Enterprise Healthcare Limited

Report and financial statements for the year ended 31 December 2022

Registered number 04968994

Contents

Company information

Directors
JNE Cowdell
EM Edwards
KV Morgan (appointed 21 March 2023)
AH Page

Secretary
Pario Limited

Auditor
Johnston Carmichael LLP
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Edinburgh, United Kingdom
EH3 7PE

Banker
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Solicitor
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Registered Office
Unit 18, Riversway Business Village
Navigation Way
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PR2 2YP

Strategic report

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

Principal activities and review of business

Enterprise Healthcare Limited ("the Company") is the sole subsidiary company of Enterprise Healthcare Holdings Limited (together, "the Group").

The principal activity of the Company is the operation and management of the Stoke Mandeville Hospital PFI project under the Government's Private Finance Initiative ("PFI"). The directors of the Company (the "Directors") are not aware, at the date of this report, of any likely major changes in the Company's activities next year.

The Company has entered into a Project Agreement with the Buckinghamshire Hospitals National Health Service Trust ("the Trust"), together with an associated construction contract, funding arrangements, hard and soft services contracts and ancillary project agreements. The Project Agreement requires it to finance, design, develop, construct, maintain and deliver certain services within the Stoke Mandeville Hospital PFI project for a primary term of 32 years from the date of signing of the Project Agreement, on 17 May 2004.

Business review and strategy

The Company is in the operational phase of the contract and is performing to the required standards underwritten by the contracts entered into which govern the management of the Company. The Company has made solid progress during the year in terms of delivery and profitability.

The Company expects to continue in line with the contractual obligations for the remaining term of the Project Agreement. The Company has modelled its anticipated financial performance for the full term of the project and expects to perform in line with this for the remaining concession period. The operational model has forecast continued profits for the Company.

The Company has no employees.

Development and financial performance during the year

As reported in the Company's consolidated statement of comprehensive income, revenue has increased from £21,191,000 in 2021 to £25,202,000 in 2022. This is due to increases in the rate of RPI inflation applied to revenue recognised from April 2022 and revenue recognised on higher lifecycle costs.

The Company had net liabilities of £8,376,000 (2021: £12,425,000) as at 31 December 2022 and generated a profit after tax for the year then ended of £1,242,000 (2021: £573,000). The net liabilities position is caused by the measurement at fair value of the interest rate and RPI swaps, there being no intention to close out these derivatives early. Operations were in line with the expectation for the period as forecast in the operational model.

The majority of the Company's revenues and costs are fixed and agreed in initial contracts entered into at the commencement of the project. The Company, from time to time, at the request of the Trust will agree certain variations which are agreed changes of services.

Strategic report *(continued)*

Key performance indicators

The Company has modelled the anticipated financial outcome of the Project across its full term. The Company monitors actual financial performance against this anticipated performance. As at 31 December 2022, the Company's performance reflects an acceptable variance to this model.

The Company is required to comply with a number of financial convenants implemented by the Senior Lender at certain calculation dates throughout the year, of which failure to meet would result in a default of the Credit Agreement. The ratios required to meet are defined in the Credit Agreement as Loan Life Cover Ratio and Annual Debt Service Cover Ratio. These are required to remain above 1.15 and 1.10 respectively at each calculation date.

Current and future ratios are presented to the Senior Lender for approval on a six monthly basis to ensure compliance with the Credit Agreement. To date, and in all future periods as detailed in the latest operational model, the Company has met and is forecast to meet these requirements for the remainder of the concession.

The level of service quality must be maintained to a specified standard which is monitored, and any quality failures identified would be subject to penalty points and a deduction to revenue. There have been performance deductions of £62,000 in the year (2021: £59,000).

The results for the year are set out in the statement of comprehensive income on page 13.

Principal risks and uncertainties

Performance risk under the Project Agreement and related contracts are passed to the service providers and to the building contractor. Unavailability deductions are passed on 100% to the facilities management provider as and when they occur. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees.

The Company holds 100% of the risks and rewards from any potential variance with the lifecycle profile modelled at financial close. The Company is therefore exposed to the risk that the actual cost for lifecycle in the future is above the modelled profile, and would therefore be liable to this additional cost which is not forecast. To date, the current underspend against the profile is £38,000 (2021: £724,000). The Directors believe the risk of the Company being exposed to a deficit is low.

Financial risk management

The Company has exposure to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the Company's performance. The Directors have policies for managing each of these risks and they are summarised below:

Interest rate risk

The bank loan and subordinated debt interest rates have been fixed through the use of interest rate swaps to fix the funding rates plus a margin. Details of these can be found in note 15.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Inflation risk

The Company's project revenue and most of its costs are linked to inflation at the inception of the project, however, in addition, suitable hedging has been put in place to cover the surplus revenue that is not linked to related indexed costs. Details of these can be found in note 15.

Liquidity risk

The Company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

Credit risk

The Company receives the bulk of its revenue from the Trust and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

Going concern

The Company had net liabilities of £8,376,000 (2021: £12,425,000) as at 31 December 2022 and generated a profit after tax for the year then ended of £1,242,000 (2021: £573,000). The net liabilities position is caused by the measurement at fair value of the interest rate and RPI swaps, there being no intention to close out these derivatives early.

The Directors have prepared cash flow forecasts which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due.

The Company was able to meet the financial covenants as at March and September 2022, and is forecast to meet them for the foreseeable future.

Taking into account reasonable possible risks in operations to the Company, the fact the obligations of the Company's sole customer are underwritten by the Secretary of State for Health, the Directors have a reasonable expectation that the Company will be able to settle its liabilities as they fall due to the foreseeable future. It is therefore appropriate to prepare these financial statements on the going concern basis.

On behalf of the Board

EM Edwards
Director

Date: 28 June 2023

Directors' report

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

Result and dividends

The profit for the year, after taxation, was £1,242,000 (2021: £573,000). An interim dividend of £1,066,298 was approved and paid during the year (2021: £550,191).

Directors and their interests

The directors holding office during the year and up to the date of this report are set out below. Directors were in office for the entire period unless otherwise stated:

JNE Cowdell	
EM Edwards	
MGD Holden	(appointed 15 July 2022, resigned 21 March 2023)
KV Morgan	(appointed 21 March 2023)
AH Page	

The Articles of Association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors.

Employees

The Company operates through sub-contracting services and does not employ any staff (2021: nil).

Political and charitable donations

The Company made no political contributions or charitable donations during the year (2021: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the 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 auditor is aware of that information. This confirmation is given pursuant to Section 418 (1) of the Companies Act 2006 and should be interpreted in accordance therewith.

Directors' report *(continued)*

Auditor

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

By order of the Board

EM Edwards
Director

Date: 28 June 2023

Registered office
Unit 18, Riversway Business Village
Navigation Way
Preston
PR2 2YP

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Enterprise Healthcare Limited

Opinion

We have audited the financial statements of Enterprise Healthcare Limited (the "company") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the 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.

Independent auditor's report to the members of Enterprise Healthcare Limited *(continued)*

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 Strategic Report and the Directors' Report.

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

- adequate accounting records have not been kept, 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.

The directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Independent auditor's report to the members of Enterprise Healthcare Limited *(continued)*

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

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

Independent auditor's report to the members of Enterprise Healthcare Limited *(continued)*

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

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

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

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

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

- management override of controls
- revenue recognition

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- completion of appropriate checklists and use of our experience to assess the company's compliance with the Companies Act 2006;
- agreement of the financial statement disclosures to supporting documentation; and
- ensuring calculations of revenue were performed accurately and recognised consistently based on historical margin comparisons.

Independent auditor's report to the members of Enterprise Healthcare Limited *(continued)*

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

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

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 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.

Johnston Carmichael LLP

William King (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP, Statutory Auditor
Chartered Accountants
7-11 Melville Street
Edinburgh, United Kingdom
EH3 7PE

Date: **29 June 2023**

Statement of comprehensive income
for the year ended 31 December 2022

	Notes	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Turnover	2	**25,202**	21,191
Cost of sales		**(22,737)**	(19,213)
Gross profit		**2,465**	1,978
Administrative expenses		**(590)**	(677)
Operating profit		**1,875**	1,301
Finance income	5	**1,847**	1,866
Finance expense	6	**(2,189)**	(2,459)
Profit on ordinary activities before taxation		**1,533**	708
Tax on profit on ordinary activities	7	**(291)**	(135)
Profit for the financial year		**1,242**	573
Other comprehensive income			
Fair value (losses)/gains on swap contracts		5,164	(418)
Deferred tax arising on fair value (losses)/gains			
origination and reversal		(1,291)	103
change in tax rate		-	998
Other comprehensive income for the year		**3,873**	**683**
Total comprehensive income for the year		**5,115**	**1,256**

All amounts relate entirely to continuing activities.

The notes on pages 16 to 29 form part of these financial statements.

Statement of financial position
as at 31 December 2022

	Notes	31 December 2022 £'000	31 December 2021 £'000
Current assets			
Debtors: amounts receivable within one year	9	**2,512**	1,735
Debtors: amounts receivable after more than one year	10	**30,235**	33,282
Cash at bank and in hand		**5,713**	5,986
		38,460	41,003
Creditors: amounts falling due within one year	12	**(9,066)**	(7,708)
Net current assets		**29,394**	33,295
Creditors: amounts falling due after more than one year	13	**(37,770)**	(45,720)
Net liabilities		**(8,376)**	(12,425)
Capital and reserves			
Called up share capital	14	**4**	4
Profit and loss account		**534**	358
Cash flow hedge reserve		**(8,914)**	(12,787)
Equity shareholders' deficit		**(8,376)**	(12,425)

The notes on pages 16 to 29 form part of these financial statements.

These financial statements were approved by the board and authorised for issue on 28 June 2023 and were signed on its behalf by:

EM Edwards
Director

Registered number 04968994

Statement of changes in equity
for the year ended 31 December 2022

	Share capital £'000	Profit and loss account £'000	Cash flow hedge reserve £'000	Total equity £'000
Balance at 1 January 2021	**4**	**335**	**(13,470)**	**(13,131)**
Profit for the year	-	573	-	573
Other comprehensive income:				
Fair value losses on swap contracts	-	-	(418)	(418)
Deferred tax arising on fair value losses	-	-	1,101	1,101
Total comprehensive income for the year	-	573	683	1,256
Dividends	-	(550)	-	(550)
Balance at 31 December 2021	**4**	**358**	**(12,787)**	**(12,425)**
Profit for the year	-	1,242	-	1,242
Other comprehensive income:				
Fair value losses on swap contracts	-	-	5,164	5,164
Deferred tax arising on fair value losses	-	-	(1,291)	(1,291)
Total comprehensive income for the year	-	1,242	3,873	5,115
Dividends	-	(1,066)	-	(1,066)
Balance at 31 December 2022	**4**	**534**	**(8,914)**	**(8,376)**

The notes on pages 16 to 29 form part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2022

1. Accounting policies

Enterprise Healthcare Limited is a company limited by shares and incorporated and domiciled in England. The registered number of the Company is 04968994 and the registered address is Unit 18, Riversway Business Village, Navigation Way, Preston, PR2 2YP.

1.1 Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the requirements of the Companies Act 2006.

The presentational currency of these financial statements is sterling, rounded to the nearest thousand.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS), being a member of a group where the parent of that group prepares publicly available consolidated financial statements, and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- cash flow statement and related notes;
- certain financial instruments-related disclosures; and
- key management personnel compensation.

The financial statements are prepared on the historical cost basis except that the derivative financial instruments are classified as fair value through profit or loss.

1.2 Judgements and key sources of estimation uncertainty

The application of the Company's accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty that arise when applying the Company's accounting policies are described below.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

1.2 Judgements and key sources of estimation uncertainty *(continued)*

Service concession agreement

Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the PFI contract. Lifecycle costs are a significant proportion of future expenditure. Given the length of the Company's service concession contract, the forecast of lifecycle costs is subject to significant estimation uncertainty and changes in the amount and timing of expenditure could have material impacts and as a result there is a significant level of judgement applied in estimating future lifecycle costs. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis and periodic technical evaluations of the physical condition of the facilities are undertaken. In addition, regular reviews are undertaken comparing actual expenditure and lifecycle forecast. If over the remainder of the concession lifecycle costs increase by 5%, this could lead to a reduction in margin recognised of 0.5%.

Derivative financial instruments and hedging

Interest rate and RPI swaps and are recognised at fair value The fair value of interest rate and RPI swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair values are based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract using market interest rates for a similar instrument at the measurement date. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

1.3 Going concern

The Company had net liabilities of £8,376,000 (2021: £12,425,000) as at 31 December 2022 and generated a profit after tax for the year then ended of £1,242,000 (2021: £573,000). The net liabilities position is caused by the measurement at fair value of the interest rate and RPI swaps, there being no intention to close out these derivatives early.

The Directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe, but plausible, downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period and to operate within the covenants on its external borrowings.

Specifically, the Directors have considered if, in modelled severe but plausible downside scenarios, the level of operational performance of the Company would lead to service failure points being awarded against the Company in accordance with the terms of Company's contract with Buckinghamshire Hospitals NHS Trust, sufficient to cause an event of default under the terms of the terms of the Company's external borrowings. The cashflow forecasts indicate that, even in downside scenarios, the Company will be able to meet its liabilities as they fall due.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

1.3 Going concern *(continued)*

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Basic financial instruments *(continued)*

Cash at bank and in hand

Cash at bank and in hand comprise cash balances and call deposits.

The Company is obligated to keep a separate cash reserve in respect of future major maintenance and debt service costs, some of which has been placed in fixed term deposit accounts. This restricted balance, which is shown on the statement of financial position within 'cash at bank and in hand' amounts to £4,504,000 at the year end (2021: £3,364,000).

Finance debtor

The finance debtor has been recognised based upon the Finance debtor and service income policy below. This is classified as a basic financial instrument as the debtor relates to the construction phase and only risk held is credit risk. Any performance conditions are linked to the operating phase revenue and therefore not relevant.

Finance debtors are expected to be realised over the life of the project. As at 31 December 2022 finance debtors include £27,630,000 (2021: £29,020,000) due after more than twelve months.

Other financial instruments

Financial instruments not considered to be basic financial instruments (other financial instruments)

Other financial instruments not meeting the definition of basic financial instruments are recognised initially at fair value. Subsequent to initial recognition, other financial instruments are measured at fair value with changes recognised in profit or loss, except as follows:

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

The Company primarily uses interest rate swaps to hedge its risks associated with interest rate fluctuations. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. The Company also uses a RPI swap to hedge its risks associated with variability in cash flows due to changes in inflation.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Other financial instruments *(continued)*

Derivative financial instruments and hedging (continued)

Interest rate and RPI swaps and are recognised at fair value The fair value of interest rate and RPI swap is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair values are based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract using market interest rates for a similar instrument at the measurement date. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in the statement of profit and loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the statement of profit and loss and other comprehensive income immediately.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

1.5 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.6 Finance debtor and service income

The Company is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS 102 section 23. The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

1.7 Service concession arrangements

The Company's principal activity is the operation and management of the Stoke Mandeville Hospital PFI project under the Government's Private Finance Initiative (PFI). The Company has entered into a Project Agreement with Buckinghamshire Hospitals National Health Service Trust (the "Trust"), together with an associated construction contract, funding agreements, hard and soft services contracts and ancillary project agreements. The Project Agreement requires it to finance, design, develop, construct, maintain and deliver certain services within the PFI project for a primary term of 32 years from the date of signing the Project Agreement. The Company has modelled the anticipated cash flows of the Project across its full term, and this financial model is updated twice per year. Key assumptions that affect future cash flows include future inflation, interest rates, maintenance costs, and the ability of service providers to continue to provide services in accordance with the relevant contract.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

1.7 Service concession arrangements *(continued)*

During the operational period, the Company is contracted to provide hard and soft maintenance services to the Trust and to provide major maintenance works (lifecycle) to ensure the assets are maintained to the conditions required by the project agreement. The hard and soft maintenance obligations have been passed down to Sodexo Healthcare Services Limited. Lifecycle risk remains with the Company and the timing and extent of these works is a key assumption that will affect the cashflows of the Company. To help manage this risk, a lifecycle management company, WSP Limited, have been engaged to review the lifecycle profile to ensure that the allowance over the full project concession is adequate.

The Trust is also entitled under the Agreement to voluntarily terminate the contract by providing six months' written notice to the Company. On termination, the Company is entitled to a termination compensation as defined within the Agreement.

1.8 Expenses

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable on borrowings and associated ongoing financing fees.

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.9 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the financial reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the financial reporting date. Deferred tax balances are not discounted.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

1.10 Related party disclosure

As the Company is a wholly owned subsidiary of Enterprise Healthcare Holdings Limited, the Company has taken advantage of the exemption contained in FRS 102 paragraph 33.1a and has therefore not disclosed transactions with wholly owned subsidiaries which form part of the group. Balances held with such counterparties are shown within the debtors and creditors notes.

2. Turnover

All turnover relates to services provided under the Service Agreement including all variations to the contract since the date of commencement. All turnover originates in the United Kingdom.

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Service income	**18,829**	15,742
Passthrough income and variations	**6,373**	5,449
	25,202	21,191

3. Auditor's remuneration

The auditor remuneration was incurred during the year and borne by the subsidiary undertaking:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Audit of the parent company's consolidated financial statements	**1**	1
Audit of these financial statements pursuant to legislation	**17**	14
Auditor remuneration	**18**	15

The Auditor provided no non-audit services in either year.

Notes to the financial statements *(continued)*

4. Staff costs and directors' remuneration

Directors' emoluments for the year amounted to £142,000 (2021: £132,000). Directors' emoluments were paid to the shareholders of the Company (note 16).

There were no employees for the period (2021: none).

5. Finance income

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Finance debtor interest	**1,796**	1,866
Bank interest receivable	**51**	-
	1,847	1,866

6. Finance expenses

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Interest on bank term loans	**2,044**	2,041
Interest on subordinated debt	**105**	381
Bank and other charges	**40**	37
	2,189	2,459

Notes to the financial statements *(continued)*

7. Tax on profit

(a) Analysis of tax charge in the year

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Current tax		
UK corporation tax on profits in the year (note 7 (b))	**291**	135
Total tax	**291**	135

(b) The tax assessed on the profit for the year is at the standard rate of corporation tax in the UK of 19% (2021: 19%). There are no factors affecting the current or prior year tax charge.

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Profit on ordinary activities before taxation	**1,533**	708
Profit multiplied by the standard rate of corporation tax in the UK 19% (2021 19%)	**291**	135
Total tax (note 7 (a))	**291**	135

Corporation tax will remain at 19% until March 2023. From 2023 the main rate will increase to 25% for business profits made by the Company over £250,000. A small profit rate (SPR) will also be introduced for companies with profits of £50,000 or less so that they will continue to pay corporation tax at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal-relief providing a gradual increase in the effective corporation tax rate. The Company has assessed the impact of this change and consider the full rate of 25% will apply.

There is a deferred tax asset relating to the interest rate derivative, calculated at 25%, which will unwind over the term of the hedging arrangement. All movements in the deferred tax have been recognised in other comprehensive income.

8. Dividends

An interim dividend of £1,066,298 was approved and paid during the year (2021: £550,191).

Notes to the financial statements *(continued)*

9. Debtors: amounts receivable within one year

	31 December 2022 £'000	31 December 2021 £'000
Finance debtor	**1,390**	1,303
Trade debtors	**5**	-
Prepayments and accrued income	**706**	378
Corporation tax	**45**	54
Deferred tax (note 11)	**366**	-
	2,512	1,735

10. Debtors: amounts receivable after more than one year

	31 December 2022 £'000	31 December 2021 £'000
Finance debtor	**27,630**	29,020
Deferred tax (note 11)	**2,605**	4,262
	30,235	33,282

11. Deferred tax asset

	31 December 2022 £'000	31 December 2021 £'000
At beginning of year	**4,262**	3,161
Credit to other comprehensive income	**(1,291)**	1,101
	2,971	4,262

The deferred tax asset is recognised on the revaluation of the SWAP derivatives on both the RPI and interest rate SWAP held by the company. These are accounted for under cash flow hedges (see note 15).

Reversal of the deferred tax asset is shown through the cash flow hedge reserve.

Notes to the financial statements *(continued)*

12. Creditors: amounts falling due within one year

	31 December 2022 £'000	31 December 2021 £'000
Bank loans	**1,458**	1,369
Subordinated loan notes	**24**	195
Fair values of derivative contracts (see note 15)	**1,463**	-
Trade payables	**889**	156
Other payables	**3,358**	3,730
Amounts payable to related companies	**272**	272
Other taxation	**147**	330
Accruals and deferred income	**1,455**	1,656
	9,066	7,708

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

	31 December 2022 £'000	31 December 2021 £'000
Bank loans	**27,340**	28,640
Subordinated loan notes	**9**	32
Fair values of derivative contracts (see note 15)	**10,421**	17,048
	37,770	45,720

Bank loans repayable after five years are £20,548,000 (2021: £22,369,000) and subordinated loan notes repayable after five years are less than £1,000 (2021: less than £1,000).

The bank term loan is redeemable by instalments each 31 March and 30 September, which commencing 30 September 2006, with the final repayment due on 30 September 2034. The loan is secured by a debenture fixed and floating charge over the assets of the Company. The swap fixed interest rate is 5.51% per annum.

The subordinated loan notes are redeemable on 31 March and 30 September, commencing on 30 September 2006, with a final payment due on 30 September 2028. The interest rate is 13.6% per annum.

Notes to the financial statements *(continued)*

14. Called up share capital

	31 December 2022 £'000	31 December 2021 £'000
Allotted, called up and fully paid		
4,000 ordinary shares of £1 each	**4**	4

Ordinary share rights

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

15. Financial instruments

The Company's principal financial instruments comprise of trade and other debtors, trade and other creditors, cash and cash equivalents, interest rate swaps, bank term loan and subordinated debt. The main purpose of these financial instruments is to ensure, via the terms of the financial instruments, that the profile of the debt service costs is tailored to match expected revenues arising from the Project Agreement.

The Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities. Board approval is required for the use of any new financial instruments, and the Company's ability to do so is restricted by covenants in its existing funding agreements.

The Company has entered into an interest rate swap agreement under the bank loan which expires in March 2036. A fixed rate of 5.51% applies to all amounts drawn under the facilities plus the margins shown above. The interest rate swap converts the borrowings from the rates linked to SONIA to the fixed rate above.

In addition, the Company also enters into an RPI swap to manage its exposure to inflation. This swaps a fixed portion of the unitary charge for the life of the project at a rate of 2.75%, dependent upon actual RPI.

The Company classifies these swaps as cash flow hedges and states them at fair value. The net fair value of these swaps at 31 December 2022 was a financial liability of £7,450,000 (£10,421,000 less tax of £2,971,000) (2021: £12,786,000 financial liability (£17,048,000 less tax of £4,262,000)). These amounts were recognised in other comprehensive income for the year ended 31 December 2022. There was no ineffectiveness recognised in the income statement arising from cash flow hedges.

The cash flows on loan and interest rate swaps are paid semi-annually on 31 March and 30 September each year and expire on 31 March 2036.

Notes to the financial statements *(continued)*

16. Related party transactions

The Company pays dividends to its sole shareholder, Enterprise Healthcare Holdings Limited, and on behalf of Enterprise Healthcare Holdings Limited, to that company's sole shareholder, Infrastructure Investments Holdings Limited.

The Company is charged directors' fees of £142,000 (2021: £132,000) by Infrastructure Investments General Partner Limited, for and on behalf of Infrastructure Investments LP, an intermediate parent undertaking of the Company.

The Company also pays subordinated loan note principal and interest payments to Infrastructure Investments LP.

17. Parent undertakings and controlling parties

The sole shareholder of the Company is Enterprise Healthcare Holdings Limited. Their registered address is Unit 18, Riversway Business Village, Navigation Way, Ashton-on-Ribble, Preston PR2 2YP.

The ultimate beneficial owner of the Company is HICL Infrastructure Plc, a company listed on the London Stock Exchange and registered at One Bartholomew Close, Barts Square, London EC1A 7BL.

The only group accounts which include the results of Enterprise Healthcare Limited are those of Enterprise Healthcare Holdings Limited.