

Registration number: 3722614

Baglan Moor Healthcare Plc

Annual Report and Financial Statements

for the Year Ended 31 March 2021



Baglan Moor Healthcare Plc

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Baglan Moor Healthcare Plc

Company Information

Directors	R Little H Pownall D North
Company secretary	Semperian Secretariat Services Limited
Registered office	Third Floor Broad Quay House Prince Street Bristol BS1 4DJ
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR

Baglan Moor Healthcare Plc

Strategic Report for the Year Ended 31 March 2021

The directors present their strategic report for the year ended 31 March 2021.

Principal activity

The principal activity of the company is the design, construction, financing, commissioning and maintenance of a new acute general hospital and the provision of non-clinical services for an overall period of thirty years from 12 May 2000, pursuant to, and in accordance with, the terms of a Concession Agreement ("the PFI contract") with Swansea Bay University Health Board (formerly Abertawe Bro Morgannwg University Health Board). This agreement, together with a collateral deed, a construction contract, a facilities management contract and other related contracts were signed on 12 May 2000. On the same date, the Company issued a £65,950,000 3.920% Guaranteed Secured Index-Linked Bond due 2029 to fund the project.

Construction of the hospital was completed on 4 November 2002, with operational activities commencing immediately and the building being fully occupied on 30 November 2002. The company continues to manage the facilities management and maintenance of the PFI contract through its subcontractors.

Results and review of business

The profit for the year is set out in the profit and loss account on page 18. The directors consider the performance of the company during the year and the financial position at the end of the year, to be in line with the long term expected performance of the project, and its prospects for the future to be satisfactory.

Principal risks and uncertainties

The company has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customer, funders and sub-contractors as determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the company could be exposed to subcontractor failure to perform their obligations. The Board monitors the financial stability of its subcontractor and has contingency plans in place to ensure the continuity of service provision to its client, should the subcontractor become unable to perform its obligations. The financial risks and the measures taken to mitigate them are as detailed in the Directors' report.

Key performance indicators ('KPIs')

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities as managed by the sub-contractor. For this reason, the company's directors believe that further operational key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business. In addition the directors monitor compliance with debt covenant ratios as specified in the bond's Collateral Deed, in particular the Debt Service Cover Ratio, and no non-compliance has been noted.

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Strategic Report for the Year Ended 31 March 2021 (continued)

S172 Statement

The following disclosure describes how the Board regards the matters set out in section 172 (1) (a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

The purpose of the company is to design, build, finance and operate the hospital over a concession period of thirty years under an agreement with our client, Swansea Bay University Health Board. The company's aim is to work in partnership with our client to provide suitable accommodation and maintain that accommodation to meet relevant legislation and agreed service levels. This shapes the company's values and objectives and defines long term success. Decisions are taken in the context of working in partnership with the client and other stakeholder groups. The company has long term funding in place, as described in the Directors' Report. A set of contracts set out the relationships with the client, debt funders, maintenance and operations contractors. These parties are the company's main stakeholders. The company also works with community groups to enable both their support for the client and the full use of the accommodation asset. The environmental impact of the accommodation is considered to support statutory and other reporting. Where changes to the accommodation impact the community, these are considered with the client. Debt funders are provided with operational and financial performance reports on a quarterly basis. The operational management team work closely with the client and the maintenance and operations contractor, in order to programme lifecycle and major maintenance works to minimise disruption. The client receives regular updates on programmed works and access requests to enable those works.

The company does not have any employees but works with the maintenance and operations contractors to ensure that health and safety reporting is transparent, and the contractors provide a suitably skilled and sustainable workforce.

The Board of Directors is an experienced team which is appointed by the shareholders to represent their interests and ensure their instructions are considered and implemented for the long-term success of the company. The board members have experience of working with the other key stakeholders, which assists them in identifying and considering the long-term consequences of principal decisions. The board meet on a quarterly basis and reports are provided at these meetings by the operational and financial management teams. These reports will have regard to health and safety matters, the operational and financial performance of the project, planned lifecycle and major maintenance work and relationships with the client, and the main subcontractor. The operational and financial management team make recommendations to the board of directors. These recommendations and reports are considered at the board meetings and actions arising are monitored. Decisions made by the Directors that have a financial impact are accounted for in a concession length forecast of financial performance.

Principal decisions of the company are those that are key to the company's success, these include but are not limited to: decisions impacting the relationships between the parties, decisions impacting the availability and safety of the accommodation, and decisions impacting the return to the shareholders.

The principal decisions made by the Board of Directors during the year ended 31 March 2021 were:

- Lifecycle and major maintenance expenditure
- Payment of dividends

Life cycle and major maintenance expenditure is planned following asset condition surveys to maintain the accommodation at the required statutory and contractual standards. It is also to ensure the asset will meet the required contractual standards at the end of the concession. The delivery of these works is carefully planned with the maintenance and operations contractors and client, to ensure minimum disruption to the users of the accommodation and the safety of the contractor's employees.


The Board's decisions ensure the relationships between the parties that work together in partnership continue and the accommodation is maintained with minimum disruption to users. The safety performance of the accommodation is maintained both in terms of users and the health and safety of the contractor's staff. These decisions ensure the long-term success of the project, which protects shareholder returns.

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Strategic Report for the Year Ended 31 March 2021 (continued)

Dividends are declared only after having had regard to the company's ability to meet its debt payments and covenant ratios both now and in the future. This ensures the stability of the company to allow it to continue providing the accommodation to its client, for use by the public.

Approved by the Board on 23 July 2021 and signed on its behalf by:


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H Pownall
Director

Baglan Moor Healthcare Plc

Directors' Report for the Year Ended 31 March 2021

Registration number: 3722614

The directors present their report and the audited financial statements for the year ended 31 March 2021.

Future developments

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

Dividends

No dividend was paid during the year (2020: £4,623,000).

Financial risk management

The Company's principal financial instruments comprise short term cash and deposits, finance debtor, listed index-linked Bonds and subordinated loan notes. The main purpose of these financial instruments is to fund the design, construction, commissioning and maintenance of the acute general hospital and the provision of non-clinical services for an overall period of thirty years from 12 May 2000. The terms of the financial instruments also ensure that the profile of the debt service costs is tailored to match expected revenues arising from the agreement between the Company and Swansea Bay University Health Board. The Company does not undertake financial instrument transactions which are speculative or unrelated to the trading activities. The directors have policies for managing each of these risks and they are summarised below:

Interest rate risk

The bond interest rate is 3.92% per annum plus inflation. The subordinated debt interest has been fixed through the use of a fixed funding rate, as set out in note 12.

Inflation risk

The funding to the Company was agreed as part of the overall PFI contracts with lenders, clients and shareholders. The Company's bonds are RPI linked as set out in the notes to the financial statements. The Company's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation over its life.

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 majority of its revenue from Swansea Bay University Health Board and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

Major maintenance replacement risk

The company is responsible for managing the ongoing major maintenance replacement of the building and relevant equipment, but the risks associated with this activity are largely borne by the subcontractor.

Corporate Governance

The board are appointed by the shareholders and review the financial and operational performance of the company. The company is a special purpose company established to engage in a PFI project as noted in its principal activities in the Strategic Report. The company's business is confined to that project and its activities are clearly defined and restricted by the contracts which it has entered into. The board has an experienced operational management and finance team who monitor the company's and its subcontractors' compliance with those contracts as well as reporting financial and operational performance to the board. Internal audit and risk management processes and systems are also in place to monitor, report and address any significant issues identified.

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Directors' Report for the Year Ended 31 March 2021 (continued)

The key features of these internal control and risk management systems are:

- senior management conduct various checks on internal financial controls periodically.
- senior management regularly monitors and considers developments in accounting regulations and best practice in financial reporting, and, where appropriate, reflects developments in the financial statements. Appropriate briefings and/or training are provided to key finance personnel on relevant developments in accounting and financial reporting.
- the financial statements are prepared by a finance manager and reviewed by a financial controller (a qualified accountant) for unusual items, unexplained trends and completeness, with reference to the previously prepared and reviewed management accounts generated by the accounting software for the relevant period end, to ensure accuracy and confirm zero differences. Any queries arising from the review are addressed by the finance manager, with amendments made if necessary.
- the Board of Directors review the draft financial statements. Significant judgements, changes in accounting policy, changes in accounting estimate and other pertinent matters relating to the financial statements are highlighted to the Board of Directors as appropriate.
- the financial statements are subject to external audit.

Other required disclosures

For the year ended 31 March 2021, the Company did not have securities carrying voting rights admitted to trading on a regulated market and therefore disclosures required by paragraph 13 of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) are not applicable.

Brexit risk

The company operates solely in the United Kingdom and has not been directly impacted by changes to trading arrangements, with the EU and the rest of the world resulting from the United Kingdom's withdrawal from the European Union on 31st January 2020. The directors continue to monitor any potential impact arising from the wider financial markets and the company's supply chain.

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 continues to work with its client, Swansea Bay University Health Board, and its subcontractors, to ensure minimal interruption to contracted service provision during this period of disruption.

On 20 March 2020 the Cabinet Office issued a notice (Procurement Policy Note 02/20: Supplier relief due to coronavirus (COVID-19)) advising that all supplier payments would be maintained as per their individual contracts. Guidance was also issued on 2 April 2020 by the Infrastructure and Projects Authority (IPA Guidance) specifically relating to PFI contracts. The IPA guidance being consistent with PPN 02/20. On 6 June 2020 the Cabinet Office issued a further notice (Procurement Policy Note 04/20: Recovery and Transition from COVID-19) supporting the transition to a steady state. PPN 02/20 guidance was in place until 30 June 2020, and PPN 04/20 was in place until 31 October 2020. The company has continued to receive the monthly and pay its suppliers in a timely manner.

The revenue of the company is linked to the availability of the facility and services delivered in that facility. Availability is not materially adversely impacted by the measures limiting the movement of people, and service provision is subject to working arrangements that have been agreed with the client.

The company does not employ any staff directly. The main operating costs are agreed, under contract, with the subcontractors and therefore are not be impacted by factors arising due to the pandemic. As the majority of costs are contractual, no other measures to control costs are deemed necessary. The timing of lifecycle and major maintenance works continue to be reviewed as the situation develops.

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Directors' Report for the Year Ended 31 March 2021 (continued)

The company produces regular financial model updates that forecast the company cashflows to the end of the concession period. This financial model indicates that the company will be able to meet its financing covenant ratios and that no additional funding will be required in the next 12 months. The directors therefore consider the COVID-19 outbreak will have no impact on the ability of the company to continue as a going concern. However, the Directors are monitoring usual movements in short and long term economic indicators that may impact the valuation of assets and liabilities, and may therefore have an impact on the financial statements.

Going concern

Based on Management's operating projections and cash flow forecasts, the Directors believe that the company will generate sufficient cash and have access to working capital facilities to enable it to meet its funding requirements for at least the next 12 months and will continue to comply with its covenants. Accordingly, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements. In assessing the company's ability to continue as a going concern the Directors have considered the impact of Covid-19, as described in the Directors' report.

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:

R Little

A Kershaw (resigned 8 September 2020)

H Pownall

D North

Baglan Moor Healthcare Plc

Directors' Report for the Year Ended 31 March 2021 (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 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 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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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 23 July 2021 and signed on its behalf by:


.....
H Pownall
Director

Baglan Moor Healthcare Plc

Independent Auditors' Report to the members of Baglan Moor Healthcare Plc

Report on the audit of the financial statements

Opinion

In our opinion, Baglan Moor Healthcare Plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (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: Balance Sheet as at 31 March 2021; 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.

Our opinion is consistent with our reporting to the Board of Directors.

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, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- We have performed a full scope audit of Baglan Moor Healthcare Plc

Key audit matters

- Treatment of finance debtor and lifecycle provisions
- Impact of the outbreak of COVID-19 on the financial statements

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Independent Auditors' Report to the members of Baglan Moor Healthcare Plc (continued)

Materiality

- Overall materiality: £134,000 (2020: £131,268) based on 1% of Gross Unitary Charges.
- Performance materiality: £100,500.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

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Independent Auditors' Report to the members of Baglan Moor Healthcare Plc (continued)

Key audit matter

Treatment of finance debtor and lifecycle provisions

The company is in a PFI ('Private Finance Initiative') contract with the Swansea Bay University Health Board (the "Health Board") for the design, construction, financing, commissioning and maintenance of an acute general hospital and provision of non-clinical services to the Health Board for a period of 30 years from 12 May 2000.

The company recognises amounts due to recompense it for the design, construction and financing element of the hospital (including interest) in its balance sheet as a "finance debtor". Each year, the debtor reduces to reflect payment via unitary charge funding, to part repay design and construction costs and financing expense. The intention being that by the end of the arrangement, the finance debtor is settled in full.

The determination of the amounts to allocate from the unitary charge payment to the imputed interest receivable includes some judgement. Given the estimations and the size of the balances involved, this is an area of focus. The imputed interest receivable on finance debtor amounting to £3,658k and total finance debtor balance amounting to £57,342k has been disclosed within Note 6, Note 9 and Note 10 in the financial statements.

In addition, each year, amounts are allocated from the unitary charge account to lifecycle provisions and deferred income to meet future costs. This amounts to £10,039k and is included within "accruals and deferred income" in the Balance Sheet (Note 11).

This also involves judgement. Given the judgement involved and the size of the balances involved, this is an area of focus.

How our audit addressed the key audit matter

Our audit addressed the key audit matter as follows:

- We have reviewed the integrity and consistency of Management's financial forecast model that reflects the finance debtor, interest receivable and lifecycle provisions/deferred income to satisfy ourselves that any movements in these balances have been appropriately calculated and reflected in the model.
- The allocations to reduce the outstanding finance debtor from cash receipts in relation to the unitary charge are driven by a financial model that is extensively reviewed and is used to ensure the debtor is paid down over the life of the contract whilst having regard to that element of the unitary charge receipts which are required to cover other items such as actual and expected operating expense. We have confirmed that the allocations are consistent with Management's financial forecast model and that the allocations are reasonable having regard to appropriate consideration of other matters which the unitary charges are designed to cover such as lifecycle provisions. By performing look back procedures, we have checked the past accuracy of management's estimates around lifecycle expenditure and RPI rates (which drives finance debtor and turnover). This has provided comfort over the robustness of management's projections in the financial model being used.
- We recalculated the imputed interest receivable on the finance debtor. We found the calculations to be accurate.
- We tested the lifecycle deferral calculations applied and validated that they were consistent with Management's financial forecast model.

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Independent Auditors' Report to the members of Baglan Moor Healthcare Plc (continued)

- We have also ensured that the actual results, including inputs such as inflation and tax rate changes, have been appropriately reflected in the model and financial statements. We found the calculations to be accurate.

Key audit matter

Impact of the outbreak of COVID-19 on the financial statements

During the financial year, the impact of COVID-19 caused widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. Though the business has continued as expected, despite the pandemic, and has not been affected by Government restrictions in relation to business closures, the Directors continue to assess the changing business conditions due to COVID-19. They have considered the nature of the operations undertaken by the Group noting that its operations are undertaken entirely to support public infrastructure for an agency of the UK Government. They also note that UK Government has confirmed its intention that all supplier payments will be maintained in accordance with the terms of the original contracts between suppliers and the relevant government agency. They have also reviewed the nature of the services provided and the contractual terms under which those services are provided and concluded that the expected levels of future income streams will not be significantly impacted.

How our audit addressed the key audit matter

In forming our conclusions over going concern, we evaluated whether management's going concern assessment considered impacts arising from COVID-19. Our procedures in respect of going concern included:

- We made enquiries of management to understand the impact of COVID-19 on the company's financial performance, business operations and financial position.
- We reviewed management's going concern assessment by reviewing their cash flow projections around going concern, including covenant compliance. We have considered the past accuracy of achieving forecast cash flows in assessing the predictability and robustness of management's projections, including covenant compliance. Based on the work performed, we are satisfied that matter has been appropriately evaluated and reflected in the financial statements and concur with management's assessment that the going concern basis of preparation remains appropriate. We have also not noted any non-compliance of covenant and debt service ratios.
- We also assessed the adequacy of disclosures related to Covid-19 included in the financial statements and assessed these to be appropriate.

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Independent Auditors' Report to the members of Baglan Moor Healthcare Plc (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The company is a 'Special purpose vehicle' for a PFI project. The company carries on the business of design, construction, financing, commissioning and maintenance of a new acute general hospital and provision of non-clinical services to Swansea Bay University Health Board. We audited the complete financial information of the company, including all material account balances, classes of transactions and financial statement disclosures.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£134,000 (2020: £131,268).
How we determined it	Approximately 1% of Gross Unitary Charges
Rationale for benchmark applied	We use gross unitary charges as a benchmark to determine materiality as given the nature of the company's business, this provides the best insight into the funding levels to meet operational costs, a key focus point for the business.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £100,500 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Board of directors that we would report to them misstatements identified during our audit above £6,700 (2020: £6,563) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

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**Independent Auditors' Report to the members of Baglan Moor Healthcare Plc
(continued)**

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

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.

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Independent Auditors' Report to the members of Baglan Moor Healthcare Plc (continued)

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.

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 2021 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.

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Independent Auditors' Report to the members of Baglan Moor Healthcare Plc (continued)

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.

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 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 the 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 those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulation and fraud
- Reviewing minutes of meetings of those charged with governance
- 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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. 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.

Baglan Moor Healthcare Plc

**Independent Auditors' Report to the members of Baglan Moor Healthcare Plc
(continued)**

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

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 31 December 2004 to audit the financial statements for the year ended 31 December 2004 and subsequent financial periods. The period of total uninterrupted engagement is 18 years, covering the years ended 31 December 2004 to 31 March 2021.



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

Date: 28th July 2021

Baglan Moor Healthcare Plc**Profit and Loss Account for the Year Ended 31 March 2021**

	Note	2021 £ 000	2020 £ 000
Turnover	4	6,160	5,806
Cost of sales		<u>(4,411)</u>	<u>(4,299)</u>
Gross profit		1,749	1,507
Administrative expenses		<u>(538)</u>	<u>(538)</u>
Operating profit	5	1,211	969
Interest receivable and similar income	6	3,680	4,496
Interest payable and similar charges	7	<u>(3,963)</u>	<u>(5,033)</u>
Profit before taxation		928	432
Tax on profit	8	<u>(494)</u>	<u>(704)</u>
Profit/(loss) for the financial year		<u>434</u>	<u>(272)</u>

The above results were derived from continuing operations.

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

The notes on pages 21 to 33 form an integral part of these financial statements.

Baglan Moor Healthcare Plc**Balance Sheet as at 31 March 2021**

	Note	2021 £ 000	2020 £ 000
Current assets			
Debtors: Amounts falling due after more than one year	9	53,179	57,804
Debtors: Amounts falling due within one year	10	6,052	5,068
Cash at bank and in hand		<u>13,274</u>	<u>11,865</u>
		72,505	74,737
Creditors: Amounts falling due within one year	11	<u>(6,654)</u>	<u>(6,593)</u>
Total assets less current liabilities		65,851	68,144
Creditors: Amounts falling due after more than one year	11	(62,472)	(65,301)
Provisions for liabilities	13	<u>(3,367)</u>	<u>(3,265)</u>
Net assets/(liabilities)		<u>12</u>	<u>(422)</u>
Capital and reserves			
Called up share capital	14	50	50
Profit and loss account		<u>(38)</u>	<u>(472)</u>
Total equity		<u>12</u>	<u>(422)</u>

Approved and authorised by the Board on 23 July 2021 and signed on its behalf by:



H Pownall

Director

The notes on pages 21 to 33 form an integral part of these financial statements.

Baglan Moor Healthcare Plc**Statement of Changes in Equity for the Year Ended 31 March 2021**

	Called up Share capital £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2019	50	4,423	4,473
Loss for the financial year	-	(272)	(272)
Total comprehensive expense	-	(272)	(272)
Dividends 15	-	(4,623)	(4,623)
At 31 March 2020	50	(472)	(422)

	Called up Share capital £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2020	50	(472)	(422)
Profit for the financial year	-	434	434
Total comprehensive income	-	434	434
At 31 March 2021	50	(38)	12

The notes on pages 21 to 33 form an integral part of these financial statements.

Baglan Moor Healthcare Plc

Notes to the Financial Statements for the Year Ended 31 March 2021

1 General information

The principal activity of the company is the design, construction, financing, commissioning and maintenance of a new acute general hospital and the provision of non-clinical services for an overall period of thirty years from 12 May 2000, pursuant to, and in accordance with, the terms of a Concession Agreement ("the PFI contract") with Swansea Bay University Health Board (formerly Abertawe Bro Morgannwg University Health Board). This agreement, together with a collateral deed, a construction contract, a facilities management contract and other related contracts were signed on 12 May 2000. On the same date, the Company issued a £65,950,000 3.920% Guaranteed Secured Index-Linked Bond due 2029 to fund the project.

Construction of the hospital was completed on 4 November 2002, with operational activities commencing immediately and the building being fully occupied on 30 November 2002. The company continues to manage the facilities management and maintenance of the PFI contract through its subcontractors.

The company is a private company limited by shares and is incorporated and domiciled in England.

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.

Baglan Moor Healthcare Plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

Going concern

The directors have reviewed the Company's projected profits and cashflows by reference to a financial model covering accounting periods up to June 2030. Having examined the current status of the Company's principal contracts and likely developments in the foreseeable future, the directors consider that the Company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis. In assessing the company's ability to continue as a going concern the Directors have considered the impact of Covid-19, as described in the Directors' report.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company recognises income when it has fully fulfilled its contractual obligations. The company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the company, within the financial statements as turnover and cost of sales.

Where appropriate, income received under the PFI contract in respect of services provided during the operational phase of the contract is deferred to future periods in order to match those elements of income with the costs to which they relate. The turnover and cost of sales are recorded in the profit and loss account in the period in which the relevant costs are incurred.

Transactions to which the company does not have access to all the significant benefits and risks are excluded from the financial statements.

Finance debtor and interest receivable

The company has elected to take the exemption under FRS 102 paragraph 35.10 (i) to continue to apply its previous accounting treatment in respect of Service Concession Arrangements entered into prior to the date of transition to FRS 102. This has resulted in the measurement of the finance debtor being different from that which would have resulted had the requirements of FRS 102 Section 34 been fully adopted. The costs incurred in constructing the assets have been treated as a finance debtor. This treatment arose from applying the guidance within previous UK GAAP which indicated that the project's principal agreements transfer substantially all the risks and rewards relating to the property to the customer.

The finance debtor represents the costs arising on the construction of the assets including initial tender costs. During asset construction, finance debtor interest income is recognised on an accruals basis and is capitalised within the finance debtor receivable. Once the project reached its operational phase and was accepted by the customer a constant proportion of the planned net revenue arising from the project was allocated to remunerate the finance debtor. Imputed interest receivable is allocated to the finance debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term the finance debtor is expected to be fully repaid.

Tax

The tax expense for the period comprises current and deferred 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.

Baglan Moor Healthcare Plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Cash balances are held in bank accounts which are subject to controls, exercised by the providers of the company's long term debt facilities, under the terms of its facility agreements.

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.

Baglan Moor Healthcare Plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

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

Interest accrues on the index-linked bond on a daily basis, at the coupon rate. Indexation on the interest costs and the principal value is applied semi-annually, with reference to the Retail Price Index.

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.

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.

Capital management

The capital structure of the Company consists of borrowings and equity attributable to members of the Company, comprising issued share capital and retained earnings. The Board's policy when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, debt holders and to sustain the future development of the business. The Company may issue new shares or raise medium/long term third party debt. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

Called up 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.

Baglan Moor Healthcare Plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

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.

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. Actual results may subsequently differ from these estimates.

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.

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

Estimates

Finance debtor and turnover recognition

The accounting for service concession contracts and finance debtors requires estimation of service margins (being forecast of contract income less estimates of operating and major maintenance replacement costs), finance debtor interest rates and associated amortisation profile which are based on the forecast results of the PFI contracts over the respective concession length. See notes 9 and 10 for the carrying value of the finance debtor and note 11 for amounts of turnover deferred to future periods.

4 Turnover

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

Baglan Moor Healthcare Plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

5 Operating profit

The company had no employees during the year (2020: 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 £152,523 (2020: £150,050) to the company in respect of these services.

The audit fee in respect of the company was £9,643 for the year (2020: £9,055). The company also bore the audit fees of its immediate parent undertaking of £11,005 during the year (2020: £10,033).

6 Interest receivable and similar income

	2021 £ 000	2020 £ 000
Imputed interest receivable on finance debtor	3,658	4,449
Interest income on bank deposits	22	47
	<u>3,680</u>	<u>4,496</u>

7 Interest payable and similar charges

	2021 £ 000	2020 £ 000
Interest payable on index linked bond	1,996	2,154
Indexation charge on index linked bond	420	1,327
Interest expense on other finance liabilities	-	1
Interest payable on loans from group undertakings	1,547	1,551
	<u>3,963</u>	<u>5,033</u>

Baglan Moor Healthcare Plc**Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)****8 Tax on profit****(a) Tax expense included in profit or loss**

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax	400	278
UK corporation tax adjustment to prior periods	(8)	-
	<u>392</u>	<u>278</u>
Deferred taxation		
Arising from origination and reversal of timing differences	81	45
Arising from changes in tax rates and laws	-	339
Adjustment in respect of prior periods	21	42
Total deferred taxation	<u>102</u>	<u>426</u>
Tax on profit	<u>494</u>	<u>704</u>

(b) Reconciliation of tax charge

The tax on profit for the year is higher than the standard rate of corporation tax in the UK (2020: higher than the standard rate of corporation tax in the UK) of 19% (2020: 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Profit before taxation	<u>928</u>	<u>432</u>
Corporation tax at standard rate	176	82
Expenses not deductible for tax purposes	305	233
Adjustments to tax charge in respect of prior years	21	42
Re-measurement of deferred tax - change in UK tax rates	-	339
Increase in current tax from adjustment for prior periods	(8)	8
Total tax charge	<u>494</u>	<u>704</u>

(c) Tax rate changes

The UK government announced in its 2021 budget an increase in the rate of Corporation Tax from 19% to 25% with effect from 1 April 2023. At the balance sheet date, the proposal to increase the rate to 25% had not been substantively enacted, substantive enactment took place on 24 May 2021, therefore, its effects are not included in these financial statements. The Finance Bill received Royal Assent on 10 June 2021 becoming Finance Act 2021. The estimated overall effect of this change, if it had applied to the deferred tax balance at the balance sheet date, would be to increase the deferred tax liability and increase the tax charge for the period by £1,054,000.

Baglan Moor Healthcare Plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

9 Debtors: Amounts falling due after more than one year

	2021	2020
	£ 000	£ 000
Finance debtor	<u>53,179</u>	<u>57,804</u>

10 Debtors: Amounts falling due within one year

	2021	2020
	£ 000	£ 000
Trade debtors	26	292
Finance debtor	4,163	3,595
Prepayments and accrued income	1,829	1,177
Corporation tax	<u>34</u>	<u>4</u>
	<u>6,052</u>	<u>5,068</u>

11 Creditors

	Note	2021	2020
		£ 000	£ 000
Amounts falling due within one year			
Senior debt	12	3,484	3,424
Trade creditors		24	404
Amounts owed to group undertakings		613	604
Other creditors including taxation and social security		572	577
Accruals and deferred income		<u>1,961</u>	<u>1,584</u>
		<u>6,654</u>	<u>6,593</u>
Amounts falling due after more than one year			
Senior debt	12	41,765	45,941
Subordinated debt	12	10,668	10,668
Accruals and deferred income		<u>10,039</u>	<u>8,692</u>
		<u>62,472</u>	<u>65,301</u>

Amounts owed to group undertakings includes subordinated debt interest of £597,539 (2020: £601,777), the balance of the bank account of Baglan Moor Healthcare Holdings Limited of £2,076 (2020: £2,076) and invoiced amounts payable to Imagile Professional Services Limited of £8,999 (2020: £nil) and to MAMG Consultancy Limited of £4,622 (2020: £nil).

Baglan Moor Healthcare Plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

12 Loans and borrowings

	2021 £ 000	2020 £ 000
Loans and borrowings falling due within one year		
Senior debt	<u>3,484</u>	<u>3,424</u>
	2021 £ 000	2020 £ 000
Loans and borrowings falling due between one and five years		
Senior debt	<u>17,925</u>	<u>16,278</u>
	2021 £ 000	2020 £ 000
Loans and borrowings falling due after more than five years		
Senior debt	23,840	29,663
Subordinated debt	<u>10,668</u>	<u>10,668</u>
	<u>34,508</u>	<u>40,331</u>

The subordinated loan notes are unsecured, attract a fixed interest rate of 14.5% and are repayable in full in 2029. The subordinated loan notes are held by Baglan Moor Healthcare Holdings Limited, the Company's immediate holding company.

The carrying value of the bonds includes indexation to date totalling £22,394,595 (2020: £21,974,371). At 31 March 2021, 53 percent (2020: 60 percent) of the remaining principal of these bonds, exclusive of future indexation, were due for repayment in more than 5 years. The secured index-linked bonds were created on 9 May 2000 and £65,950,000 was issued on 12 May 2000 at 99.684% of their nominal value. The bonds bear interest at 3.92% per annum payable in six monthly intervals which, together with their principal repayment, is subject to indexation in accordance with the Bond Trust Deed. The bonds are repayable in instalments which commenced in April 2004 and end in April 2029. The bonds are listed on the London Stock Exchange.

The carrying value of the bond is shown net of unamortised debt issue costs totalling £679,304 (2020: £823,668).

The bonds are secured by first fixed and floating charges over all of the Company's and its holding company's respective assets. The Company has no exposure to interest rate changes as all borrowings have fixed interest rates.

Baglan Moor Healthcare Plc**Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)****12 Loans and borrowings (continued)**

The maturity of the gross contractual liabilities under the bond, due as at year end, is as follows:

	2021	2020
	£ 000	£ 000
Less than one year	6,617	6,606
Between one and two years	6,779	6,721
Between two and five years	21,355	21,180
In more than five years	27,270	35,130
	<u>62,021</u>	<u>69,637</u>

13 Provisions for liabilities

	Deferred tax
	£ 000
At 1 April 2020	3,265
Additions dealt with in profit or loss	<u>102</u>
At 31 March 2021	<u>3,367</u>

The provision for deferred tax consists of the following deferred tax liabilities/(assets):

	2021	2020
	£ 000	£ 000
Accelerated capital allowances	3,371	3,566
Other timing differences	1,733	1,849
Tax losses recognised	<u>(1,737)</u>	<u>(2,150)</u>
	<u>3,367</u>	<u>3,265</u>

Baglan Moor Healthcare Plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

14 Called up share capital

Allotted, called up and fully paid shares

	2021		2020	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>

15 Dividends

	2021	2020
	£ 000	£ 000
Final dividend of £nil (2020 - £92.46) per ordinary share	<u>-</u>	<u>4,623</u>

16 Related party transactions

As a wholly owned subsidiary of Semperian PPP Investment Partners Holdings Limited, the company has taken advantage of the exemption under FRS 102 - paragraph 33.1A of the requirement to disclose transactions between it and other group companies.

Baglan Moor Healthcare Plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

17 Financial instruments

An explanation of the Company's objectives, policies and strategies for the role of financial instruments in creating and changing the risks of the Company in its activities can be found on page 3.

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Company at 31 March 2021 was as follows:

	Interest rate profile	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Carrying amount (before unamortised issue costs) £'000
Secured 3.92% Index-Linked Bonds 2029	Fixed subject to indexation	3.92%*	9	45,929
Subordinated loan notes	Fixed	14.5%	9	10,668
At 31 March 2021				56,597

* The interest rate of 3.92% is fixed but is subject to twice annual indexation increases calculated from an agreed formula based on the Retail Price Index.

The fair value of the subordinated loan stock is based on cash flows discounted using the coupon rate of 14.5% (2020: 14.5%). The subordinated debt is issued by the company's immediate parent undertaking. In the directors' opinion, the prevailing market rates for similarly structured projects are within the range of 12% to 16% and therefore the coupon rate applied is comparable with the prevailing market rates. As at 31 March 2021, the Company had £nil (31 March 2020: £nil) of uncommitted facilities.

Credit risk profile of financial assets

Trade debtors, finance debtor and cash and short term deposits that are neither past due nor impaired are shown by their credit risk below.

	2021 £'000	2020 £'000
Counterparties with external credit rating		
A-1 rating - cash and short term deposits	13,274	11,865
Counterparties with no external credit rating:		
Trade debtors	26	292
Finance debtor	57,342	61,399
Total neither past due or impaired	70,642	73,556

Baglan Moor Healthcare Plc

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

17 Financial instruments (continued)

Fair value of financial liabilities

The comparison by category of the book values and fair values of the company's financial liabilities as at 31 March 2021 and 31 March 2020 is set out below:

	31 March 2021 Book value £'000	31 March 2021 Fair value £'000	31 March 2020 Book value £'000	31 March 2020 Fair value £'000
Financial liabilities - Index linked	45,929	57,183	50,189	61,027
Guaranteed Secured Bonds				

The fair value of the guaranteed accrued index linked bond is their quoted price.

18 Parent and ultimate parent undertaking

The company's immediate parent is Baglan Moor Healthcare Holdings Limited, incorporated in England and Wales.

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.