Registration number: 4826487

# Octagon Healthcare Group Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018

**Octagon Healthcare Group Limited**

## Contents

# Octagon Healthcare Group Limited

## Company Information

| | |
|---|---|
| **Directors** | N Rae<br>D J Brooking<br>P Sheldrake<br>D Lindesay (Alternate for N Rae)<br>S J Clark (Alternate for D J Brooking)<br>J I Cavill (Alternate for P Sheldrake) |
| **Company secretary** | Semperian Secretariat Services Limited |
| **Registered office** | Third Floor<br>Broad Quay House<br>Prince Street<br>Bristol<br>BS1 4DJ |
| **Independent Auditor** | KPMG LLP<br>66 Queen Square<br>Bristol<br>BS1 4BE |

# Octagon Healthcare Group Limited

## Strategic Report for the Year Ended 31 December 2018

The Directors present their strategic report for the year ended 31 December 2018.

**Principal activity**
The principal activity of the Company is that of a holding company.

In January 1998, the Group entered into a contract ("the Project") with the Norfolk and Norwich University Hospitals NHS Foundation Trust (previously known as the Norfolk and Norwich University Hospital NHS Trust) ("the Trust") for the design and construction of a new 809 bed acute hospital, including the provision of a range of support services. In July 2000 the contract was extended to include the provision of a further 144 beds. Construction of the main hospital was completed in August 2001 and the extension in August 2002. During 2002 the Trust requested further large variations to the contract to provide further additional beds, specialist operating theatres, additional renal units and an expanded teaching facility. All of these additional facilities were completed by January 2003.

In December 2003 the Octagón Group refinanced its operations and negotiated an extension of the initial contract term with The Trust to 35 years, ending in 2037. Octagon Healthcare Group Limited was instrumental in the restructuring for the refinancing. The Group comprises of Octagon Healthcare Limited, Octagon Healthcare Holdings (Norwich) Limited, Octagon Healthcare Funding PLC and Octagon Healthcare Group Limited.

During the year the Group has continued to provide full non-clinical facilities management services.

**Results and review of business**
The result for the year is set out in the profit and loss account on page 8. The directors consider the performance of the Group 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 Group 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 financial risks and the measures taken to mitigate them are as detailed in the Directors' Report.

## Strategic Report for the Year Ended 31 December 2018 (continued)

**Key performance indicators ('KPIs')**

1. Performance deductions under the service contract

Financial penalties are levied against the Group by The Trust in the event of performance standards not being achieved or parts of the hospital becoming unavailable for their anticipated use in accordance with the detailed criteria set out in the Project Agreement. Where appropriate deductions are passed on to the service provider but the quantum of any deductions is an indication of the Company's performance. For the year ending 31 December 2018, a total of £nil deductions were levied against the Company (2017: £nil). The deduction relates to nil% (2017: nil%) of the total fees charged by the service providers. Performance against this measure was considered satisfactory.

2. Financial performance and financial position

The Board have modelled the anticipated financial outcome of the Project across its full term. The Directors monitor actual financial performance and position against this forecast. As at 31 December 2018, the Group's performance against this measure was satisfactory.

For the year ended 31 December 2018, turnover for the Group was £55,245,000 (2017: £53,181,000). The increase to revenue is due to expected operational income from planned variations, which due to the terms of the contract had an equal expense through cost of sales, this resulted in a higher gross profit compared to prior years. Profit before tax for the year ended 31 December 2018 was £8,434,000 (2017: £11,961,000) and profit after tax was £5,618,000 (2017: £9,719,000). The principal reason for the movement is the movement in fair value of the Company's derivative contract which resulted in a charge of £2,808,000 in 2018 but was an income of £2,635,000 in 2017. These amounts are not subject to corporation tax, the charge for which was £2,816,000 (2017 £2,237,000), the increase reflecting the higher levels of profit in 2018 excluding the fair value movements noted above.

Financial covenants have been met in the year and are forecast to continue to be met in the future. In the year ended 31 December 2018 £2,028,000 of loans held in the Company were repaid (2017: £7,640,000). All profits for the year were distributed out for the year, resulting in a minor movement in shareholder deficit, with a balance of £58,612,000 (2017: £56,318,000) standing at year end. The principal reason for the deficit is the fair value of the Company's derivative contract which is a liability of £39,841,000 at 31 December 2018 (2017: £37,560,000).

Approved by the Board on 25 April 2019 and signed on its behalf by:

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N Rae

Director

# Directors' Report for the Year Ended 31 December 2018

## Registration number: 4826487

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

**Future developments**

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

**Dividends**

A dividend of £7,911,800 (£5.97 per ordinary share) was paid during the year (2017: £2,876,900, £2.17 per ordinary share).

**Financial risk management**

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

***Brexit risk***

The risks from Brexit are a result of the risk it poses to the sub-contracted service providers, rather than the Group itself. The risk is linked to the service performance and service provider failure risks discussed below. The Group is insulated from these risks because non-performance will result in deductions being passed down to the service providers.

The service providers have performed a review of their respective exposure to Brexit. The relevant concerns relate to spare parts, materials and EU labour, with primary concerns revolving around delays in delivery and increased transportation costs of those supplies which come from the EU.

While there will likely be some disruption, each service provider has a strategy in place to keep this to a minimum. This could result in higher costs to the service providers, however this is not expected to impact the Group itself.

The company is comfortable that the potential for increased costs and disruption will not threaten the services providers to such an extent as to put the project at risk.

***Interest rate risk***

The bond and loan interest has been fixed through the use of fixed funding rates, plus a margin.

***Inflation risk***

The Group's income is linked to inflation. Whilst a proportion of its costs are also linked to inflation, providing a natural hedge, its debt is fixed rate and therefore the Group is subject to inflation risk. It has chosen to manage its exposure to this risk through using an RPI swap. This RPI swap has been used to convert approximately 67% of the debt service on the Group's fixed rate bonds from a fixed rate to a floating rate.

***Liquidity risk***

The Group adopts a prudent approach to liquidity management by endeavoring to maintain sufficient cash and liquid resources to meet its obligations as they fall due. In addition the Group is contractually obliged to reserve cash in a debt service reserve to cover its debt liabilities for the next 6 months and reserve cash in a maintenance reserve account to cover its lifecycle liabilities for future periods.

***Credit risk***

The Group receives the majority of its revenue from the Trust and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality. The Trust's liabilities are covered by a Government guarantee to settle any liabilities contractually due in the course of its operations.

***Major maintenance replacement risk***

The Group takes the risk that its projections for ongoing major maintenance replacement of the building and relevant equipment are adequate. These projections have been reviewed and approved by third parties and are subject to regular review by the directors.

## Directors' Report for the Year Ended 31 December 2018 (continued)

**Directors of the Company**

The directors who held office during the year were as follows:

P P Ashbrook resigned 29 June 2018

D J Brooking

N Rae

P Sheldrake appointed 2 July 2018

S Sidhu (Alternate for D J Brooking) appointed 2 October 2018, resigned 18 December 2018

S J Clark (Alternate for D J Brooking) resigned 2 October 2018, appointed 18 December 2018

J I Cavill (Alternate for P Sheldrake)

D Lindesay (Alternate for N Rae)

**Directors' responsibilities statement**

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

**Disclosure of information to the auditors**

Each Director has taken 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. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

**Reappointment of auditors**

The auditors, KPMG LLP have signified their willingness to continue in office.

Approved by the Board on 25 Apr 2019 and signed on its behalf by:

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N Rae

Director

## Octagon Healthcare Group Limited

## Independent Auditors' Report to the members of Octagon Healthcare Group Limited

We have audited the financial statements of Octagon Healthcare Group Limited ("the company") for the year ended 31 December 2018 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

**Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## Independent Auditors' Report to the members of Octagon Healthcare Group Limited (continued)

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

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

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

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**The purpose of our audit work and to whom we owe our responsibilities**

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

R Fitzpatrick

**Robert Fitzpatrick (Senior Statutory Auditor)**
**For and on behalf of KPMG LLP, Statutory Auditors**
Chartered Accountants
66 Queen Square
Bristol
Date: 29 April 2019

## Octagon Healthcare Group Limited

## Consolidated Profit and Loss Account for the Year Ended 31 December 2018

| | Note | 2018<br>£ 000 | 2017<br>£ 000 |
|---|---|---|---|
| **Turnover** | 4 | 55,245 | 53,181 |
| Cost of sales | | (34,849) | (33,935) |
| **Gross profit** | | 20,396 | 19,246 |
| Administrative expenses | | (2,969) | (2,893) |
| **Operating profit** | 5 | 17,427 | 16,353 |
| (Loss)/ gain on derivative financial instruments | | (2,280) | 2,635 |
| Interest receivable and similar income | 6 | 12,589 | 12,814 |
| Interest payable and similar expenses | 7 | (19,302) | (19,841) |
| **Profit before tax** | | 8,434 | 11,961 |
| Taxation | 8 | (2,816) | (2,242) |
| **Profit for the financial year** | | 5,618 | 9,719 |

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 13 to 26 form part of these financial statements.

# Octagon Healthcare Group Limited

## Consolidated Balance Sheet as at 31 December 2018

| | Note | 2018<br>£ 000 | 2017<br>£ 000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets – goodwill | 9 | 42,024 | 44,347 |
| Tangible assets – land and buildings | 11 | 120 | - |
| **Current assets** | | | |
| Debtors: Amounts falling due within one year | 12 | 36,432 | 31,156 |
| Debtors: Amounts falling due after more than one year | 13 | 167,636 | 172,620 |
| Cash at bank and in hand | | 26,340 | 26,362 |
| | | 230,408 | 230,138 |
| **Creditors: Amounts falling due within one year** | 15 | (13,119) | (12,544) |
| **Net current assets** | | 217,289 | 217,594 |
| **Total assets less current liabilities** | | 259,433 | 261,941 |
| **Creditors: Amounts falling due after more than one year** | 15 | (318,045) | (318,259) |
| **Net liabilities** | | (58,612) | (56,318) |
| **Capital and reserves** | | | |
| Called up share capital | 18 | 13 | 13 |
| Profit and loss account | | (58,625) | (56,331) |
| **Total shareholder deficit** | | (58,612) | (56,318) |

The notes on pages 13 to 26 form part of these financial statements.

Approved and authorised by the Board on 25 April 2019 and signed on its behalf by:

N Rae

Director

# Octagon Healthcare Group Limited

## Company Balance Sheet as at 31 December 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | £ 000 | £ 000 |
| **Fixed assets** | | | |
| Investments in subsidiaries | 10 | 82,132 | 82,132 |
| **Current assets** | | | |
| Debtors: Amounts falling due within one year | 12 | 1,929 | 1,929 |
| Debtors: Amounts falling due after more than one year | 13 | 31,938 | 31,938 |
| | | 33,867 | 33,867 |
| **Creditors: Amounts falling due within one year** | 15 | (84,048) | (84,048) |
| **Net current liabilities** | | (50,181) | (50,181) |
| **Total assets less current liabilities** | | 31,951 | 31,951 |
| **Creditors: Amounts falling due after more than one year** | 15 | (31,938) | (31,938) |
| **Net assets** | | 13 | 13 |
| **Capital and reserves** | | | |
| Called up share capital | 18 | 13 | 13 |
| **Total equity** | | 13 | 13 |

The notes on pages 13 to 26 form part of these financial statements.

Approved and authorised by the Board on 25 April 2019 and signed on its behalf by:

N Rae
Director

## Consolidated Statement of Changes in Equity for the Year Ended 31 December 2018

| | Note | Called up Share Capital £ 000 | Profit and loss account £ 000 | Total shareholder deficit £ 000 |
|---|---|---|---|---|
| At 1 January 2017 | | 13 | (63,173) | (63,160) |
| Profit for the year | | - | 9,719 | 9,719 |
| Total comprehensive income | | - | 9,719 | 9,719 |
| Dividends | 19 | - | (2,877) | (2,877) |
| At 31 December 2017 | | 13 | (56,331) | (56,318) |
| At January 2018 | | 13 | (56,331) | (56,318) |
| Profit for the year | | - | 5,618 | 5,618 |
| Total comprehensive income | | - | 5,618 | 5,618 |
| Dividends | 19 | - | (7,912) | (7,912) |
| As 31 December 2018 | | 13 | (58,625) | (58,612) |

Included within the profit and loss account are unrealised losses of £39,841,000 (2017: £37,561,000) in respect of fair value movements on the RPI swap held.

## Company Statement of Changes in Equity for the Year Ended 31 December 2018

| | Note | Called up Share Capital £ 000 | Profit and loss account £ 000 | Total equity £ 000 |
|---|---|---|---|---|
| At 1 January 2017 | | 13 | - | 13 |
| Profit for the year | | - | 2,877 | 2,877 |
| Total comprehensive income | | - | 2,877 | 2,877 |
| Dividends | 19 | - | (2,877) | (2,877) |
| At 31 December 2017 | | 13 | - | 13 |
| At January 2018 | | 13 | - | 13 |
| Profit for the year | | - | 7,912 | 7,912 |
| Total comprehensive income | | - | 7,912 | 7,912 |
| Dividends | 19 | - | (7,912) | (7,912) |
| As 31 December 2018 | | 13 | - | 13 |

The notes on pages 13 to 26 form part of these financial statements.

# Octagon Healthcare Group Limited

## Consolidated Cash Flow Statement for the Year Ended 31 December 2018

| | Note | 2018<br>£ 000 | 2017<br>£ 000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 5,618 | 9,719 |
| Adjustments for: | | | |
| Loss / (gains) on derivative movements | 17 | 2,280 | (2,635) |
| Depreciation, amortization and impairment | 9,11 | 2,324 | 2,323 |
| Net interest expense | 6,7 | 6,713 | 7,027 |
| Taxation | 8 | 2,816 | 2,242 |
| | | 19,751 | 18,676 |
| (Increase)/decrease in trade and other debtors | | (526) | (1,720) |
| Decrease/(increase) in payables | | (597) | 1,418 |
| | | 18,628 | 18,374 |
| Tax paid | | (2,485) | (1,297) |
| **Net cash from operating activities** | | 16,143 | 17,077 |
| **Cash flows from investing activities** | | | |
| Interest received | | 12,589 | 12,815 |
| Fixed asset addition | 11 | (121) | |
| **Net cash from investing activities** | | 12,468 | 12,815 |
| **Cashflows from financing activities** | | | |
| Interest paid | | (18,693) | (19,242) |
| Repayment of borrowings | | (2,028) | (7,640) |
| Dividends paid | 19 | (7,912) | (2,877) |
| **Net cash from financing activities** | | (28,633) | (29,759) |
| Net (decrease)/increase in cash and cash equivalents | | (22) | 133 |
| Cash and cash equivalents at 1 January | | 26,362 | 26,229 |
| **Cash and cash equivalents at 31 December** | | 26,340 | 26,362 |

The notes on pages 13 to 26 form part of these financial statements.

## 1. General information

The principal activity of the company is to finance and operate the Norfolk & Norwich University Hospital under the Government's Private Finance Initiative.

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. Amounts have been rounded to the nearest £1,000.

## 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 revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

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 consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2018. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

In accordance with Section 408 of the Companies Act 2006, Octagon Healthcare Group Limited is exempt from the requirement to present its own profit and loss account. The result for the financial period dealt with in the financial statements of Octagon Healthcare Group Limited is disclosed in the company statement of changes in equity.

**Going concern**

The net liabilities for the year ended 31 December 2018 is £58,612,000 (2017: £56,318,000), the Directors have prepared the accounts on a going concern basis which they believe is appropriate for the following reasons.

This arises from the historical amortization of goodwill arising on consolidation in excess of profits generated by the Group's underlying concession contract. In addition to the unrealized fair value derivative.

The Directors have reviewed the cash flow forecast and taking into account reasonably possible risks in operations by the Group and the fact the obligations of the Group's sole customer are underwritten by the Secretary of State for Health believe the Group and parent Company will be able to settle their liabilities as they fall due for the foreseeable future and therefore it is appropriate to prepare these financial statements on the going concern basis.

Notwithstanding the net current liabilities of the parent Company of £50,181,000 (2017: £50,181,000), the Directors consider it appropriate to prepare the accounts on a going concern basis as the parent Company's subsidiary has indicated that for a period of at least 12 months from the date of signing the accounts that is does not intend to call the current intercompany payable of £82,082,000. In addition, were the intercompany payable to be called, the terms of that payable allow for repayment only to the extent the parent Company has available cash.

**2. Accounting policies (continued)**

**Revenue recognition**

Service income 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 Group and value added taxes.

The Group recognizes pass through income and variation income when it has fully fulfilled its contractual obligations. The Group 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 operating costs.

Where appropriate, service 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 Group does not have access to all the significant benefits and risks are excluded from the financial statements.

**Finance debtor and interest receivable**

The Group 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. 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.

**Fixed Asset Investments**

Fixed asset investments are held at the lower of cost less any provision for impairment.

**Goodwill**

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 32 years from the date of refinancing, this being equal to the remaining life of the Group's Private Finance Initiative contract with Norfolk and Norwich University Hospital NHS Trust. Goodwill is tested for impairment in accordance with Section 27 Impairment Of Assets when there is an indication that goodwill be impaired.

**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.

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 average 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.

**2. Accounting policies (continued)**

Deferred tax is not recognised on permanent differences arising because certain types of income or expense (notably fair value movement on the RPI swap) are non-taxable as an election has been made to disregard these fair value movements for tax purposes.

**Tangible assets**

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisitions and installation.

**Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

| **Asset class** | **Depreciation method and rate** |
|---|---|
| Fixed building | Straight line |

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits including contractually reserved cash, 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. The restricted MRA (Maintenance Reserve Account) and DSR (Debt Service Reserve) cash at the end of December 2018 totaled £17,620,000 (2017: £17,921,000).

**Financial Instruments**

***i. Recognition and initial measurement***

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition or issue unless it is required to be measured at fair value through profit and loss or has been designated as such. A trade receivable without a significant financing component is initially measured at the transaction price.

***ii. Classification and subsequent measurement***

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit and loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

All financial assets not classified as measured at amortised cost or fair value through profit and loss as described above are measured at fair value through profit and loss. This includes all derivative financial assets.

Financial instruments and contract assets

The Group recognises loss allowances for Expected Credit Losses ("ECLs") on financial assets measured at amortised cost;

- Loss allowances for trade receivables and the finance debtor are always measured at an amount equal to lifetime ECL.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

**2. Accounting policies (continued)**

Measurement of ECLs.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

***iii. Derecognition***

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

If the Group enters into transactions whereby it transfers assets recognised in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

***iv. 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.

***iv. Derivatives***

RPI swaps are held to manage the RPI exposures on revenue.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

**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**

Dividends and other distributions to 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. These amounts are recognised in the Statement of Changes in Equity.

**2. Accounting policies (continued)**

**Investments**

Investments in equity in the parent Company accounts are held as fixed assets and are stated at cost less an appropriate provision to reflect any impairment in the value of the investments. Any other impairment of fixed assets is reflected as impairment charges.

**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 judgements, adopted by management, in applying the company's accounting policies are described below:

*Finance Debtor*

The company has elected 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 Accounting for service concession contracts and finance debtors requires estimation of service margins, finance debtors interest rates and associated amortisation profile which are based on the forecast results of the PFI contracts over the respective concession length. See notes 12 and 13 for the carrying value of the finance debtor.

*Treatment and Measurement of derivatives*

The derivative financial instruments are recognised at fair value. The measurement of fair value is based on estimates of future market interest and inflation rates and will therefore be subject to change. The Group has used a third party expert to assist with valuing such instruments.

*Accounting Estimates*

Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the service concession contract. Lifecycle costs are a significant proportion of future expenditure. Given the length of the Company's service concession contract, the forecast of lifecycle costs is subject to significant estimation uncertainty and changes in the amount and timing of expenditure could have material impacts. As a result, there is a significant level of judgement applied in estimating future lifecycle costs. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis and periodic technical evaluations of the physical condition of the facilities are undertaken. In addition, comparisons of actual expenditure are compared to the lifecycle forecast. If the total future lifecycle expenditure is increased by 5% there would a £337k reduction to revenue and profit before tax. In contrast, if there was a decrease in the total future lifecycle expenditure by 5% there would be an increase of £342k to revenue and profit before tax.

## 4. Turnover

| | 2018 | 2017 |
|---|---|---|
| | £ 000 | £ 000 |
| Unitary charge service income | 49,855 | 46,860 |
| Variation income | 1,616 | 2,399 |
| Pass through income | 3,775 | 3,922 |
| | 55,245 | 53,181 |

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

## 5. Operating profit

The company had no employee's during the year (2017: none). The emoluments of the directors are paid by the controlling parties. The controlling parties charged £99,000 (2017: £95,000) to the company in respect of Director services.

The audit fee in respect of the Group was £26,000 for the year (2017: £24,000).

## 6. Interest receivable and similar income

| | 2018 | 2017 |
|---|---|---|
| | £ 000 | £ 000 |
| Imputed interest receivable on finance debtor | 12,449 | 12,761 |
| Interest income on bank deposits | 140 | 53 |
| | 12,589 | 12,814 |

## 7. Interest payable and similar expenses

| | 2018 | 2017 |
|---|---|---|
| | £ 000 | £ 000 |
| Interest on loans | 19,302 | 19,841 |
| | 19,302 | 19,841 |

Interest on the bond was £14,836,000 (2017: £15,345,000) and interest on the amortised cost sub debt was £3,857,000 (2017: £3,897,000).

## 8. Taxation

### a) Tax expense included in profit and loss

| | 2018 £ 000 | 2017 £ 000 |
|---|---|---|
| **Current taxation** | | |
| UK corporation tax | 2,478 | 2,207 |
| UK corporation tax adjustment to prior periods | 111 | - |
| | 2,589 | 2,207 |
| **Deferred taxation** | | |
| Arising from origination and reversal of timing differences | 227 | 32 |
| Arising from changes in tax rates and laws | - | 3 |
| Total deferred taxation | 227 | 35 |
| Tax on profit on ordinary activities | 2,816 | 2,242 |

### b) Reconciliation of tax charge

The tax on profit before tax for the year is higher (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

The difference are reconciled below:

| | 2018 £ 000 | 2017 £ 000 |
|---|---|---|
| Profit before tax | 8,434 | 11,961 |
| Corporation tax at standard rate | 1,602 | 2,302 |
| Expenses/(income) not deductible/(allowable) for tax purposes | 434 | (507) |
| Amounts not deductible for tax purposes | 442 | 473 |
| Adjustments to tax charge in respect of prior years | 111 | - |
| Deferred tax expense (credit) from origination and reversal of timing differences | 227 | (26) |
| Total tax charge | 2,816 | 2,242 |

### c) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate of 19% from 1 April 2017 to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

# Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

## 9. Intangible assets

| **Group** | **Goodwill** |
|---|---|
| | **£ 000** |
| ***Cost*** | |
| **At beginning and end of year** | **77,069** |
| ***Amortisation*** | |
| At beginning of the year | 32,722 |
| Charge for year | 2,323 |
| At end of year | 35,045 |
| ***Net book value*** | |
| **At 31 December 2018** | **42,024** |
| At 31 December 2017 | 44,347 |

As required by FRS 102, at each reporting date the goodwill balance is reviewed for indications of impairment and if such indicators are identified, to assess the recoverable amount of that goodwill. The directors are satisfied that no impairment indicators have been identified.

## 10. Investments

| **Company** | **Cost of investment** |
|---|---|
| | **£ 000** |
| **At beginning and end of year** | 82,132 |

The following subsidiaries are companies incorporated in England and Wales. The Group has direct holdings in Octagon Healthcare Funding Plc and Octagon Healthcare Holdings (Norwich) Limited and an indirect holding in Octagon Healthcare Limited (all shareholdings are 100% of ordinary share capital):

| | **Principal activity** |
|---|---|
| Octagon Healthcare Funding PLC | Finance |
| Octagon Healthcare Holdings (Norwich) Limited | Holding Company |
| Octagon Healthcare Limited | PFI operation concession |

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

## 11. Tangible assets

| | Land and buildings £ 000 | Total £ 000 |
|---|---|---|
| **Cost or valuation** | | |
| Additions | 121 | 121 |
| At 31 December 2018 | 121 | 121 |
| **Depreciation** | | |
| Charge for the year | (1) | (1) |
| At 31 December 2018 | (1) | (1) |
| **Carrying amount** | | |
| At 31 December 2018 | 120 | 120 |

Included within the net book value of land and buildings above is £120,018 (2017 - £nil) in respect of long leasehold land and buildings.

## 12. Debtors: Amounts falling due within one year

| | Group | |
|---|---|---|
| | 2018 £ 000 | 2017 £ 000 |
| Finance debtor | 4,984 | 4,649 |
| Trade debtors | 320 | 1,270 |
| Accrued Service Concession Income | 25,605 | 19,860 |
| Deferred tax asset (Note 14) | - | 227 |
| Prepayments and accrued income | 5,523 | 5,150 |
| | 36,432 | 31,156 |

| | Company | |
|---|---|---|
| | 2018 £ 000 | 2017 £ 000 |
| Amounts due from related party | 13 | 13 |
| Prepayments and accrued income | 1,916 | 1,916 |
| | 1,929 | 1,929 |

## 13. Debtors: Amounts falling due after one year

| | Group 2018 £ 000 | Group 2017 £ 000 |
|---|---|---|
| Finance debtor | 167,636 | 172,620 |
| | 167,636 | 172,620 |

| | Company 2018 £ 000 | Company 2017 £ 000 |
|---|---|---|
| Subordinated loan | 31,938 | 31,938 |
| | 31,938 | 31,938 |

The subordinated loan is unsecured and repayable in 2036 subsequent to the repayment of the group bank loans. Interest is payable on the loan at a rate of 12% per annum.

## 14. Deferred tax asset

| | Deferred tax £ 000 |
|---|---|
| At 1 January 2018 | 227 |
| Reductions dealt with in profit or loss | (227) |
| At 31 December 2018 | - |

The deferred tax consists of the following deferred tax assets:

| | 2018 £ 000 | 2017 £ 000 |
|---|---|---|
| Other timing differences | - | 227 |

## 15. Creditors

| | Note | Group 2018 £ 000 | Group 2017 £ 000 |
|---|---|---|---|
| **Due within one year** | | | |
| Bond | 16 | 2,422 | 1,415 |
| Trade creditors | | 3,100 | 3,013 |
| Other taxation and social security | | 1,152 | 1,040 |
| Accruals and deferred income | | 4,267 | 5,071 |
| Corporation tax | | 1,374 | 1,270 |
| Derivative financial instruments | | 804 | 735 |
| | | 13,119 | 12,544 |

| | Note | Company 2018 £ 000 | Company 2017 £ 000 |
|---|---|---|---|
| **Due within one year** | | | |
| Amounts due to group company | | 50 | 50 |
| Accruals and deferred income | | 1,916 | 1,916 |
| Group loan | | 82,082 | 82,082 |
| | | 84,048 | 84,048 |

The group loan is unsecured and repayable on demand. The Board have agreed that the loan will not be called upon before May 2019.

| | Note | Group 2018 £ 000 | Group 2017 £ 000 |
|---|---|---|---|
| **Due after one year** | | | |
| Bond | 16 | 247,070 | 249,496 |
| Subordinated loans | | 31,938 | 31,938 |
| Derivative financial instruments | | 39,037 | 36,825 |
| | | 318,045 | 318,259 |

| | Note | Company 2018 £ 000 | Company 2017 £ 000 |
|---|---|---|---|
| **Due after one year** | | | |
| Subordinated loans | | 31,938 | 31,938 |
| | | 31,938 | 31,938 |

# Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

## 16. Loans and borrowings

| | 2018 | 2017 |
|---|---|---|
| | £ 000 | £ 000 |
| **Due after one year** | | |
| Bond | 2,422 | 1,415 |
| | 2,422 | 1,415 |

| | 2018 | 2017 |
|---|---|---|
| | £ 000 | £ 000 |
| **Due after one year** | | |
| Bond | 41,180 | 31,398 |
| | 41,180 | 31,398 |

| | 2018 | 2017 |
|---|---|---|
| | £ 000 | £ 000 |
| **Due after one year** | | |
| Bond | 205,894 | 318,098 |
| Subordinated loans | 31,938 | 31,938 |
| | 237,832 | 250,036 |

The timing of cash payments, including interest, will result in payments being made within the following periods:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | £ 000 | £ 000 |
| Within 1 year | 16,738 | 15,825 |
| 1 – 2 years | 17,522 | 16,738 |
| 2 – 5 years | 77,247 | 70,192 |
| Greater than 5 years | 285,354 | 309,933 |

**Bond under 1 year**

The loans are secured by fixed and floating charges over the assets of the Group. They are repayable in half-yearly instalments at a rate of interest of 5.333%.

**Bond over 1 year**

The loans are secured by fixed and floating charges over the assets of the Group. They are repayable in half-yearly instalments at a rate of interest of 5.333%. Final repayments are made in June 2036.

**Subordinated loans over 1 year**

The shareholders' subordinated debt is unsecured and repayable in 2036 subsequent to the repayment of the Bond. Interest is payable on the loan at a rate of 12% per annum.

### 17. Financial instruments

The Group held the following financial instruments at 31 December

| | | Amortised cost | |
|---|---|---|---|
| | Note | 2018 | 2017 |
| | | £ 000 | £ 000 |
| **Financial assets** | | | |
| **Financial assets - current** | | | |
| Finance debtor | 12 | 4,984 | 4,649 |
| Trade debtors | 12 | 320 | 1,270 |
| Accrued Service Concession Income | 12 | 25,605 | 19,860 |
| Cash at bank and in hand | | 26,340 | 26,362 |
| **Financial assets – non current** | | | |
| Finance debtor | 13 | 167,636 | 172,620 |
| ***Financial liabilities*** | | | |
| **Financial liabilities - current** | | | |
| Trade creditors | 15 | 3,100 | 3,013 |
| Bond | 15 | 2,422 | 1,415 |
| Sub loan | 15 | 1,916 | 1,916 |
| **Financial liabilities – non current** | | | |
| Bond | 15 | 247,070 | 249,496 |
| Sub loan | 15 | 31,938 | 31,938 |

| | | Fair value through profit and loss | |
|---|---|---|---|
| | Note | 2018 | 2017 |
| | | £ 000 | £ 000 |
| **Financial liabilities** | | | |
| **Financial liabilities - current** | | | |
| Derivative financial instrument | 15 | 804 | 735 |
| **Financial liabilities – non current** | | | |
| Derivative financial instrument | 15 | 39,037 | 36,825 |
| | | 39,841 | 37,560 |

The Directors estimate that the carrying amounts of cash, trade receivables and trade payables approximate to their fair value due to the short-term maturity of these instruments.

The fair value of derivatives is calculated by a third party (Befius, the derivative provider). This is done by discounting estimated future cash flows based on the terms and maturity of the swap contract and using market expectations of inflation through the life of the contract.

As described previously the derivative financial instrument is in place to mitigate the risk in inflation and its impact on revenue. The fair values at the reporting date are demonstrated in note 13 and the table above.

Changes in the fair value of the derivative go through net movement in fair value derivative.

### 18. Share Capital

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

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | No. | £ 000 | No. | £ 000 |
| **Ordinary shares of £0.01 each** | 1,325,000 | 13 | 1,325,000 | 13 |

### 19. Dividends

| | 2018 | 2017 |
|---|---|---|
| | £ 000 | £ 000 |
| Dividends - £5.97 (2017: £2.17) per ordinary share | 7,912 | 2,877 |

### 20. Related party transactions

The Company has issued subordinated loan notes totalling £31,938,000, held by 3i Infrastructure Seed Assets G.P. Limited (£11,766,631), Innisfree Nominees Limited (£11,766,632) acting in its capacity as nominee on behalf of Innisfree M&G PPP LP, an English limited partnership, and Semperian PPP Investment Partners No2 Limited (£8,404,737), all of which were shareholders of the Company. The loan notes bear interest at 12% per annum and are repayable in 2036 subsequent to the repayment of the bonds. During the year interest on the subordinated loan was paid to 3i Infrastructure Seed Assets G.P. Limited - £1,420,967 (*2017:* £1,435,265), Innisfree Nominees Limited - £1,420,967 (*2017*: £1,435,265), Semperian PPP Investment Partners No2 Limited £1,015,196 (*2017*: £1,026,470). During the year, payments to related parties for the services of Directors were made to 3i Investments Plc £33,000 (2017: £32,000), Innisfree Limited £33,000 (2017: £32,000) and Semperian PPP Investment Partners Limited £33,000 (2017: £32,000). 3i Investments Plc is itself a related party with 3i Infrastructure Seed Assets G.P. Limited. Innisfree Limited is itself a related party with Innisfree Nominees Limited. Semperian PPP Investment Partners Limited is itself a related party with Semperian PPP Investment Partners No2 Limited. During the year management fees of £295,000 (*2017*: £293,000) were charged by Semperian Asset Management Limited, a related party. Semperian Asset Management Limited is itself a related party with Semperian PPP Investment Partners No2 Limited.

### 21. Parent and ultimate parent undertaking

The controlling parties are Innisfree M&G PPP LP, Semperian PPP Investment Partners No2 Limited and 3i Infrastructure Seed Assets G.P. Limited which hold 36.84%, 26.32% and 36.84% respectively of the shares in Octagon Healthcare Group Limited. In the directors' opinion there is no ultimate controlling party.