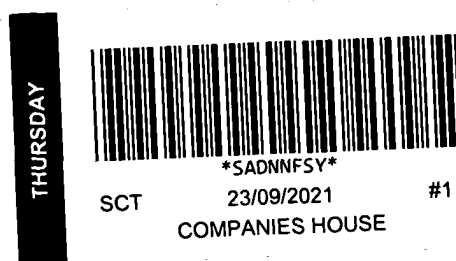


# **LBP DBFMCo Limited**

Annual Report and Financial statements  
For the year ended 31 March 2021



**Company No. SC483131**

## Officers and professional advisers

<b>Company registration number</b>	SC483131
<b>Registered office</b>	PO Box 17452 2 Lochside View Edinburgh EH12 1LB
<b>Directors</b>	K Bradley P McGirk C Campbell M Templeton P McVey R Park N Gemmell L Simmons A Bone
<b>Company Secretary</b>	Galliford Try Secretariat Services Limited
<b>Bankers</b>	Barclays Bank plc Unit 2 10 – 15 Princes Street Edinburgh EH2 2AN
<b>Auditor</b>	Azets Audit Services Chartered Accountants Exchange Place 3 Sempole Street Edinburgh EH3 8BL

## Contents page

<b>Report of the directors</b>	3 - 5
<b>Report of the independent auditor</b>	6 – 9
<b>Income Statement</b>	10
<b>Statement of Total Comprehensive Income</b>	11
<b>Balance Sheet</b>	12
<b>Statement of Changes in Equity</b>	13
<b>Notes to the financial statements</b>	14 - 23

## Report of the directors

The directors submit their report and the audited financial statements for the year ending on 31 March 2021.

### Directors and their interests

The directors of the Company who held office during the year and to the date the financial statements are signed are as follows:

K Bradley  
P McGirk  
C Campbell  
P McVey  
R Park  
L Simmons  
N Gemmell  
M Templeton  
A Bone (appointed 25 May 2021)  
A McCrorie (resigned 21 March 2021)  
G Sheret (resigned 2 April 2020)

In accordance with the Company's Articles of Association, none of its directors are required to retire.

### Principal activities and business review

The Company has been established to enter a Design, Build, Finance and Maintain ("DBFM") concession contract with NHS Lothian to design, build and finance three partnership centres together with the provision of certain facilities management services within the buildings. The project is fully operational and the service concession runs until 25 October 2042.

### Future developments

The directors do not anticipate any changes in the Company's activities.

### Key Performance Indicators

The key performance of the Company is monitored from a cash perspective. The cash position at the year end is considered adequate. This is assessed on a six-monthly basis by the testing of the covenants of the senior debt provider. The key indicators are the debt service cover ratio and loan life cover ratio. During the construction phase the senior debt provider monitors the Company's expenditure against a budgeted profile.

The Company has interest rate swaps in place which have resulted in a liability being included in the Balance Sheet. The swaps have been effected to minimise interest rate risk to the Company over the life of the senior debt loans. The swap profiles follow the loan drawdowns and are therefore fully effective. As such the Company has adopted hedge accounting and the movements are presented in the Statement of Total Comprehensive Income rather than the Income Statement. The profiles are monitored regularly to ensure they do not deviate from this profile and that hedge accounting continues to be permissible.

## Report of the directors (continued)

### Results and dividends

The results for the year are set out on pages 10 and 11. The profit for the year amounted to £54,719 (2020: £56,280). The directors do not recommend payment of a dividend in respect of the year. Other comprehensive income for the year was £1,313,225 (2020: (£1,447,904)) after accounting for the movements in the cashflow hedge and deferred tax asset. The fair value of the cash flow hedge at 31 March 2021 was (£1,826,448) (2020: (£3,447,714)).

### Statement of directors' responsibilities

The directors are responsible for preparing the Report of the directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, including Section 1A of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

### Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are directors at the time the report is approved:

- So far as each director is aware, there is no relevant information of which the Company's auditor is unaware; and
- He has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information, and to establish that the Company's auditor is aware of the information.

### Post balance sheet events

There have been no significant events affecting the Company since the year end.

## Report of the directors (continued)

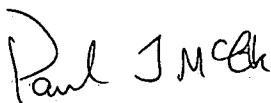
### **Auditor**

The auditor, Azets Audit Services, is deemed to be reappointed under section 487 (2) of the Companies Act 2006.

### **Small companies' exemptions**

The above report has been prepared in accordance with the provisions applicable to companies subject to the small companies' regime within part 15 of the Companies Act 2006.

This report has been approved by the board on 16 September 2021 and signed on its behalf by:



**P McGirk**  
**Director**

## Independent Auditors Report to the Members of LBP DBFMCo Limited on the Financial Statements for the year ended 31 March 2021

### Opinion

We have audited the financial statements of LBP DBFMCo Limited (the 'Company') for the year ended 31 March 2021, which comprise the Income Statement, the Statement of Total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the 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 Section 1A of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities).

In our opinion the financial statements:

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

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 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.

## Independent Auditor's report to the members of LBP DBFMCo Limited on the Financial Statements for the year ended 31 March 2021 (continued)

### Other information (continued)

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.

### Opinion 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 Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the directors has been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the directors.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the Report of the directors and from the requirement to prepare a Strategic Report.

### Responsibilities of the directors

As explained more fully in the statement of directors' responsibilities 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 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.



## Independent Auditor's report to the members of LBP DBFMCo Limited on the Financial Statements for the year ended 31 March 2021 (continued)

### **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 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### ***The extent to which 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 and on the FRC's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the Company, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Company through discussions with directors and other management, and from our commercial knowledge and experience of the construction sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;

## Independent Auditor's report to the members of LBP DBFMCo Limited on the Financial Statements for the year ended 31 March 2021 (continued)

### Auditor's responsibilities for the audit of the financial statements (continued)

- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC.

We assessed the susceptibility of the Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members, as a body, those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

*Azets Audit Services*

**James McBride (Senior Statutory Auditor)**  
**For and on behalf of Azets Audit Services, Statutory Auditor**  
**Chartered Accountants**  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

Date: 16th September 2021

## Income Statement for the year ended 31 March 2021

		Year ended 31 March 2021	Year ended 31 March 2020
	Note	£	£
Turnover		500,913	555,005
Cost of sales		<u>(377,228)</u>	<u>(437,927)</u>
<b>Gross profit</b>		<b>123,685</b>	<b>117,078</b>
Administration expenses		(108,960)	(102,883)
<b>Operating profit</b>		<b><u>14,725</u></b>	<b><u>14,195</u></b>
Interest payable	3	(1,102,237)	(1,141,829)
Interest receivable	3	1,155,066	1,197,116
<b>Profit on ordinary activities before taxation</b>		<b><u>67,554</u></b>	<b><u>69,482</u></b>
Taxation	4	(12,835)	(13,202)
<b>Retained profit for the year</b>		<b><u><u>54,719</u></u></b>	<b><u><u>56,280</u></u></b>

The notes form part of these financial statements

## Statement of Total Comprehensive Income for the year ended 31 March 2021

		Year ended 31 March 2021 £	Year ended 31 March 2020 £
	Note		
Retained profit for the year		54,719	56,280
Cash flow hedge – fair value movement	11	1,321,834	(2,052,284)
Cash flow hedge – recycled to profit	11	299,432	224,744
Cash flow hedge – deferred tax (charge)/credit	4	(308,041)	379,636
<b>Other comprehensive income for the year</b>		<b>1,313,225</b>	<b>(1,447,904)</b>
<b>Total comprehensive income for the year</b>		<b><u>1,367,944</u></b>	<b><u>(1,391,624)</u></b>

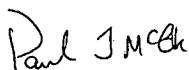
The notes form part of these financial statements

## Balance Sheet as at 31 March 2021

	Note	2021 £	2020 £
<b>Non-current assets</b>			
Financial asset due in more than one year	5	24,335,083	25,282,885
<b>Current assets</b>			
Deferred tax asset due in more than one year	12	272,482	598,174
Financial asset due in less than one year	5	898,950	870,000
Deferred tax asset due in less than one year	12	74,543	56,892
Cash at bank in hand		770,821	949,794
		<u>2,016,796</u>	<u>2,474,860</u>
<b>Current liabilities</b>			
Creditors – amounts falling due within one year		(1,794,482)	(1,918,935)
<b>Net current assets</b>		<u>222,314</u>	<u>555,925</u>
<b>Total assets less current liabilities</b>		<u>24,557,397</u>	<u>25,838,810</u>
Creditors – amounts falling due after more than one year		(25,434,222)	(28,083,579)
<b>Net liabilities</b>		<u>(876,825)</u>	<u>(2,244,769)</u>
<b>Capital and reserves</b>			
Called-up share capital	7	100	100
Cash flow hedge reserve	8	(1,479,423)	(2,792,648)
Profit and loss account	8	602,498	547,779
<b>Equity shareholders' funds</b>		<u>(876,825)</u>	<u>(2,244,769)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A – Small Entities within Part 15 of the Companies Act 2006.

The financial statements were authorised for issue by the board of directors on 16 September 2021 and signed on its behalf by:



P McGirk  
Director

**Registered Number: SC483131**

The notes form part of these financial statements

## Statement of Changes in Equity for the year ended 31 March 2021

	Called up share capital £	Profit and loss account £	Cash flow hedge reserves £	Total Equity £
Balance at 1 April 2020	100	547,779	(2,792,648)	(2,244,769)
Profit for the year	-	54,719	-	54,719
Other comprehensive income		-	1,313,225	1,313,225
Balance at 31 March 2021	<u>100</u>	<u>602,498</u>	<u>(1,479,423)</u>	<u>(876,825)</u>

## Statement of Changes in Equity for the year ended 31 March 2020

	Called up share capital £	Profit and loss account £	Cash flow hedge reserves £	Total Equity £
Balance at 1 April 2019	100	491,499	(1,344,744)	(853,145)
Profit for the year	-	56,280	-	56,280
Other comprehensive income		-	(1,447,904)	(1,447,904)
Balance at 31 March 2020	<u>100</u>	<u>547,779</u>	<u>(2,792,648)</u>	<u>(2,244,769)</u>

The notes form part of these financial statements

# Notes to the Financial Statements

## 1 Principal accounting policies

### (a) General information

The financial statements are presented in Pounds Sterling (GBP) and are rounded to the nearest whole pound. The financial statements cover the results for the year ended 31 March 2021. The continuing activities of the Company continue to be to Design, Build and Finance the Lothian Bundle Partnership centres together with the provision of certain facilities management services.

The Company is a private Company limited by shares and was incorporated in Scotland. The registered office is PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB. The Company's registered number is SC483131.

### (b) Basis of preparation

These financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards, including Section 1A of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities). The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The preparation of the financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

A summary of the more important accounting policies is set out below.

# Notes to the Financial Statements

## 1 Principal accounting policies (continued)

### (c) Going concern

During the year, the Company made a profit of £54,719 (2020: £56,280) and at the Balance Sheet date, its liabilities exceeded its assets by (£876,825) (2020: £2,244,769) primarily due to a cash flow swap liability with a fair value of £1,826,448 (2020: £3,447,714) less the associated deferred tax asset of £347,025 (2020: £655,066). The financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of these financial statements, for the following reasons:

- The buildings have been completed and are operational with monthly service payments now being received. These will continue over the remainder of the concession period. Further loan facilities totalling £869k may be drawn in specific circumstances.
- The directors have prepared and approved cash flow forecasts for the full contract term and based on this information the directors believe the Company will be able to meet all liabilities as they fall due.

The directors have thus formed the view that, at the time of approving the financial statements, the Company will have adequate resources to continue in existence for the foreseeable future. Therefore, the directors consider the adoption of the going concern basis in preparing the financial statements to be appropriate.

The directors have considered the impact that COVID-19 could have on the operations of the business and are satisfied that the Company will be able to trade for the 12 months following the signing of these financial statements. This is on the basis that construction has completed, the Company's sole customer is a public sector body, the annual service payment (cash being received) is per the underlying service concession arrangement, interest costs are fixed and the running costs of the Company are either fixed or are not expected to fluctuate significantly.

If the Company were unable to continue in operation for the foreseeable future, adjustments would have to be made to reduce the Balance Sheet values of assets to their recoverable amounts and to provide for further liabilities that might arise.

### (d) Consolidation

LBP DBFM Holdco Limited and LBP DBFMCo Limited have taken the available exemption from preparing consolidated group accounts as they are a small group.

### (e) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

#### Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the Company will receive the consideration due under the contract;



## Notes to the Financial Statements

### 1 Principal accounting policies (continued)

#### (e) Revenue (continued)

- The stage of completion of the contract at the end of the reporting period can be measured reliably; and
- The costs incurred and the costs to complete the contract can be measured reliably.

#### (f) Interest

Interest and other costs of funding are charged to the Income Statement.

Interest receivable on the financial asset is credited to the Income Statement during the construction and operational phase of the project.

#### (g) Current and deferred taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. Deferred taxation has been recognised as a liability or asset if transactions have incurred at the Balance Sheet date that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. A deferred tax asset has been recognised in respect of the fair value of the cash flow hedge which has been recognised through the Statement of Total Comprehensive Income. Deferred tax assets and liabilities recognised have not been discounted.

#### (h) Financial asset

Construction and related costs of building the partnership centres excluding interest costs and other costs of funding, are being treated as a financial asset (contract debtor) under the terms of FRS 102. The financial asset will be repaid over the life of the contract as service income is received from NHS Lothian.

Upon becoming operational, the income derived from the DBFM contract is allocated between the provision of the asset and the provision of the subsequent services. Upon acceptance of the constructed asset by NHS Lothian, the financial asset is amortised over the life of the contract against the relevant portion of the contracted income. The proportion of the financial asset to be amortised against contracted income receivable within one year is classified as a current asset and the remainder non-current.

#### (i) Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### (j) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### (k) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans and amounts due to the immediate Parent Company are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

## Notes to the Financial Statements

### 1 Principal accounting policies (continued)

#### (l) Financial liabilities

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. Finance costs and gains or losses relating to financial liabilities are charged to the Income Statement. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

#### (m) Financial instruments

The Company, except for the derivative financial instrument noted below, only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not the market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

#### (n) Derivative financial instrument and hedging activities

The Company uses derivative financial instruments to manage exposures to interest rate risks. Interest rate swaps have been taken alongside the senior debt loans to provide a fixed interest rate over the life of the debt. These are measured at fair value on a mid-market basis and recognised in the Balance Sheet as a liability. The mark-to-market-value is the result of the valuation of the current interest coupons on market rates as well as the interest accrued as of the valuation date. All values are discounted from the payment date to the evaluation date.

#### Hedging

Where transactions meet the specified criteria, hedge accounting is used for the related financial instrument. At the time an instrument is designated as a hedge, the Company formally documents the relationship between the hedging instrument and the hedged item. Documentation ensures that the risk being hedged, the hedged item and the hedging instrument are clearly identified and the risk in the hedged item is the risk being hedged with the hedging instrument. Accordingly, the Company formally assessed, both at inception of the hedge and on an ongoing basis whether the hedging derivatives have been 'highly effective' in offsetting changes in the fair values or cash flows of the hedged item.

## Notes to the Financial Statements

### 1 Principal accounting policies (continued)

#### (o) Derivative financial instrument and hedging activities (continued)

For a hedge of variable interest rate risk of a recognised financial instrument the portion of the change in fair value of the hedging instrument that was effective is recognised in other comprehensive income within the Statement of Total Comprehensive Income. Any excess cumulative change in fair value is recognised in the Income Statement. The hedging gain or loss recognised in other comprehensive income is reclassified to the Income Statement when the hedged item is recognised in the Income Statement or when the hedging relationship ends. The treatment is discontinued if the hedging instrument expires or is sold or terminated, the entity revokes the designation or the hedge no longer meets the criteria for hedge accounting.

### 2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements, the directors have made a judgement as to the value of profit relating to the construction stage of the project, the profit margin in respect of the operational revenue recognised during the operational phase and to the value of interest receivable on the financial asset recognised in the accounting for the service concession arrangement. Factors taken into account in reaching such decisions include the overall expected profit of the contract, the stage of completion of the contract and the relative budgeted revenue and costs associated with each contract component at the outset of the project.

The Company has an interest rate swap. The fair value is estimated by calculating the present value of the cash flows of each leg of the swap. The expected cash flows of the fixed leg, based on the fixed interest rate, are discounted by an appropriate discount factor. The expected cashflows for the floating rate based on the interest yield curves are also discounted. The present value of the interest rate swap is the difference between the values of the two streams of cash flows.

The financial asset is a long term asset. The amount allocated to current assets is the expected net movement in the following year.

### 3 Interest payable and receivable

	2021 £	2020 £
<b>Interest payable</b>		
Bank loan interest payable and charges	(542,520)	(652,889)
Interest on loans from parent undertaking	(260,285)	(264,196)
Finance costs – recycled cash flow hedge	(299,432)	(224,744)
	<u>(1,102,237)</u>	<u>(1,141,829)</u>
<b>Interest receivable</b>		
Interest receivable on financial asset	1,154,947	1,193,796
Bank interest receivable	119	3,320
	<u>1,155,066</u>	<u>1,197,116</u>

## Notes to the Financial Statements

### 4 Taxation

The current tax charge is the same as (2020: same as) the amount calculated by applying the standard rate of UK corporation tax.

	2021 £	2020 £
Profit on ordinary activities before tax	<u>67,554</u>	<u>69,482</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2020: 19%)	12,835	13,202
Taxation charge to profit	<u>12,835</u>	<u>13,202</u>
<b>Reconciliation of corporation tax liability</b>		
Opening balance	12,176	142
Payment on account in the year	(13,201)	(1,168)
Tax charge for the year	<u>12,835</u>	<u>13,202</u>
Closing balance	<u>11,810</u>	<u>12,176</u>
<b>Deferred tax credit</b>		
Fair value of cash flow hedge at the year end	<u>1,826,448</u>	<u>3,447,714</u>
Deferred tax asset at the year end at 19% (2020: 19%)	<u>347,025</u>	<u>655,066</u>
Deferred tax credit in the year	<u>(308,041)</u>	<u>379,636</u>

This deferred tax credit has been recognised through the Statement of Total Comprehensive Income.

#### Factors that may affect future tax charges

The Chancellor announced in the Budget on 3 March 2021, that there would be an increase in the top rate of corporation tax to 25% for companies generated taxable profits of more than £250,000. A corporation tax rate of 19% will apply to companies generating taxable profits of less than £50,000. A marginal rate will be applied for profits between these taxable profit bandings. This change becomes effective from 1 April 2023.

## Notes to the Financial Statements

### 5 Financial asset

	2021 £	2020 £
<b>Cost</b>		
At 1 April 2020	31,311,184	30,117,388
Additions during the year:		
Net interest receivable	1,154,947	1,193,796
Construction and related costs	238	-
<b>At 31 March 2021</b>	<b>32,466,369</b>	<b>31,311,184</b>
<b>Repayment</b>		
At 1 April 2020	(5,158,299)	(3,099,828)
Unitary charge income	(2,383,173)	(2,356,559)
Operational revenue recognised	309,136	298,088
<b>At 31 March 2021</b>	<b>(7,232,336)</b>	<b>(5,158,299)</b>
<b>Closing balance at 31 March 2021</b>	<b>25,234,033</b>	<b>26,152,885</b>
Financial asset – due for amortisation within one year	898,950	870,000
Financial asset – due for amortisation after one year	24,335,083	25,282,885
	<b>25,234,033</b>	<b>26,152,885</b>

Variable economic and market conditions are mitigated by the hedging of income and costs through the payment mechanism agreement. Any performance deductions which may be incurred against future unitary payments are passed on to the service provider leaving no net effect in the Company.

### 6 Loans

The term loan facility is provided by Nord/LB. The full facility is £25,863,372 which was drawn over the construction period of the partnership centres. The term loan is repayable in instalments commencing on 31 March 2018 and ending on 31 March 2042.

Interest is charged on the term loan and equity bridge loan at LIBOR plus a margin. There are interest rate swaps in place to give a fixed rate of interest. The loans are disclosed net of unamortised issue costs of £269,145 (2020: £328,016).

The Company has previously received fixed rate subordinated loan notes from LBP DBFM Holdco Limited. The loan is stated at amortised cost, using the effective interest rate method. Interest is payable at a rate of 10.45%. The loan notes are unsecured, fully subordinated to the term loan and are repayable in instalments commencing on 31 March 2018 and ending on 31 March 2042.

The term loan is secured by way of a fixed and floating charges over the assets of the Company and security over the Company's interest in the lease to NHS Lothian in favour of Nord/LB (as security trustee).

## Notes to the Financial Statements

### 6 Loans (continued)

The term loan and subordinated debt are repayable as follows:

	2021 £	2020 £
Less than one year	1,005,827	1,002,855
Between one and two years	1,016,048	991,159
Between two and five years	3,069,769	3,130,310
After 5 years	20,115,699	21,071,206
	<u>25,207,343</u>	<u>26,195,530</u>
Capital instrument charges < 1 year	(67,734)	(70,638)
Capital instrument charges > 1 year	(201,411)	(257,378)
	<u>24,938,198</u>	<u>25,867,514</u>

The derivative financial liabilities are repayable as follows:

	2021 £	2020 £
Less than one year	392,330	299,432
Between one and two years	304,312	323,819
Between two and five years	530,313	811,914
After 5 years	599,493	2,012,549
	<u>1,826,448</u>	<u>3,447,714</u>

The hedging gain or loss (i.e. the movement in the fair value of the interest rate swap) that has previously been recognised in Other Comprehensive Income relating to the current year is recycled (i.e. reclassified) to profit or loss in the current year from Other Comprehensive Income as this part of the interest rate swap has been exercised in the year.

### 7 Called up share capital

	2021 £	2020 £
Allotted, issued and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

All issued shares rank pari passu with each other, with one vote for each share and an equal right to dividends.

### 8 Reserves

#### Profit and Loss Reserve

The profit and loss reserves includes all current and prior year retained profit and losses.

#### Cash Flow Hedge Reserve

The movements in the fair value of the cash flow hedge less the deferred tax credit are included in this reserve.

## Notes to the Financial Statements

### 9 Related party transactions

The Company's related parties, and the extent of transactions with them during the year ended 31 March 2021 are set out below.

	<b>Purchases from related parties 2021 £</b>	<b>Amounts owed to related parties 2021 £</b>	<b>Purchases from related parties 2020 £</b>	<b>Amounts owed to related parties 2020 £</b>
Galliford Try Investments Consultancy Services Limited	93,482	-	87,321	-
NHS Lothian	-	2,644	-	-
<b>Total</b>	<b>93,482</b>	<b>2,644</b>	<b>87,321</b>	<b>-</b>
	<b>Annual Service Payments 2021 £</b>	<b>Pass through and other income 2021 £</b>	<b>Annual Service Payments 2020 £</b>	<b>Pass through and other income 2020 £</b>
NHS Lothian	2,383,173	191,539	2,356,559	256,917

Galliford Try Investments Limited is a wholly owned subsidiary of Galliford Try Holdings Plc, and owns a stake in SPACE Scotland Limited. SPACE Scotland Limited owns 60% of LBP DBFM Holdco Limited. LBP DBFM Holdco owns 100% of the share capital of the Company.

Galliford Try Investments Consultancy Services Limited is owned 100% by Galliford Try Investments Limited and provides operational and financial concession management services to the Company.

During the year until 31 March 2021 the Company incurred an interest charge of £260,285 (2020: £264,196) in respect of subordinated loans received from its immediate parent LBP DBFM Holdco Limited. Of this, interest of £129,367 (2020: £131,718) is included in accruals. The balance outstanding at the year end was £2,482,719 (2020: £2,514,023).

NHS Lothian is a shareholder of the Parent Company LBP DBFM Holdco Limited. The Company has a DBFM agreement with NHS Lothian and charges monthly service payments.

### 10 Immediate and ultimate parent undertaking

The Company is a wholly owned subsidiary of LBP DBFM Holdco Limited which is incorporated in Great Britain and registered in Scotland. Copies of LBP DBFM Holdco Limited financial statements can be obtained from PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB.

LBP DBFM Holdco Limited is a joint venture in which SPACE Scotland Limited holds 60% of the share capital. The Directors consider there to be no ultimate controlling party.

## Notes to the Financial Statements

### 11 Financial liabilities measured at fair value through other comprehensive income

	2021 £	2020 £
Current derivative financial liabilities	392,330	299,432
Non-current derivative financial liabilities	1,434,118	3,148,282
<b>Total financial liabilities measured at fair value through other comprehensive income</b>	<b>1,826,448</b>	<b>3,447,714</b>

The full value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months from the reporting date, and as a current asset or liability if the maturity of the hedged item is less than twelve months from the reporting date.

The movement in the fair value of the financial liability was £1,321,834 (2020: (£2,052,284)) and is recognised within other comprehensive income. £299,432 (2020: £224,744) of the fair value at the prior year end was recycled to profit in the year.

#### **Interest rate swaps**

The notional principal amounts of the outstanding interest rate swap contract at 31 March 2021 was £23,209,004 (2020: £24,144,881).

At 31 March 2021, the fixed interest rates vary from 0.0875% to 1.869% and the main floating rates are LIBOR. Gains and losses recognised in the hedging reserve within equity on interest rate swap contracts as of 31 March 2021 will be continuously released to the Income Statement until the related bank borrowings are repaid.

### 12 Deferred tax

	2021 £	2020 £
<b>Deferred tax asset</b>	<b>347,025</b>	<b>655,066</b>

The deferred tax asset is in respect of the fair value of the cash flow hedge. The deferred tax asset due within less than one year is £74,543 (2020: £56,892). The deferred tax asset due in greater than one year is £272,482 (2020: £598,174).