

Company registration number 05986955 (England and Wales)

FORTH HEALTH HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



FORTH HEALTH HOLDINGS LIMITED

COMPANY INFORMATION

| | |
|-------------------|---|
| Directors | JS Gordon K O'Brien M Templeton |
| Secretary | Resolis Limited |
| Company number | 05986955 |
| Registered office | 1 Park Row Leeds United Kingdom LS1 5AB |
| Auditor | Johnston Carmichael LLP Bishop's Court 29 Albyn Place Aberdeen AB10 1YL |

FORTH HEALTH HOLDINGS LIMITED

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FORTH HEALTH HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Review of the business

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 a syndicate of five corporate lenders and European Investment Bank (EIB).

The Group's profit after taxation for the year is £860,000 (2021: loss of £2,428,000) and the net liabilities of the Company are £76,852,000 (2021: £119,878,000). The hospital operated in line with expectations during the year. In the comparative year, the company incurred one-off costs which led to the Group making a loss in 2021. The Directors do not consider there to be any associated risk to future performance of the Group.

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 cashflows 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 2022 and the latest financial forecast indicates that there are no anticipated future breaches.

On behalf of the board



K O'Brien
Director

07 / 07 / 2023
Date:

FORTH HEALTH HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The Group is principally engaged with the performance of a PFI contract with NHS Forth Valley for the design, build and operation of the Forth Valley Royal Hospital.

There have not been any significant changes in the Group's principal activities in the year under review.

Results and dividends

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

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

Directors

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

JS Gordon
K O'Brien
M Templeton

Going concern

The Group undertook a number of surveys at the hospital in 2020 and 2021 to determine whether there were any building defects ahead of the expiry of the limitation period under the Building Contract in 2022. The surveys revealed a potential latent defect to render and the Group entered into two separate standstill agreements with the original contractor, Laing O'Rourke, in May 2022 and August 2022, further extended in November 2022 and May 2023. The purpose of these agreements was to extend the limitation period until such time as further investigation could take place into the defect issue, thereby protecting the interests of the Group. These letters were signed without the express consent of the project lenders which resulted in a technical breach under our funding arrangements. This breach allowed lenders the right to call for the immediate repayment of outstanding loan amounts. This breach continued for the period of these statements only being resolved in June 2023, post the Balance Sheet date. The latest financial model forecasts estimated future costs and demonstrates that the Group can continue to meet its debts as they fall due.

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 1.2 in the notes to the financial statements.

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 2022

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.

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 Group is also exposed to inflation risk in respect of lifecycle costs. The Group'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.

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.

Qualifying third party indemnity provisions

The company 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.

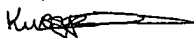
Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Johnston Carmichael LLP will therefore continue in office.

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 company 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 company is aware of that information.

On behalf of the board



.....
K O'Brien
Director

07 / 07 / 2023
Date:

FORTH HEALTH HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

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). 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;
- 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

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 2022, which comprise the Group Statement of Comprehensive Income, Group Balance Sheet, Company Balance Sheet, Group Statement of Changes in Equity, Company Statement of Changes in Equity, 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 Financial Reporting Standard 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 2022 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 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 or 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.

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.

FORTH HEALTH HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF FORTH HEALTH HOLDINGS LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the 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 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 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.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Extent the audit was 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 extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

FORTH HEALTH HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF FORTH HEALTH HOLDINGS LIMITED

Extent the audit was considered capable of detecting irregularities, including fraud (continued)

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

- FRS 102
- Companies Act 2006
- Corporation Tax legislation
- VAT legislation

We gained an understanding of how the group and the 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 relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the group'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 addition to the above, 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 for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level and reasoning behind the group and parent company's procurement of legal and professional services;
- 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;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006; and
- Agreement of the financial statement disclosures to supporting documentation.

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 would become aware of it.

FORTH HEALTH HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF FORTH HEALTH HOLDINGS LIMITED

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the 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 parent company 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

07 / 07 / 2023
Date:

Chartered Accountants
Statutory Auditor

Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

FORTH HEALTH HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

| | Notes | 2022 £ | 2021 £ |
|--|-----------|---------------|-----------------|
| Turnover | 3 | 42,593 | 30,872 |
| Cost of sales | | (35,656) | (27,866) |
| Gross profit | | 6,937 | 3,006 |
| Administrative expenses | | (1,155) | (1,712) |
| Operating profit | 4 | 5,782 | 1,294 |
| Interest receivable and similar income | 6 | 15,402 | 15,680 |
| Interest payable and similar expenses | 7 | (20,092) | (20,212) |
| Profit/(loss) before taxation | | 1,092 | (3,238) |
| Tax on profit/(loss) | 8 | (232) | 810 |
| Profit/(loss) for the financial year | 17 | 860 | (2,428) |
| Other comprehensive income | | | |
| Cash flow hedges gain/(loss) arising in the year | | 55,774 | (31,948) |
| Tax relating to other comprehensive income | | (13,608) | 15,728 |
| Total comprehensive income for the year | | 43,026 | (18,648) |

FORTH HEALTH HOLDINGS LIMITED

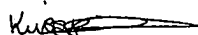
GROUP BALANCE SHEET

AS AT 31 DECEMBER 2022

| | Notes | 2022 £ | £ | 2021 £ | £ |
|--|-------|------------------|------------------|-----------------|------------------|
| Current assets | | | | | |
| Debtors falling due after more than one year | 11 | 331,201 | | 351,815 | |
| Debtors falling due within one year | 11 | 23,725 | | 22,250 | |
| Cash at bank and in hand | | 21,276 | | 15,139 | |
| | | <u>376,202</u> | | <u>389,204</u> | |
| Creditors: amounts falling due within one year | 12 | <u>(316,476)</u> | | <u>(23,223)</u> | |
| Net current assets | | | 59,726 | | 365,981 |
| Creditors: amounts falling due after more than one year | 13 | | <u>(136,578)</u> | | <u>(485,859)</u> |
| Net liabilities | | | <u>(76,852)</u> | | <u>(119,878)</u> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 27 | | 27 |
| Hedging reserve | 17 | | (83,088) | | (125,254) |
| Profit and loss reserves | 17 | | 6,209 | | 5,349 |
| Total equity | | | <u>(76,852)</u> | | <u>(119,878)</u> |

07 / 07 / 2023

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



K O'Brien
Director

Company registration number 05986955 (England and Wales)

FORTH HEALTH HOLDINGS LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2022

| | Notes | 2022 £ | £ | 2021 £ | £ |
|---|-------|---------------|---------------|---------------|---------------|
| Fixed assets | | | | | |
| Investments | 9 | | 27 | | 27 |
| Current assets | | | | | |
| Debtors falling due after more than one year | 11 | 29,514 | | 29,514 | |
| Debtors falling due within one year | 11 | 4,036 | | 1,976 | |
| | | <u>33,550</u> | | <u>31,490</u> | |
| Creditors: amounts falling due within one year | 12 | (4,036) | | (1,976) | |
| Net current assets | | | <u>29,514</u> | | <u>29,514</u> |
| Total assets less current liabilities | | | <u>29,541</u> | | <u>29,541</u> |
| Creditors: amounts falling due after more than one year | 13 | | (29,514) | | (29,514) |
| Net assets | | | <u>27</u> | | <u>27</u> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | <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 £0 (2021 - £0 profit).

07 / 07 / 2023

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



K O'Brien

Director

Company registration number 05986955 (England and Wales)

FORTH HEALTH HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

| | Share capital | Hedging reserve | Profit and loss reserves | Total |
|--|------------------|--------------------|--------------------------------|-----------|
| | £ | £ | £ | £ |
| Balance at 1 January 2021 | 27 | (109,034) | 7,777 | (101,230) |
| Year ended 31 December 2021: | | | | |
| Loss for the year | - | - | (2,428) | (2,428) |
| Other comprehensive income: | | | | |
| Cash flow hedges gains | - | (31,948) | - | (31,948) |
| Tax relating to other comprehensive income | - | 15,728 | - | 15,728 |
| Total comprehensive income | - | (16,220) | (2,428) | (18,648) |
| Balance at 31 December 2021 | 27 | (125,254) | 5,349 | (119,878) |
| Year ended 31 December 2022: | | | | |
| Profit for the year | - | - | 860 | 860 |
| Other comprehensive income: | | | | |
| Cash flow hedges gains | - | 55,774 | - | 55,774 |
| Tax relating to other comprehensive income | - | (13,608) | - | (13,608) |
| Total comprehensive income | - | 42,166 | 860 | 43,026 |
| Balance at 31 December 2022 | 27 | (83,088) | 6,209 | (76,852) |

FORTH HEALTH HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

| | Share capital £ |
|--|-----------------------|
| Balance at 1 January 2021 | 27 |
| | <hr/> |
| Year ended 31 December 2021: | |
| Profit and total comprehensive income for the year | - |
| | <hr/> |
| Balance at 31 December 2021 | 27 |
| | <hr/> |
| Year ended 31 December 2022: | |
| Profit and total comprehensive income | - |
| | <hr/> |
| Balance at 31 December 2022 | 27 |
| | <hr/> <hr/> |

FORTH HEALTH HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

| | Notes | 2022 £ | £ | 2021 £ | £ |
|---|-------|-----------|-----------------|-----------|-----------------|
| Cash flows from operating activities | | | | | |
| Cash generated from operations | 20 | | 28,448 | | 23,468 |
| Income taxes paid | | | (26) | | (444) |
| Net cash inflow from operating activities | | | 28,422 | | 23,024 |
| Investing activities | | | | | |
| Net movements in the amounts on short term deposit | | 635 | | (7,335) | |
| Net cash generated from/(used in) investing activities | | | 635 | | (7,335) |
| Financing activities | | | | | |
| Repayment of bank loans | | (4,721) | | (3,301) | |
| Interest paid | | (18,199) | | (19,261) | |
| Net cash used in financing activities | | | (22,920) | | (22,562) |
| Net increase/(decrease) in cash and cash equivalents | | | 6,137 | | (6,873) |
| Cash and cash equivalents at beginning of year | | | 15,139 | | 22,012 |
| Cash and cash equivalents at end of year | | | 21,276 | | 15,139 |

FORTH HEALTH HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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 1 Park Row, Leeds, United Kingdom, LS1 5AB.

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 presentational currency of the financial statements is pounds 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 on the going concern basis 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.

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 2022.

1.3 Going concern

The Group undertook a number of surveys at the hospital in 2020 and 2021 to determine whether there were any building defects ahead of the expiry of the limitation period under the Building Contract in 2022. The surveys revealed a potential latent defect to render and the Group entered into two separate standstill agreements with the original contractor, Laing O'Rourke, in May 2022 and August 2022, further extended in November 2022 and May 2023. The purpose of these agreements was to extend the limitation period until such time as further investigation could take place into the defect issue, thereby protecting the interests of the Group. These letters were signed without the express consent of the project lenders which resulted in a technical breach under our funding arrangements. This breach allowed lenders the right to call for the immediate repayment of outstanding loan amounts. This breach continued for the period of these statements only being resolved in June 2023, post the Balance Sheet date. The latest financial model forecasts estimated future costs and demonstrates that the Group can continue to meet its debts as they fall due.

The Group is in a net liabilities position as at 31 December 2022 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.

FORTH HEALTH HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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 and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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 GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Loan 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 is a special purpose entity that 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 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, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

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

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the 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.

FORTH HEALTH HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, and loans from fellow group companies 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 and forward foreign exchange contracts, 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.

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 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 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 2022

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 statement of comprehensive income and is included in the 'other gains and losses' line.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the statement of comprehensive income in the periods when the hedged item is recognised in the 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 profit and loss account 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 2022

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; 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, utilising the new SONIA benchmark.

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 £110,784,000 (2021: £166,558,000 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 GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 Turnover

| | 2022 | 2021 |
|--|---------------|---------------|
| | £ | £ |
| Turnover analysed by class of business | | |
| Service fee income | 33,959 | 27,689 |
| Pass-through income | 4,677 | 1,837 |
| Variation income | 3,794 | 1,043 |
| Rental income | 163 | 115 |
| Other income | - | 188 |
| | <u>42,593</u> | <u>30,872</u> |

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

4 Operating profit

| | 2022 | 2021 |
|--|-----------|-----------|
| | £ | £ |
| Operating profit for the year is stated after charging: | | |
| Fees payable for the audit of the annual report and financial statements | <u>16</u> | <u>15</u> |

5 Employees

The average monthly number of persons employed by the Group during the year was nil (2021: nil). The directors did not receive any remuneration from the Group during the year (2021: £nil).

6 Interest receivable and similar income

| | 2022 | 2021 |
|---------------------------|---------------|---------------|
| | £ | £ |
| Interest income | | |
| Interest on bank deposits | 142 | - |
| Other interest income | 15,260 | 15,680 |
| Total income | <u>15,402</u> | <u>15,680</u> |

7 Interest payable and similar expenses

| | 2022 | 2021 |
|---|---------------|---------------|
| | £ | £ |
| Interest on financial liabilities measured at amortised cost: | | |
| Interest on bank overdrafts and loans | 16,319 | 16,526 |
| Interest payable to parent undertaking | 3,773 | 3,686 |
| | <u>20,092</u> | <u>20,212</u> |

FORTH HEALTH HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

8 Taxation

| | 2022 £ | 2021 £ |
|--|------------|--------------|
| Current tax | | |
| UK corporation tax on profits for the current period | 104 | - |
| Deferred tax | | |
| Origination and reversal of timing differences | 128 | (810) |
| Total tax charge/(credit) | 232 | (810) |

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

| | 2022 £ | 2021 £ |
|---|------------|--------------|
| Profit/(loss) before taxation | 1,092 | (3,238) |
| Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19% (2021: 19%) | 207 | (810) |
| Unutilised tax losses carried forward | (103) | - |
| Change in unrecognised deferred tax assets | 128 | - |
| Taxation charge/(credit) | 232 | (810) |

Following the enactment of the Finance Act 2021 on 10 June 2021, deferred tax for temporary/timing differences that are forecast to unwind or after 1 April 2023 have been re-measured and recognised at 25%.

9 Fixed asset investments

| | Group 2022 £ | 2021 £ | Company 2022 £ | 2021 £ |
|---|--------------------|-----------|----------------------|--------------------------|
| Investments in subsidiaries | - | - | 27 | 27 |
| Movements in fixed asset investments | | | | |
| Group | | | | Investments £ |
| Cost or valuation | | | | |
| At 1 January 2022 and 31 December 2022 | | | | 27 |
| Carrying amount | | | | |
| At 31 December 2022 | | | | 27 |
| At 31 December 2021 | | | | 27 |

FORTH HEALTH HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

| Name of undertaking | Registered office | Class of shares held | % Held Direct |
|----------------------|----------------------------|----------------------|---------------|
| Forth Health Limited | 1 Park Row, Leeds, LS1 5AB | Ordinary | 100 |

11 Debtors

| | Group 2022 £ | 2021 £ | Company 2022 £ | 2021 £ |
|--|--------------------|----------------|----------------------|---------------|
| Amounts falling due within one year: | | | | |
| Trade debtors | 7,078 | 5,441 | - | - |
| Corporation tax recoverable | 575 | 549 | - | - |
| Amounts owed by group undertakings | - | - | 4,036 | 1,976 |
| Finance debtor | 8,158 | 7,649 | - | - |
| Other financial assets | 6,700 | 7,335 | - | - |
| Prepayments and accrued income | 501 | 213 | - | - |
| | <u>23,012</u> | <u>21,187</u> | <u>4,036</u> | <u>1,976</u> |
| Deferred tax asset (note 15) | 713 | 1,063 | - | - |
| | <u>23,725</u> | <u>22,250</u> | <u>4,036</u> | <u>1,976</u> |
| Amounts falling due after more than one year: | | | | |
| Amounts owed by group undertakings | - | - | 29,514 | 29,514 |
| Finance debtor | 260,124 | 268,359 | - | - |
| Unitary charge control account | 43,413 | 42,405 | - | - |
| | <u>303,537</u> | <u>310,764</u> | <u>29,514</u> | <u>29,514</u> |
| Deferred tax asset (note 15) | 27,664 | 41,051 | - | - |
| | <u>331,201</u> | <u>351,815</u> | <u>29,514</u> | <u>29,514</u> |
| Total debtors | <u>354,926</u> | <u>374,065</u> | <u>33,550</u> | <u>31,490</u> |

Amounts due from subsidiary undertakings

At the year end, the Company was owed £29,514,000 (2021: £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 £4,036,000 (2021: £1,976,000) is outstanding as at 31 December 2022.

Other financial assets

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

FORTH HEALTH HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Creditors: amounts falling due within one year

| | Notes | Group 2022 £ | 2021 £ | Company 2022 £ | 2021 £ |
|-------------------------------------|-------|--------------------|---------------|----------------------|--------------|
| Bank loans | 14 | 295,379 | 4,720 | - | - |
| Amounts owed to parent undertakings | 14 | 4,036 | 1,976 | 4,036 | 1,976 |
| Trade creditors | | 4,284 | 2,902 | - | - |
| Other taxation and social security | | 698 | 603 | - | - |
| Derivative financial instruments | | 3,720 | 5,593 | - | - |
| Bank loan interest accrual | | 4,027 | 4,091 | - | - |
| Other creditors | | - | 311 | - | - |
| Accruals and deferred income | | 4,332 | 3,027 | - | - |
| | | <u>316,476</u> | <u>23,223</u> | <u>4,036</u> | <u>1,976</u> |

13 Creditors: amounts falling due after more than one year

| | Notes | Group 2022 £ | 2021 £ | Company 2022 £ | 2021 £ |
|----------------------------------|-------|--------------------|----------------|----------------------|---------------|
| Bank loans | 14 | - | 295,380 | - | - |
| Other borrowings | 14 | 29,514 | 29,514 | 29,514 | 29,514 |
| Derivative financial instruments | | 107,064 | 160,965 | - | - |
| | | <u>136,578</u> | <u>485,859</u> | <u>29,514</u> | <u>29,514</u> |

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' SONIA and on the RPI swap is 12 month RPI. The Company 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 Company'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 Company'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 comprises the fair value of the interest rate swap 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 profit of £55,774,000 (2021: loss of £31,948,000).

FORTH HEALTH HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

14 Loans and overdrafts

| | Group 2022 £ | 2021 £ | Company 2022 £ | 2021 £ |
|-------------------------------|--------------------|----------------|----------------------|---------------|
| Bank loans | 295,379 | 300,100 | - | - |
| Loans from group undertakings | 29,514 | 29,514 | 29,514 | 29,514 |
| | <u>324,893</u> | <u>329,614</u> | <u>29,514</u> | <u>29,514</u> |
| Payable within one year | 295,379 | 4,720 | - | - |
| Payable after one year | <u>29,514</u> | <u>324,894</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. Under the funding arrangements the loans are repayable in instalments by 2041 based on an agreed percentage amount of the total facilities per annum. During the financial year there was a technical breach of the funding arrangements which allowed the lenders the right to call for the immediate repayment of outstanding loan amounts. This breach continued for the period of these statements only being resolved in June 2023, post the Balance Sheet date.

Interest on the facility is charged at rates linked to SONIA. 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 (2021: £29,514,000) in loans to the immediate parent company, Palio (No 11) 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 £4,036,000 (2021: £1,976,000) is outstanding as at 31 December 2022.

15 Deferred taxation

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

| | Assets 2022 £ | Assets 2021 £ |
|---|---------------------|---------------------|
| Group | | |
| Tax losses | 681 | 810 |
| Deferred tax on interest rate and RPI swap fair value | <u>27,696</u> | <u>41,304</u> |
| | <u>28,377</u> | <u>42,114</u> |

The company has no deferred tax assets or liabilities.

FORTH HEALTH HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

15 Deferred taxation (Continued)

| | Group 2022 £ | Company 2022 £ |
|--------------------------------------|--------------------|----------------------|
| Movements in the year: | | |
| Asset at 1 January 2022 | (42,114) | - |
| Charge to profit or loss | 128 | - |
| Charge to other comprehensive income | 13,608 | - |
| Asset at 31 December 2022 | <u>(28,378)</u> | <u>-</u> |

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.

16 Share capital

| Group and company | 2022 Number | 2021 Number | 2022 | 2021 |
|-------------------------------|----------------|----------------|-----------|-----------|
| Ordinary share capital | | | | |
| Issued and fully paid | | | | |
| Ordinary shares of £1 each | <u>27,000</u> | <u>27,000</u> | <u>27</u> | <u>27</u> |

17 Other reserves

Retained earnings records retained earnings and accumulated 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.

18 Related party transactions

The group has taken advantage of FRS 102 33.1A which allows it not to disclose transactions with wholly owned members of a group.

19 Controlling party

The Company's immediate parent undertaking 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 2022

20 Cash generated from group operations

| | 2022 £ | 2021 £ |
|---------------------------------------|---------------|---------------|
| Profit/(loss) for the year after tax | 860 | (2,428) |
| Adjustments for: | | |
| Taxation charged/(credited) | 232 | (810) |
| Finance costs | 20,092 | 20,212 |
| Movements in working capital: | | |
| Decrease in debtors | 4,793 | 9,288 |
| Increase/(decrease) in creditors | 2,471 | (2,794) |
| Cash generated from operations | 28,448 | 23,468 |

21 Analysis of changes in net debt - group

| | 1 January 2022 £ | Cash flows £ | Other non- cash changes £ | 31 December 2022 £ |
|---------------------------------|------------------------|-----------------|---------------------------------|--------------------------|
| Cash at bank and in hand | 15,139 | 6,137 | - | 21,276 |
| Borrowings excluding overdrafts | (329,614) | 4,721 | - | (324,893) |
| Interest rate swap | (166,558) | - | 55,774 | (110,784) |
| | (481,033) | 10,858 | 55,774 | (414,401) |