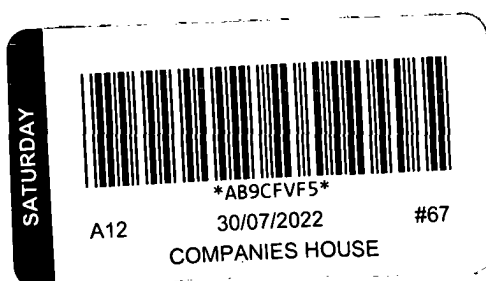


Registration number: 03502452

# South Manchester Healthcare (Holdings) Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2022



## **South Manchester Healthcare (Holdings) Limited**

### **Contents**

	<b>Page</b>
Company Information	1
Strategic Report for the Year Ended 31 March 2022	2
Directors' Report for the Year Ended 31 March 2022	3 to 4
Independent Auditors' Report to the members of South Manchester Healthcare (Holdings) Limited	5 to 7
Profit and Loss Account for the Year Ended 31 March 2022	8
Balance Sheet as at 31 March 2022	9
Statement of Changes in Equity for the Year Ended 31 March 2022	10
Notes to the Financial Statements for the Year Ended 31 March 2022	11 to 19

## **South Manchester Healthcare (Holdings) Limited**

### **Company Information**

<b>Directors</b>	S P Hornby G Birley-Smith B M Watson (Alternate) A C Ritchie
<b>Company secretary</b>	Semperian Secretariat Services Limited
<b>Registered office</b>	Third Floor Broad Quay House Prince Street Bristol BS1 4DJ
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Temple Quay Bristol BS2 0FR

## **South Manchester Healthcare (Holdings) Limited**

### **Strategic Report for the Year Ended 31 March 2022**

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

#### **Business review and principal activities**

The principal activity of the company is a holding company with a single subsidiary, South Manchester Healthcare Limited (SMHL). SMHL is engaged in a 35 year contract with University Hospital of South Manchester NHS Foundation Trust, previously South Manchester University Hospital NHS Trust, for the design and construction of a Mental Health Care Facility and Acute Care Facility, and in the provision of non-clinical support services at Wythenshawe and Withington Hospitals under the UK Government's Private Finance Initiative (the "PFI Contract").

On 1 October 2017, University Hospital of South Manchester NHS Foundation Trust merged with another Trust and became the Manchester University NHS Foundation Trust (MFT).

#### **Results and review of business**

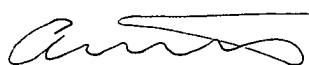
The profit for the year is set out in the profit and loss account on page 8. The company has continued to receive income from its subsidiaries and the directors are satisfied that the company's investments are performing in line with the directors' long term expectations. Accordingly, the carrying value of investments, as shown in the balance sheet, remains supportable, and the prospects for the future are considered to be satisfactory.

#### **Principal risks and uncertainties and key performance indicators ('KPIs')**

As described above South Manchester Healthcare (Holdings) Limited acts as a holding company for its subsidiary, South Manchester Healthcare Limited. As such the principal risks and key performance indicators adopted by South Manchester Healthcare Limited are applicable to the management of the company's investment in South Manchester Healthcare Limited and are detailed in the Strategic report and the Directors' report of the financial statements for South Manchester Healthcare Limited for the year ended 31 March 2022.

In addition, the holding company also takes the risk of impairment of its investment in the subsidiary. This risk is directly related to the performance of the subsidiary.

Approved by the Board on 27 July 2022 and signed on its behalf by:



.....  
A C Ritchie  
Director

**South Manchester Healthcare (Holdings) Limited**  
**Directors' Report for the Year Ended 31 March 2022**

**Registration number: 03502452**

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

**Future developments**

No significant changes are expected to the company's activities, as set out in the Strategic Report, in the foreseeable future.

**Dividends**

A dividend of £3,352,645 (£3,353.65 per ordinary share) was paid during the year (2021: £3,295,000, £3,294.51 per ordinary share).

**Financial risk management**

As described in the strategic report, South Manchester Healthcare (Holdings) Limited acts as a holding company for its subsidiary, South Manchester Healthcare Limited. As such the financial risk management adopted by South Manchester Healthcare Limited is applicable to the management of the company's investment in South Manchester Healthcare Limited and is detailed in the directors' report of the financial statements for South Manchester Healthcare Limited for the year ended 31 March 2022.

***Interest rate risk***

The subordinated debt interest has been fixed through the use of fixed funding rates, plus a margin, as set out in note 13.

As described in note 2, the company is managing the risks arising from the interest rate benchmark reform by seeking to negotiate consistent terms, rates and transition dates, with the respective counterparties, to maintain interest receivable and payable effectiveness, although formal transition has not yet completed.

***Coronavirus (COVID-19) impact on the financial statements***

The COVID-19 outbreak has resulted in measures being taken to contain the virus and has resulted in the temporary closure of businesses and public services.

The company acts as a holding company for South Manchester Healthcare Limited. The subsidiary company is engaged in an infrastructure project under a PFI contract. The company would therefore only be impacted by the coronavirus outbreak insofar as this impacted the performance of its subsidiary company. The impact of the coronavirus outbreak on South Manchester Healthcare Limited is detailed in the Directors' report of that company's annual financial statements for the year ended 31 March 2022. There is expected to be no significant overall impact on performance over the life of the project. The opinion of the Directors is that the coronavirus outbreak will have no impact on the company's ability to continue as a going concern.

**Directors of the company**

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

S P Hornby

G Birley-Smith

B M Watson (Alternate)

A C Ritchie

## **South Manchester Healthcare (Holdings) Limited**

### **Directors' Report for the Year Ended 31 March 2022 (continued)**

#### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Annual Report and the Financial statements in accordance with applicable law and regulation.

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

Under company law, 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 the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting 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 are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

#### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

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

#### **Reappointment of auditors**

The independent auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, have signified their willingness to continue in office.

Approved by the Board on 27 July 2022 and signed on its behalf by:



A C Ritchie  
Director

## **South Manchester Healthcare (Holdings) Limited**

### **Independent Auditors' Report to the members of South Manchester Healthcare (Holdings) Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, South Manchester Healthcare (Holdings) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2022; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

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

##### *Independence*

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

##### **Conclusions relating to going concern**

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.

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.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

##### **Reporting on other information**

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

## **South Manchester Healthcare (Holdings) Limited**

### **Independent Auditors' Report to the members of South Manchester Healthcare (Holdings) Limited (continued)**

#### **Reporting on other information (continued)**

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the directors for the financial statements*

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

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

##### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

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.



## **South Manchester Healthcare (Holdings) Limited**

### **Independent Auditors' Report to the members of South Manchester Healthcare (Holdings) Limited (continued)**

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK corporation tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and internal audit to enquire of any known instances of non-compliance with Laws and Regulations and Fraud
- Reading board minutes for evidence of breaches of regulations and reading relevant correspondence
- Challenging assumptions and judgements made by management in their significant accounting estimates
- Identifying and testing journal entries, in particular journal entries posted with unexpected account combinations
- Incorporating unpredictability into the nature, timing and/or extent of our testing

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

#### *Use of this report*

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

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Nick Muzzlewhite (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

Date: 28 July 2022

## South Manchester Healthcare (Holdings) Limited

### Profit and Loss Account for the Year Ended 31 March 2022

	Note	2022 £ 000	2021 £ 000
<b>Turnover</b>	4	-	-
<b>Operating result</b>	5	-	-
Income from shares in group undertakings	6	3,353	3,295
Interest receivable and similar income	7	264	269
Interest payable and similar charges	8	(264)	(269)
<b>Profit before taxation</b>		3,353	3,295
Tax on profit	9	-	-
<b>Profit for the financial year</b>		<u>3,353</u>	<u>3,295</u>

The above results were derived from continuing operations.

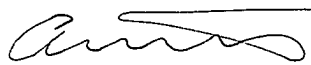
The company has no other Comprehensive Income for the year other than the profit for the financial year stated above.

The notes on pages 11 to 19 form an integral part of these financial statements.

**South Manchester Healthcare (Holdings) Limited****Balance Sheet as at 31 March 2022**

	Note	2022 £ 000	2021 £ 000
<b>Fixed assets</b>			
Investments	10	6,175	6,175
<b>Current assets</b>			
Debtors: Amounts falling due within one year	11	48	40
<b>Creditors: Amounts falling due within one year</b>	12	<u>(48)</u>	<u>(40)</u>
<b>Net current assets</b>		<u>-</u>	<u>-</u>
<b>Total assets less current liabilities</b>		6,175	6,175
<b>Creditors: Amounts falling due after more than one year</b>	12	<u>(6,174)</u>	<u>(6,174)</u>
<b>Net assets</b>		<u>1</u>	<u>1</u>
<b>Capital and reserves</b>			
Called up share capital	14	<u>1</u>	<u>1</u>
<b>Total equity</b>		<u>1</u>	<u>1</u>

The financial statements on pages 8 to 19 were approved by the Board of Directors on 27 July 2022 and signed on its behalf by:



A C Ritchie  
Director

The notes on pages 11 to 19 form an integral part of these financial statements.

# **South Manchester Healthcare (Holdings) Limited**

## **Statement of Changes in Equity for the Year Ended 31 March 2022**

	Note	Called up Share capital £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2020		1	-	1
Profit for the financial year		-	3,295	3,295
Total comprehensive income		-	3,295	3,295
Dividends	15	-	(3,295)	(3,295)
At 31 March 2021		1	-	1

	Note	Called up Share capital £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2021		1	-	1
Profit for the financial year		-	3,353	3,353
Total comprehensive income		-	3,353	3,353
Dividends	15	-	(3,353)	(3,353)
At 31 March 2022		1	-	1

The notes on pages 11 to 19 form an integral part of these financial statements.

## **South Manchester Healthcare (Holdings) Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2022**

#### **1 General information**

The principal activity of the company is a holding company with a single subsidiary, South Manchester Healthcare Limited (SMHL). SMHL is engaged in a 35 year contract with University Hospital of South Manchester NHS Foundation Trust, previously South Manchester University Hospital NHS Trust, for the design and construction of a Mental Health Care Facility and Acute Care Facility, and in the provision of non-clinical support services at Wythenshawe and Withington Hospitals under the UK Government's Private Finance Initiative (the "PFI Contract").

On 1 October 2017, University Hospital of South Manchester NHS Foundation Trust merged with another Trust and became the Manchester University NHS Foundation Trust (MFT).

The company is a private company limited by shares and is incorporated and domiciled in the United Kingdom.

The address of its registered office is:

Third Floor  
Broad Quay House  
Prince Street  
Bristol  
BS1 4DJ

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

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Statement of compliance**

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

##### **Basis of preparation**

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

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The financial statements contain information about South Manchester Healthcare (Holdings) Limited as an individual company and do not contain consolidated financial information. The company is exempt from the requirement to prepare consolidated financial statements, under section 401 of the Companies Act 2006, as its results are included in the consolidated financial statements of Semperian PPP Investment Partners Holdings Limited.

## **South Manchester Healthcare (Holdings) Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)**

#### **2 Accounting policies (continued)**

##### **New accounting standards adopted during the period**

###### *Interest rate benchmark reform*

SONIA (Sterling Overnight Index Average) has replaced GBP LIBOR, with effect from 1 January 2022.

GBP LIBOR is a 'term rate', which means that it is published for a borrowing period (such as 1-, 3-, and 6-months) and is 'forward looking', because it is published at the beginning of the borrowing period. SONIA is a 'backward-looking' rate, based on a compound rate from observed overnight rates.

Furthermore, GBP LIBOR includes a credit spread over the risk-free rate (RFR), which SONIA does not. To transition existing contracts and agreements that reference GBP LIBOR to SONIA, adjustments for term differences and credit differences a 'Credit Adjustment Spread' ('CAS') is applied to SONIA, to enable the two benchmark rates to be economically equivalent on transition. The CAS is agreed by the Lenders' Market Association ('LMA') and International Swaps and Derivative Association ('ISDA'). The CAS was published by Bloomberg, 5 March 2021, when the Financial Conduct Authority ('FCA') declared the cessation of GBP LIBOR, it is the 5-year historic median between GBP LIBOR and SONIA.

The entity has floating rate subordinated debt receivable and payable which are subject to LIBOR, as disclosed in note 10 and 13. The risks arising from the transition relate principally to the potential impact of rate differences if the debts did not transition to the new benchmark interest rate simultaneously and/or the rates move by different amounts. This could result in interest receivable and payable ineffectiveness. To avoid this, the company is seeking to negotiate consistent terms, rates and transition dates, with the respective counterparties, although formal transition has not yet completed. In the meantime, synthetic LIBOR is applied.

The FCA has confirmed it will allow the use of "Synthetic LIBOR" rates for all legacy contracts except cleared derivatives, to allow a wider time window for transitions to be completed. Synthetic LIBOR has however not been guaranteed beyond 31 December 2022. In addition, The Critical Benchmarks (References and Administrators' Liability) Act 2021 has been passed to amend the defined term of GBP LIBOR to 'synthetic LIBOR', such that "LIBOR" references are by law "synthetic LIBOR".

Further details of the company's application of synthetic LIBOR are disclosed in notes 10 and 13.

##### **Investment income**

Investment income may include dividends and interest receivable. Dividends are included, as 'Income from shares in group undertakings'. Interim dividends are recognised when paid, whilst final dividends are recognised when approved by the paying company. Interest receivable is included, as 'Interest receivable and similar income', on an accruals basis. This heading may also include the amortisation of any premium or discount on the purchase of the loan which has been spread over the life of the loan to determine an effective interest rate.

##### **Tax**

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

## **South Manchester Healthcare (Holdings) Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)**

#### **2 Accounting policies (continued)**

##### **Investments**

Investments in equity and subordinated loan notes are held as fixed assets and are stated at cost less an appropriate provision to reflect any impairment in the value of the investments. Premiums and discounts on subordinated loan note investments have been amortised over the life of the loan to give a constant effective finance rate. Repayments of loans have been disclosed as disposals of fixed asset investments. Any other impairment of fixed assets is reflected as impairment charges. Where an equity investment has fixed return the premium paid for the equity has been amortised in proportion to the actual dividends to total dividends.

##### **Financial Instruments**

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### ***(i) Financial assets***

Basic financial assets, including trade and other receivables, finance debtors, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

##### ***(ii) Financial liabilities***

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

## **South Manchester Healthcare (Holdings) Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)**

#### **2 Accounting policies (continued)**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

#### ***(iii) Offsetting***

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

#### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### **Dividends**

Final dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. Interim dividends are recognised when paid. These amounts are recognised in the statement of changes in equity.

#### **Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions. The exemptions which the company has taken are:

- (i) the requirement to prepare a statement of cash flows;
- (ii) certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- (iii) the requirement to disclose related party transactions, with the members of the same group, that are wholly owned;
- (iv) the requirement to provide consolidated financial statements.

#### **3 Critical accounting judgements and estimation uncertainty**

Judgements, 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.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates made 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. Actual results may subsequently differ from these estimates.

Certain critical accounting judgements and estimates as applicable, adopted by management, in applying the company's accounting policies are described below:



## South Manchester Healthcare (Holdings) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

#### 3 Critical accounting judgements and estimation uncertainty (continued)

##### Estimates

##### Impairment of investments

Management makes an estimate of the likely recoverable value of investments by considering factors including the historical performance, and future forecasts of the respective investment. See note 10 for the carrying value of the investments.

#### 4 Turnover

The company has been engaged solely in continuing activities in a single class of business within the United Kingdom.

#### 5 Operating (loss)/profit

The company had no employees during the year (2021: none). The emoluments of the directors are paid by the controlling parties. The directors' services to this company and to a number of fellow group companies are primarily of a non-executive nature and their emoluments are deemed to be wholly attributable to the controlling parties. The controlling parties charged £nil (2021: £nil) to the company in respect of these services.

The audit fee in respect of the company was £2,063 for the year (2021: £2,000). The audit fee has been borne by South Manchester Healthcare Limited and has not been recharged to the company.

#### 6 Income from shares in group undertakings

	2022 £ 000	2021 £ 000
Income from shares in group undertakings	3,353	3,295

#### 7 Interest receivable and similar income

	2022 £ 000	2021 £ 000
Interest receivable on loans to group undertakings	264	269
	264	269

#### 8 Interest payable and similar charges

	2022 £ 000	2021 £ 000
Interest payable on subordinated debt	264	269

Interest payable includes £181,000 (2021: £184,000) payable on loans from group companies.

## South Manchester Healthcare (Holdings) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

#### 9 Tax on profit

##### (a) Tax expense included in profit or loss

	2022 £ 000	2021 £ 000
Tax on profit	-	-

##### (b) Reconciliation of tax charge

The tax on profit for the year is lower than the standard rate of corporation tax in the UK (2021: lower than the standard rate of corporation tax in the UK) of 19% (2021: 19%).

The differences are reconciled below:

	2022 £ 000	2021 £ 000
Profit before taxation	3,353	3,295
Corporation tax at standard rate	637	626
Effect of revenues exempt from taxation	(637)	(626)
Total tax charge	-	-

##### (c) Tax rate changes

On the 3 March 2021 the UK government announced that from 1 April 2023 the corporation tax rate will increase to 25% from 19%. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

#### 10 Investments

	Equity £ 000	Subordinated debt £ 000	Total £ 000
<b>Cost and net book value:</b>			
At 1 April 2021	1	6,174	6,175
Debt repayments	-	-	-
<b>At 31 March 2022</b>	<b>1</b>	<b>6,174</b>	<b>6,175</b>

The company owns the entire ordinary issued share capital of South Manchester Healthcare Limited, a company registered in England and Wales. The principal activity of South Manchester Healthcare Limited is described in Strategic Report on page 2.

A full list of subsidiaries and related undertakings is shown in note 16.

## South Manchester Healthcare (Holdings) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

#### 10 Investments (continued)

The subordinated debt Loan Notes issued by the company's subsidiary are unsecured and bear interest at a floating rate based on LIBOR plus 4%. The Loan Notes are due for repayment in August 2023.

The Loan Notes were subject to LIBOR plus 4% margin until 31 January 2022, at which point the rate transferred to synthetic LIBOR plus 4% margin. At the balance sheet date, the entity's LIBOR linked Loan Notes remained subject to synthetic LIBOR plus 4% margin.

#### 11 Debtors: Amounts falling due within one year

	2022 £ 000	2021 £ 000
Amounts owed by group undertakings	48	40

#### 12 Creditors

	Note	2022 £ 000	2021 £ 000
<b>Amounts falling due within one year</b>			
Amounts owed to group undertakings		48	40
		48	40
<b>Amounts falling due after more than one year</b>			
Subordinated debt	13	6,174	6,174
		6,174	6,174

#### 13 Loans and borrowings

	2022 £ 000	2021 £ 000
<b>Loans and borrowings falling due between one and five years</b>		
Subordinated debt	6,174	6,174
	6,174	6,174

#### Loan Notes

The shareholders each hold tranches, in proportion to their shareholding, of £6,174,000 South Manchester Healthcare (Holdings) Limited Loan Note (2021: £6,174,000). The Loan Notes are unsecured and bear interest at a floating rate based on LIBOR plus 4%. The Loan Notes are due for repayment in August 2023.

The Loan Notes were subject to LIBOR plus 4% margin until 31 January 2022, at which point the rate transferred to synthetic LIBOR plus 4% margin. At the balance sheet date, the entity's LIBOR linked Loan Notes balance remained subject to synthetic LIBOR plus 4% margin.

## South Manchester Healthcare (Holdings) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

#### 14 Called up share capital

##### Allotted, called up and fully paid shares

	2022		2021	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

#### 15 Dividends

	2022	2021
	£ 000	£ 000
Dividend paid of £3,353.65 (2021: £3,294.51) per ordinary share	<u>3,353</u>	<u>3,295</u>

#### 16 Related party transactions

The following companies are fellow group undertakings of the shareholders of the company and together with undertakings within the individual groups of companies, are considered to be related parties to the company, as defined in FRS 102 - paragraph 33.9.

Innisfree M&G PPP LP  
Semperian PPP Investment Partners No2 Limited  
South Manchester Healthcare Limited

The company incurred the following costs:

	Type of expense	2022	2021
		£ 000	£ 000
Innisfree M&G PPP LP	Loan Interest	83	85
Semperian PPP Investment Partners No2 Limited	Loan Interest	181	184

##### Amounts owed to at:

		2022	2021
		£ 000	£ 000
Innisfree M&G PPP LP	Loan Notes	1,945	1,945
Semperian PPP Investment Partners No2 Limited	Loan Notes	4,230	4,230
Innisfree M&G PPP LP	Loan Notes Interest	15	13
Semperian PPP Investment Partners No2 Limited	Loan Notes Interest	34	28

## South Manchester Healthcare (Holdings) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2022 (continued)

#### 17 Parent and ultimate parent undertaking

As at year end, the shareholders of the company are Innisfree Nominees Limited, acting as nominee for Innisfree M&G PPP LP, a UK Limited Partnership (31.5%) and Semperian PPP Investment Partners No.2 Limited (68.5%).

The ultimate parent and controlling party is Semperian PPP Investment Partners Holdings Limited, incorporated in Jersey. The smallest group and largest group to consolidate these financial statements is Semperian PPP Investment Partners Holdings Limited. These financial statements are available upon request from the Company Secretary at Third Floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ.

#### 18 Subsidiary and related undertakings

The company holds investments in the following undertakings incorporated in the UK:

Subsidiary and related undertakings	Activities	Percentage of ordinary shares held
South Manchester Healthcare Limited	Project Company	100%

The registered office for the companies shown above is: Third Floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ.