,878)</u>		<u>(101,230)</u>
<b>Capital and reserves</b>					
Called up share capital	18		27		27
Hedging reserve			(125,254)		(109,034)
Profit and loss reserves			5,349		7,777
<b>Total equity</b>			<u>(119,878)</u>		<u>(101,230)</u>

The financial statements were approved by the board of directors and authorised for issue on 29 / 06 / 2022 and are signed on its behalf by:



M Templeton  
Director

# FORTH HEALTH HOLDINGS LIMITED

## COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2021

		2021		2020	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Investments	10		27		27
<b>Current assets</b>					
Debtors falling due after more than one year	12	29,514		29,514	
Debtors falling due within one year	12	1,976		1,107	
Cash at bank and in hand		-		2	
		<u>31,490</u>		<u>30,623</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(1,976)</u>		<u>(1,109)</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	18		27		27
<b>Total equity</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 (2020: £nil).

The financial statements were approved by the board of directors and authorised for issue on 29 / 06 / 2022 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 2021

	Share capital	Hedging reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2020</b>	27	(108,587)	7,110	(101,450)
<b>Year ended 31 December 2020:</b>				
Profit for the year	-	-	667	667
Other comprehensive income:				
Cash flow hedges losses	-	(3,784)	-	(3,784)
Tax relating to other comprehensive income	-	3,337	-	3,337
Total comprehensive income for the year	-	(447)	667	220
<b>Balance at 31 December 2020</b>	27	(109,034)	7,777	(101,230)
<b>Year ended 31 December 2021:</b>				
Loss for the year	-	-	(2,428)	(2,428)
Other comprehensive income:				
Cash flow hedges losses	-	(31,948)	-	(31,948)
Tax relating to other comprehensive income	-	15,728	-	15,728
Total comprehensive expense for the year	-	(16,220)	(2,428)	(18,648)
<b>Balance at 31 December 2021</b>	27	(125,254)	5,349	(119,878)

# FORTH HEALTH HOLDINGS LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

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	Share capital £'000
Balance at 1 January 2020	27
Year ended 31 December 2020:	
Profit and total comprehensive income for the year	-
Balance at 31 December 2020	27
Year ended 31 December 2021:	
Profit and total comprehensive income for the year	-
Balance at 31 December 2021	27

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# FORTH HEALTH HOLDINGS LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	20	23,468	25,262
Income taxes paid		(444)	(259)
<b>Net cash inflow from operating activities</b>		23,024	25,003
<b>Investing activities</b>			
Net movement in the amounts on short-term deposit		(7,335)	9,351
Interest received		-	37
<b>Net cash (used in)/generated from investing activities</b>		(7,335)	9,388
<b>Financing activities</b>			
Interest paid		(19,261)	(22,083)
Repayment of bank loans		(3,301)	(2,737)
<b>Net cash used in financing activities</b>		(22,562)	(24,820)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(6,873)	9,571
Cash and cash equivalents at beginning of year		22,012	12,441
<b>Cash and cash equivalents at end of year</b>		15,139	22,012

# **FORTH HEALTH HOLDINGS LIMITED**

## **NOTES TO THE GROUP FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **1 Accounting policies**

##### **Company information**

Forth Health Holdings Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

The group consists of Forth Health Holdings Limited and all of its subsidiaries.

##### **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 meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its parent financial statements. The Company is consolidated in these financial statements. Exemptions have been taken in these parent company financial statements in relation to presentation of a company statement of cashflows.

##### **Amendments to FRS102: Interest rate reform**

The group's hedged items and hedging instruments continue to be linked to Sterling LIBOR. The group has early adopted the transitional provisions set out in the amendments to FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Interest Rate Benchmark Reform, issued in December 2019, to those hedging relationships directly affected by IBOR reform. In accordance with these amendments, for the purpose of evaluating whether there is an economic relationship between the hedged items and the hedging instruments, the group assumes that the benchmark interest rate is not altered as a result of IBOR reform and can continue to apply hedge effectiveness throughout the transition period.

##### **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 2021.

# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1 Accounting policies

(Continued)

##### 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 2021 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 debt covenants and debts as they fall due.

The Group's operating cash inflows are largely dependent on the unitary charge receipts and the Directors expect these amounts to be received even in severe, but plausible possible downside scenarios. The Group continues to provide the assets in accordance with the contract and are available to be used. As a result the Group does not believe there is any likelihood of a material impact to the unitary payment.

The Directors 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.

##### 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.

##### **Restricted cash**

Cash at bank includes £7,315,000 (2020: £14,632,000) restricted from use in the business, being held in the Company's reserve accounts under the terms of its Senior Loan facility.

# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Accounting policies

(Continued)

##### 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, cash and bank balances and other financial assets, 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.

##### **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.

# FORTH HEALTH HOLDINGS LIMITED

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

### 1 Accounting policies

(Continued)

#### **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.

#### **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 method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments.

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.

# FORTH HEALTH HOLDINGS LIMITED

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

### 1 Accounting policies

(Continued)

#### ***Other financial liabilities***

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

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

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.

#### ***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 GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### **Hedge accounting**

The Group designates certain hedging instruments, including 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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

### 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.

# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

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.

#### 1.11 Reclassification of comparative information

The following reclassification of comparative information has been made to more appropriately reflect its nature:

Notes 13 and 15 - The amount payable in respect of derivative financial instruments within one year has been separately disclosed. The 2020 figures have been restated to show Derivative financial instruments measured at fair value through profit or loss of £4,531,000, within creditors due within one year, rather than within the Derivative financial instruments measured at fair value through profit or loss in creditors due after more than one year. This classification has taken place because these balances are expected to be paid within 1 year.

### 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.

The fair value of the swaps recorded in the accounts are based on Mark to Market estimates provided by the Bank. It is expected that changes to the hedging instrument and the loan will be materially consistent and limited to the transition from LIBOR to the new benchmark, as both the loan and the interest rate swap will be transitioned to the new benchmark at similar times in a broadly matching fashion.



# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE GROUP 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 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 £166,558,000 (2020: £134,609,000 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.

### 3 Turnover

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

	2021 £'000	2020 £'000
<b>Turnover analysed by class of business</b>		
Service Fee Income	27,689	31,693
Pass-through Income	1,837	777
Variation Income	1,043	840
Rental Income	115	115
Other Income	188	80
	<u>30,872</u>	<u>33,505</u>
	2021 £'000	2020 £'000
<b>Turnover analysed by geographical market</b>		
United Kingdom	<u>30,872</u>	<u>33,505</u>

### 4 Auditor's remuneration

	2021 £'000	2020 £'000
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	<u>15</u>	<u>16</u>

# FORTH HEALTH HOLDINGS LIMITED

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

### 5 Employees

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

### 6 Interest receivable and similar income

	2021 £'000	2020 £'000
<b>Interest income</b>		
Interest on bank deposits	-	37
Interest receivable on finance debtor	15,680	16,078
<b>Total income</b>	<b>15,680</b>	<b>16,115</b>

### 7 Interest payable and similar expenses

	2021 £'000	2020 £'000
Interest on bank overdrafts and loans	16,526	16,703
Interest payable to group undertakings	3,686	3,633
<b>Total interest expense</b>	<b>20,212</b>	<b>20,336</b>

### 8 Directors' remuneration

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

### 9 Taxation

	2021 £'000	2020 £'000
<b>Current tax</b>		
UK corporation tax on profits for the current period	-	157
<b>Deferred tax</b>		
Origination and reversal of timing differences	(810)	-
<b>Total tax (credit)/charge</b>	<b>(810)</b>	<b>157</b>

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

The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

# FORTH HEALTH HOLDINGS LIMITED

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

### 9 Taxation

(Continued)

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

	2021 £'000	2020 £'000
(Loss)/profit before taxation	(3,238)	824
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 25.00% (2020: 19.00%)	(810)	157
Taxation (credit)/charge in the financial statements	(810)	157

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:

	2021 £'000	2020 £'000
Deferred tax arising on: Revaluation of financial instruments treated as cash flow hedges	(15,728)	(3,337)

### 10 Fixed asset investments

	Notes	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Investments in subsidiaries	11	-	-	27	27

#### Movements in fixed asset investments

##### Company

Shares in  
subsidiaries  
£'000

##### Cost or valuation

At 1 January 2021 and 31 December 2021

27

##### Carrying amount

At 31 December 2021

27

At 31 December 2020

27

# FORTH HEALTH HOLDINGS LIMITED

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

### 11 Subsidiaries

Details of the Company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Forth Health Limited	8 White Oak Square, London Road, Swanley, BR8 7AG	Ordinary Shares	100.00

### 12 Debtors

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
<b>Amounts falling due within one year:</b>				
Trade debtors	5,441	5,328	-	-
Corporation tax recoverable	549	105	-	-
Amounts owed by group undertakings	-	-	1,976	1,107
Financial asset	7,649	5,724	-	-
Other financial asset	7,335	-	-	-
Prepayments and accrued income	213	754	-	-
	<u>21,187</u>	<u>11,911</u>	<u>1,976</u>	<u>1,107</u>
Deferred tax asset (note 17)	1,063	-	-	-
	<u>22,250</u>	<u>11,911</u>	<u>1,976</u>	<u>1,107</u>

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

#### Amounts falling due after more than one year:

Amounts owed by group undertakings	-	-	29,514	29,514
Financial asset	268,359	277,599	-	-
Unitary charge control account	42,405	43,950	-	-
	<u>310,764</u>	<u>321,549</u>	<u>29,514</u>	<u>29,514</u>
Deferred tax asset (note 17)	41,051	25,576	-	-
	<u>351,815</u>	<u>347,125</u>	<u>29,514</u>	<u>29,514</u>
<b>Total debtors</b>	<u>374,065</u>	<u>359,036</u>	<u>31,490</u>	<u>30,621</u>

# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 12 Debtors

(Continued)

#### Amounts due from subsidiary undertakings

At the year end, the Company was owed £29,514,000 (2020: £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 £1,976,000 (2020: £1,107,000) is outstanding as at 31 December 2021.

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

		Group 2021	2020 Restated	Company 2021	2020
	Notes	£'000	£'000	£'000	£'000
Bank loans	16	4,720	3,175	-	-
Trade creditors		2,902	6,458	-	-
Amounts owed to parent undertakings	16	1,976	1,107	1,976	1,109
Other taxation		603	390	-	-
Derivative financial instruments measured at fair value through profit or loss	14	5,593	4,531	-	-
Bank loan accrued interest		4,091	4,134	-	-
Other creditors		311	-	-	-
Accruals and deferred income		3,027	2,790	-	-
		<u>23,223</u>	<u>22,585</u>	<u>1,976</u>	<u>1,109</u>

### 14 Financial instruments

	Group 2021	2020	Company 2021	2020
	£'000	£'000	£'000	£'000
<b>Carrying amount of financial liabilities</b>				
Measured at fair value through profit or loss				
- Other financial liabilities	<u>166,558</u>	<u>134,609</u>	<u>-</u>	<u>-</u>

# FORTH HEALTH HOLDINGS LIMITED

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

### 14 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 was 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 swap that was recognised in other comprehensive income in the period was a loss of £31,948,000 (2020: loss of £3,784,000).

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

		Group 2021	2020 Restated	Company 2021	2020
	Notes	£'000	£'000	£'000	£'000
Bank loans	16	295,380	300,101	-	-
Amount due to parent undertakings	16	29,514	29,514	29,514	29,514
Derivative financial instruments measured at fair value through profit or loss		160,965	130,078	-	-
		<u>485,859</u>	<u>459,693</u>	<u>29,514</u>	<u>29,514</u>

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

Payable by instalments	272,707	279,277	-	-
Payable other than by instalments	29,514	29,514	29,514	29,514
	<u>302,221</u>	<u>308,791</u>	<u>29,514</u>	<u>29,514</u>

# FORTH HEALTH HOLDINGS LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 16 Loans and overdrafts

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Bank loans	300,100	303,276	-	-
Loans from group undertakings	29,514	29,514	29,514	29,514
	<u>329,614</u>	<u>332,790</u>	<u>29,514</u>	<u>29,514</u>
Payable within one year	4,720	3,175	-	-
Payable after one year	324,894	329,615	29,514	29,514
	<u>329,614</u>	<u>332,790</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 (2020: £29,514,000) in loans to the immediate parent company, Palio (No 11) Limited (capital). 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 £1,976,000 (2020: £1,107,000) outstanding as at 31 December 2021.

#### 17 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 2021 £'000	Assets 2020 £'000
Group		
Tax losses	810	-
Deferred tax on interest rate and RPI swap fair value	41,304	25,576
	<u>42,114</u>	<u>25,576</u>

# FORTH HEALTH HOLDINGS LIMITED

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

### 17 Deferred taxation

(Continued)

	Group 2021 £'000	Company 2021 £'000
<b>Movements in the year:</b>		
Asset at 1 January 2021	25,576	-
Charge to profit or loss	810	-
Charge to other comprehensive income	7,651	-
Effect of change in tax rate - other comprehensive income	8,077	-
Asset at 31 December 2021	42,114	-

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

### 18 Share capital and reserves

Group and company	2021 Number	2020 Number	2021 £'000	2020 £'000
<b>Ordinary share capital</b>				
<b>Issued and fully paid</b>				
ordinary shares of £1 each	27,000	27,000	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.

### 19 Controlling party

The Company's immediate parent company is Palio (No 11) limited which is ultimately 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 GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 20 Cash generated from group operations

	2021 £'000	2020 £'000
(Loss)/profit for the year after tax	(2,428)	667
Adjustments for:		
Taxation (credited)/charged	(810)	157
Finance costs	20,212	20,336
Investment income	-	(37)
Movements in working capital:		
Decrease in debtors	9,288	3,173
(Decrease)/increase in creditors	(2,794)	966
<b>Cash generated from operations</b>	<b>23,468</b>	<b>25,262</b>

### 21 Analysis of changes in net debt - group

	1 January 2021 £'000	Cash flows £'000	Other non- cash changes £'000	31 December 2021 £'000
Cash at bank and in hand	22,012	(6,873)	-	15,139
Borrowings excluding overdrafts	(332,790)	3,302	(126)	(329,614)
Interest rate swap	(134,609)	-	(31,949)	(166,558)
	<u>(445,387)</u>	<u>(3,571)</u>	<u>(32,075)</u>	<u>(481,033)</u>