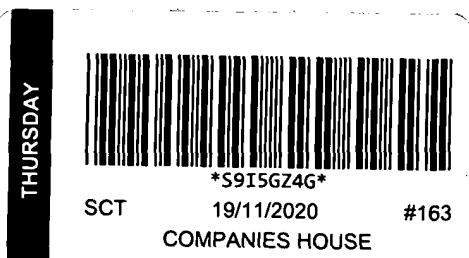


COMPANY REGISTRATION NUMBER: SC275420

**Stobhill Healthcare Facilities Limited**  
**Annual Report and Financial Statements**  
**31 December 2019**

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**19 NOV 2020**  
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# **Stobhill Healthcare Facilities Limited**

## **Annual Report and Financial Statements**

**Year Ended 31 December 2019**

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# **Stobhill Healthcare Facilities Limited**

## **Officers and Professional Advisers**

<b>The Board of Directors</b>	D Gilmour J Cavill J Brown D Vermeer
<b>Company Secretary</b>	Infrastructure Managers Limited
<b>Registered Office</b>	2nd Floor 11 Thistle Street Edinburgh EH2 1DF
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered accountants & Statutory Auditors Level 4 Atria One 144 Morrison Street Edinburgh EH3 8EX
<b>Bankers</b>	Royal Bank of Scotland Plc 36 St Andrew's Square Edinburgh EH2 2YB
<b>Solicitors</b>	CMS Cameron McKenna LLP Mitre House 160 Aldersgate Street London EC1A 4DD

# **Stobhill Healthcare Facilities Limited**

## **Directors' Report**

### **Year Ended 31 December 2019**

The directors present their report and the audited Annual Report and Financial Statements of Stobhill Healthcare Facilities Limited ("the Company") for the year ended 31 December 2019.

#### **Principal Activities**

The principal activity of the Company is the provision of a hospital building and associated facilities management for NHS Greater Glasgow & Clyde. The contract is in year 12 of its term, expiring in 2042.

#### **Performance Review**

The profit for the financial year, after taxation, amounted to £234,964 (2018: £240,125).

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

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

The directors have considered the future financial impact to the Company of the Coronavirus, taking into account the sources of income and additional expenditure, if any. It is their view that, due to the income being availability based and being due from NHS Trust and therefore the risk of non-payment is considered remote, the income to the project will not be impacted. Alongside this the expected expenditure should not see material variation from its current levels and key suppliers (primarily the facilities manager) are expected to continue to be able to service the project. Although the likely full impact is unknown, and at this stage is not possible to quantify, it is not expected to materially impact on the operations of financial position of the Company.

#### **Key Performance Indicators**

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

#### **Going Concern**

The directors acknowledge that the Company is in net liabilities, however this is a result of the interest rate and RPI swaps, which are significantly out of the money, being included on the Statement of Financial Position. After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

#### **Directors**

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

D Gilmour  
J Cavill  
J Brown  
D Vermeer

#### **Dividends**

Particulars of dividends paid are detailed in note 10 to the financial statements.

# **Stobhill Healthcare Facilities Limited**

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

### **Year Ended 31 December 2019**

#### **Financial Instruments**

Due to the nature of the Company's business, the financial risks the directors consider relevant to this Company are credit, interest rate, cash flow and liquidity risk. The credit risk is not considered significant as the client is a quasi governmental organisation.

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

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

##### ***Cash flow and liquidity risk***

Many of the cash flow risks are addressed by means of contractual provisions. The Company's liquidity risk is principally managed through financing the Company by means of long-term borrowings.

#### **Events after the End of the Reporting Period**

Particulars of events after the reporting date are detailed in note 18 to the Annual Report and Financial Statements.

#### **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.

#### **Small Company Provisions**

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

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

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

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

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

This report was approved by the board of directors on 25 June 2020 and signed by order of the board by:



Infrastructure Managers Limited  
Company Secretary

## **Stobhill Healthcare Facilities Limited**

### **Directors' Responsibilities Statement**

#### **Year Ended 31 December 2019**

The directors are responsible for preparing the Directors' Report and the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Annual Report and Financial Statements for each financial year. Under that law the directors have prepared the Annual Report and Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland ("FRS 102"), and applicable law).

Under company law the directors must not approve the Annual Report and Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing the Annual Report and Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the Annual Report and Financial Statements; and
- prepare the Annual Report and Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

# **Stobhill Healthcare Facilities Limited**

## **Independent Auditors' Report to the Members of Stobhill Healthcare Facilities Limited**

**Year Ended 31 December 2019**

### **Report on the Audit of the Financial Statements**

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#### **Opinion**

In our opinion, Stobhill Healthcare Facilities Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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#### **Conclusions Relating to Going Concern**

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

## **Stobhill Healthcare Facilities Limited**

### **Independent Auditors' Report to the Members of Stobhill Healthcare Facilities Limited** *(continued)*

**Year Ended 31 December 2019**

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#### **Reporting on Other Information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### **Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

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#### **Responsibilities for the Financial Statements and the Audit**

##### **Responsibilities of the Directors for the Financial Statements**

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



## **Stobhill Healthcare Facilities Limited**

### **Independent Auditors' Report to the Members of Stobhill Healthcare Facilities Limited** *(continued)*

#### **Year Ended 31 December 2019**

##### **Auditors' 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 for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### **Use of This Report**

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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##### **Other Required Reporting**

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##### **Companies Act 2006 Exception Reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

## **Stobhill Healthcare Facilities Limited**

### **Independent Auditors' Report to the Members of Stobhill Healthcare Facilities Limited** *(continued)*

**Year Ended 31 December 2019**

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#### **Entitlement to Exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Matthew Kaye (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered accountants & Statutory Auditors  
Edinburgh

25 June 2020

# Stobhill Healthcare Facilities Limited

## Statement of Comprehensive Income

Year Ended 31 December 2019

	Note	2019 £	2018 £
<b>Turnover</b>	<b>4</b>	<b>976,269</b>	967,418
Cost of sales		<u>(386,022)</u>	<u>(361,916)</u>
<b>Gross profit</b>		<b>590,247</b>	605,502
Administrative expenses		<u>(224,153)</u>	<u>(239,331)</u>
<b>Operating profit</b>	<b>5</b>	<b>366,094</b>	366,171
Interest receivable	<b>7</b>	<b>1,239,701</b>	1,257,314
Interest payable and similar expenses	<b>8</b>	<u>(1,315,958)</u>	<u>(1,327,225)</u>
<b>Profit before taxation</b>		<b>289,837</b>	296,260
Taxation on ordinary activities	<b>9</b>	<u>(54,873)</u>	<u>(56,135)</u>
<b>Profit for the financial year</b>		<b>234,964</b>	240,125
Fair value movements on cash flow hedging instruments, net of tax		<u>8,101</u>	591,458
<b>Total comprehensive income for the year</b>		<b>243,065</b>	831,583

All the activities of the Company are from continuing operations.

The notes on pages 12 to 21 form part of these Financial Statements.

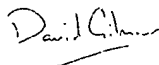
# Stobhill Healthcare Facilities Limited

## Statement of Financial Position

As at 31 December 2019

	Note	2019 £	2018 £
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	1,881,425	1,976,083
Debtors: amounts falling due after more than one year	11	19,399,344	19,755,094
Cash at bank and in hand		<u>2,855,415</u>	<u>2,549,232</u>
		<b>24,136,184</b>	<b>24,280,409</b>
<b>Creditors: amounts falling due within one year</b>	12	<u>(1,031,605)</u>	<u>(1,091,488)</u>
<b>Net current assets</b>		<b>23,104,579</b>	<b>23,188,921</b>
<b>Total assets less current liabilities</b>		<b>23,104,579</b>	<b>23,188,921</b>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(29,721,792)</u>	<u>(30,030,199)</u>
<b>Net liabilities</b>		<b>(6,617,213)</b>	<b>(6,841,278)</b>
<b>Capital and reserves</b>			
Called up share capital	16	30,062	30,062
Hedging reserve	17	(8,596,363)	(8,604,464)
Retained earnings	17	<u>1,949,088</u>	<u>1,733,124</u>
<b>Total shareholders' deficit</b>		<b>(6,617,213)</b>	<b>(6,841,278)</b>

The Financial Statements were approved by the board of directors and authorised for issue on 25 June 2020, and are signed on behalf of the board by:



D Gilmour  
Director

Company registration number: SC275420

The notes on pages 12 to 21 form part of these Financial Statements.

# Stobhill Healthcare Facilities Limited

## Statement of Changes in Equity

Year Ended 31 December 2019

		Called up share capital £	Hedging reserve £	Retained earnings £	Total £
<b>At 1 January 2018</b>		30,062	(9,195,922)	1,579,999	(7,585,861)
Profit for the financial year				240,125	240,125
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax		—	591,458	—	591,458
<b>Total comprehensive income for the year</b>		—	591,458	240,125	831,583
Dividends paid and payable	10	—	—	(87,000)	(87,000)
<b>Total investments by and distributions to owners</b>		—	—	(87,000)	(87,000)
<b>At 31 December 2018</b>		30,062	(8,604,464)	1,733,124	(6,841,278)
Profit for the financial year				234,964	234,964
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax		—	8,101	—	8,101
<b>Total comprehensive income for the year</b>		—	8,101	234,964	243,065
Dividends paid and payable	10	—	—	(19,000)	(19,000)
<b>Total investments by and distributions to owners</b>		—	—	(19,000)	(19,000)
<b>At 31 December 2019</b>		<u>30,062</u>	<u>(8,596,363)</u>	<u>1,949,088</u>	<u>(6,617,213)</u>

Included in the fair value movement on cash flow hedging instruments is £690,125 (2018: £734,770) that was recycled through Interest Payable in the Statement of Comprehensive Income.

The notes on pages 12 to 21 form part of these Financial Statements.

# **Stobhill Healthcare Facilities Limited**

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

### **Year Ended 31 December 2019**

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

Stobhill Healthcare Facilities Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is 2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF.

The principal activity of the Company is the provision of a hospital building and associated facilities management for NHS Greater Glasgow & Clyde.

The Company's functional and presentation currency is the pound sterling.

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

The individual financial statements of Stobhill Healthcare Facilities Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

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

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

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

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

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

The directors acknowledge that the company is in net liabilities, however this is a result of the Interest rate and RPI swaps, which are significantly out of the money, being included on the Statement of Financial Position. It is not the intention to close out these instruments before their maturity date, therefore there is no impact on the company's ability to meet its liabilities as they fall due. After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

The directors have considered the future financial impact to the Company of the Coronavirus as disclosed in the Directors' Report, and although the likely full impact is unknown, and at this stage is not possible to quantify, it is not expected to materially impact on the operations or financial position of the Company.

# **Stobhill Healthcare Facilities Limited**

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

### **Year Ended 31 December 2019**

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

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

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of BILF Holdco Limited which can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the Company.
- (b) Disclosures in respect of financial instruments have not been presented.

##### **(d) Judgments and key sources of estimation uncertainty**

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

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

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

##### **i) Impairment of assets**

The carrying value of those assets recorded in the Company's Statement of Financial Position, at amortised cost, could be materially reduced where circumstances exist which might indicate that an asset has been impaired and an impairment review is performed. Impairment reviews consider the fair value and/or value in use of the potentially impaired asset or assets and compare that with the carrying value of the asset or assets in the Statement of Financial Position. Any reduction in value arising from such a review would be recorded in the Statement of Comprehensive Income. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

##### **(e) Revenue recognition**

Turnover represents the services' share of the management services income received by the Company for the provision of a Private Finance Initiative ("PFI") asset to the customer. This income is received over the life of the concession period. Management service income is allocated between turnover, finance debtor interest and reimbursement of the finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.

# **Stobhill Healthcare Facilities Limited**

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

### **Year Ended 31 December 2019**

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

##### **(f) Income tax**

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

Current or deferred taxation assets and liabilities are not discounted.

##### **i) Current Tax**

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

##### **ii) Deferred tax**

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

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

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

##### **(g) Finance debtor**

The Company has taken the transition exemption in FRS 102 Section 35.10(i) that allows the Company to continue the service concession arrangement accounting policies from previous UK GAAP.

The Company is accounting for the concession asset based on the ability to substantially transfer all the risks and rewards of ownership to the customer, with this arrangement the costs incurred by the Company on the design and construction of the assets have been treated as a finance debtor within these financial statements.

##### **(h) Cash and cash equivalents**

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



# **Stobhill Healthcare Facilities Limited**

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

### **Year Ended 31 December 2019**

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

##### **(i) Borrowings**

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

##### **(j) Financial instruments**

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

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

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

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

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

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

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

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

# Stobhill Healthcare Facilities Limited

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

### Year Ended 31 December 2019

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

##### (k) Hedge accounting

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

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

The Company has elected to early adopt the FRS 102 Interest Rate Benchmark Reform Amendment.

#### 4. Turnover

Turnover arises from:

	2019	2018
	£	£
Rendering of services	<u>976,269</u>	<u>967,418</u>

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

#### 5. Operating Profit

Operating profit or loss is stated after charging:

	2019	2018
	£	£
Fees payable for the audit of the annual report and financial statements	<u>10,395</u>	<u>9,263</u>

Included in the fee above is £2,110 (2018: £2,010) for the audit of the immediate parent entity Stobhill Healthcare Facilities (Holdings) Limited.

#### 6. Particulars of Employees and Directors

The average number of persons employed by the Company during the financial year amounted to nil (2018: nil). The directors are not employed by the Company and did not receive any remuneration from the Company during the year (2018: £nil).

# Stobhill Healthcare Facilities Limited

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

### Year Ended 31 December 2019

#### 7. Interest Receivable

	2019	2018
	£	£
Interest on cash and cash equivalents	9,611	5,033
Interest received on finance debtor	1,230,090	1,252,281
	<u>1,239,701</u>	<u>1,257,314</u>

#### 8. Interest Payable and Similar Expenses

	2019	2018
	£	£
Interest on bank loans and overdrafts	1,030,698	1,044,565
Interest due to Group undertakings	266,000	266,000
Other interest payable and similar expenses	19,260	16,660
	<u>1,315,958</u>	<u>1,327,225</u>

#### 9. Taxation on Ordinary Activities

##### Major components of tax expense

	2019	2018
	£	£
<b>Current tax:</b>		
UK current tax expense	53,208	54,822
<b>Deferred tax:</b>		
Origination and reversal of timing differences	1,665	1,313
<b>Taxation on ordinary activities</b>	<u>54,873</u>	<u>56,135</u>

##### Reconciliation of tax expense

The tax assessed on the profit for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019	2018
	£	£
Profit before taxation	289,837	296,260
Profit by rate of tax	55,069	56,289
Changes in tax rates	(196)	(154)
Total tax charge	<u>54,873</u>	<u>56,135</u>

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

A change to the future UK corporation tax rate was announced in the March 2020 Budget. The rate will no longer drop to 17% with effect from 1 April 2020 but will remain at the previous rate of 19%. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements. The effect of this change, if it applied to the deferred tax balance at 31 December 2019, would be to increase the deferred tax asset by £207,141.

# Stobhill Healthcare Facilities Limited

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

### Year Ended 31 December 2019

#### 10. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2019	2018
	£	£
Dividend of £0.63 (2018: £2.89) per ordinary share	<u>19,000</u>	<u>87,000</u>

#### 11. Debtors

Debtors amounts falling due within one year are as follows:

	2019	2018
	£	£
Prepayments and accrued income	238,481	232,341
Finance debtor	350,178	339,101
Other debtors	<u>1,292,766</u>	<u>1,404,641</u>
	<u>1,881,425</u>	<u>1,976,083</u>

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

	2019	2018
	£	£
Deferred tax asset	1,768,576	1,771,900
Finance debtor	<u>17,630,768</u>	<u>17,983,194</u>
	<u>19,399,344</u>	<u>19,755,094</u>

The movement in the finance debtor is analysed as follows:

	2019	2018
	£	£
At beginning of year	18,322,295	18,643,068
Repayments	<u>(341,349)</u>	<u>(320,773)</u>
At end of year	<u>17,980,946</u>	<u>18,322,295</u>

Other debtors include the unitary charge control account as well as other small trading balances due within the year.

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

	2019	2018
	£	£
Bank loans and overdrafts	304,450	294,201
Trade creditors	28,636	27,855
Amounts owed to Group undertakings	89,018	89,018
Accruals and deferred income	500,615	559,867
Corporation tax	2,114	19,728
Taxation and social security	<u>106,772</u>	<u>100,819</u>
	<u>1,031,605</u>	<u>1,091,488</u>

# Stobhill Healthcare Facilities Limited

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

### Year Ended 31 December 2019

#### 12. Creditors: amounts falling due within one year *(continued)*

Amounts owed to Group undertakings relate to accrued interest of £89,018 (2018: £89,018), due within the year, in respect of loan notes issued by Stobhill Healthcare Facilities (Holdings) Limited.

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

	2019	2018
	£	£
Bank loans and overdrafts	17,354,734	17,653,381
Amounts owed to Group undertakings	2,009,994	2,009,994
Derivative financial liability	10,357,064	10,366,824
	<u>29,721,792</u>	<u>30,030,199</u>

Included within creditors: amounts falling due after more than one year is an amount of £17,816,337 (2018: £18,274,759) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

a) The Bank loans bear interest based on LIBOR. On 13th July 2005, as part of its interest rate management strategy, the Company entered into an interest rate swap in respect of part of the debt maturing in February 2039. Under this swap, the Company receives interest on a variable basis and pays interest at a fixed rate of 4.74%. The loans represent amounts drawn from a facility of £17,671,842 (2018: £17,979,499) which is repayable in semi-annual instalments until February 2039. Issue costs of £12,657 (2018: £31,917) have been offset against total loan drawdowns. Bank loans are secured over the assets of the Company. In addition, the bank holds a Parent Security Agreement incorporating a floating charge over the assets of Stobhill Healthcare Facilities (Holdings) Limited. Under the Parent Security Agreement the parent company pledges as security its interest in the shares and loan stock of Stobhill Healthcare Facilities Limited.

b) Amounts owed to Group undertakings - In July 2005 the Company borrowed £1,512,200 from Stobhill Healthcare Facilities (Holdings) Limited under a subordinated debt agreement, with a further loan of £136,445 issued in April 2007. The interest rate on this loan is 13.25% per annum with the capital element being repaid by a one off payment in the year 2042. The Coupon on the principal amount accrues daily and is payable in cash on 30 September and 31 March each year. Interest not settled by cash on these dates is added to the principal and the Coupon accrues on this uplifted amount in the next interest period. Interest settled using this mechanism in the year was £nil (2018: £nil). The investment sum was advanced under a subordinated loan agreement and is therefore unsecured, and would rank alongside ordinary creditors in the case of a winding up.

# Stobhill Healthcare Facilities Limited

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

### Year Ended 31 December 2019

#### 14. Deferred Tax

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

	2019	2018
	£	£
Included in debtors (note 11)	<u>1,768,576</u>	<u>1,771,900</u>

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

	2019	2018
	£	£
Accelerated capital allowances	(7,875)	(9,540)
Derivative financial instruments	<u>(1,760,701)</u>	<u>(1,762,360)</u>
	<u>(1,768,576)</u>	<u>(1,771,900)</u>

The net deferred tax liability expected to reverse in 2020 is £198. This primarily relates to the reversal of timing differences on capital allowances.

	2019
	£
Opening balance	(1,771,900)
Movement through the profit or loss	1,665
Movement through other comprehensive income	1,659
<b>Closing balance</b>	<b><u>(1,768,576)</u></b>

#### 15. Financial Instruments

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

#### 16. Called Up Share Capital

**Issued, called up and fully paid**

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>30,062</u>	<u>30,062</u>	<u>30,062</u>	<u>30,062</u>

There is a single class of ordinary share. There are no restrictions on the distribution of dividends and the repayment of capital.

#### 17. Reserves

The hedging reserve records fair value movements on cash flow hedging instruments.

Retained earnings records retained earnings and accumulated losses.

## **Stobhill Healthcare Facilities Limited**

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

#### **Year Ended 31 December 2019**

##### **18. Events after the End of the Reporting Period**

Coronavirus was declared a pandemic in March 2020 and since then there has been widespread disruption in the UK. As the pandemic accelerated after the year end this event has been classified as a non-adjusting post balance sheet event. As disclosed in the Directors' Report, the directors have considered the future financial impact to the Company of the Coronavirus. Although the likely full impact is unknown, it is expected to be minimal.

##### **19. Related Party Transactions**

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

The following disclosures are with entities in the group that are not wholly owned:

The company paid £100,933 (2018: £86,929) to BIIF Bidco Limited and its subsidiaries for director fees and the provision of management services.

The company paid £8,872 (2018: £8,624) to Equitix Infrastructure 4 Limited for director fees.

During the year Infrastructure Managers Limited, a fellow group company, provided management services to Stobhill Healthcare Facilities Limited.

##### **20. Controlling Party**

The immediate parent undertaking is Stobhill Healthcare Facilities (Holdings) Limited.

The Company is a wholly owned subsidiary undertaking of Stobhill Healthcare Facilities (Holdings) Limited, a Company registered in Scotland. The share capital of Stobhill Healthcare Facilities (Holdings) Limited is held in the proportions of: PFI Infrastructure Finance Limited 60%, and Stobhill Holdco Limited 40%, the share capital of which is held by Equitix Infrastructure 4 Limited. Each of these Companies are registered in England and Wales.

The ultimate parent and controlling entity of Equitix Infrastructure 4 Limited is Equitix Fund IV LP. Equitix Fund IV LP is owned by a number of investors, with no one investor having individual control.

The ultimate parent and controlling entity of PFI Infrastructure Finance Limited is BIIF LP. BIIF LP is owned by a number of investors, with no one investor having individual control.