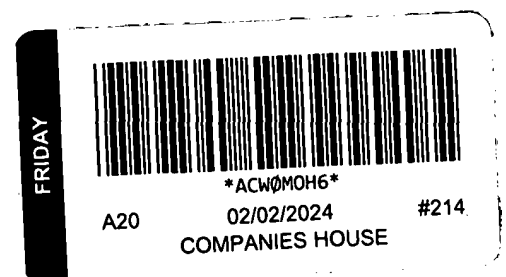


Registration number: 5251303

# Epping PPP Maintenance (Health) Services Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2023



## **Epping PPP Maintenance (Health) Services Limited**

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## **Epping PPP Maintenance (Health) Services Limited**

### **Company Information**

<b>Directors</b>	D North E L Lancaster L J Falero
<b>Company secretary</b>	Semperian Secretariat Services Limited
<b>Registered office</b>	Third Floor Broad Quay House Prince Street Bristol BS1 4DJ
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Temple Quay Bristol BS2 0FR

**Epping PPP Maintenance (Health) Services Limited**  
**Strategic Report for the Year Ended 31 March 2023**

The directors present their strategic report for the year ended 31 March 2023.

**Principal activity**

The principal activity of the company is the continued development and operation of a Private Finance Initiative (PFI) project with NHS Property Services Limited for a contractual period of 30 years from financial close of the scheme in April 2005. The build was completed in January 2007.

**Results and review of business**

The loss for the year is set out in the profit and loss account on page 11. 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.

In line with the current contractual circumstances of the company, a financial model covering the periods up to March 2035 has been produced. From a review of this model, the directors are satisfied that the company will generate positive cashflows and profits over the life of the contract.

**Principal risks and uncertainties**

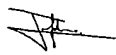
The company has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customer, funders and sub-contractors as determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the company could be exposed to subcontractor failure to perform their obligations. The Board monitors the financial stability of its subcontractors and has contingency plans in place to ensure the continuity of service provision to its client, should any 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 senior loan agreement, in particular the Debt Service Cover Ratio, and no non-compliance has been noted.

30 January 2024

Approved by the Board on ..... and signed on its behalf by:

  
.....  
L J Falero  
Director

## **Epping PPP Maintenance (Health) Services Limited**

### **Directors' Report for the Year Ended 31 March 2023**

**Registration number: 5251303**

The directors present their report and the audited financial statements for the year ended 31 March 2023.

#### **Future developments**

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

The Company has worked with its client, regarding a number of historical matters and to agree a programme of surveys of the properties under management. This culminated in the signing of an agreement in May 2021, settling the historical matters. The programme of surveys agreed was conducted by external advisors. In the year ended 31 March 2023 £115,075 (2022:£185,464) of costs were incurred, recorded in Administrative expenses, arising from this survey process.

In order to finance the professional fees associated with the above agreement and surveys of properties under management, the Company has entered into an Inter-Company Loan Agreement on 28 May 2021 with Semperian PPP Investment Partners Group Limited, providing a facility of up to £484,359, subordinated to the rights of the provider of the senior debt (Note 13). As at 31 March 2023 £nil (2022: £242,283) of the loan remained outstanding, with repayment to be made as cashflows permit.

The results of the surveys and the full extent of remedial works are still being evaluated, however the Company has commenced the process of undertaking certain of these remedial works and has recognised an amount of £825,237 (2022: £nil), in Cost of Sales, in respect of professional fees and other costs relating to these remedial works, of which £764,991 is provided at the year end. It is not currently possible to reliably estimate the duration and cost of the full extent of such remedial works, as well as their impact on the financial position and results of the Company for future periods, but in preparation, on 16 December 2022 the Company entered into a further Inter-Company Loan Agreement, with Semperian PPP Investment Partners Group Limited, providing a revolving facility of up to £671,000, subordinated to the rights of the provider of the senior debt (Note 13), to provide funding, should it be required, during the period of the remedial works. As at 31 March 2023 £174,997 (2022: £nil) of the loan had been drawn and £174,997 (2022: £nil) remained outstanding, with repayment to be made as cashflows permit.

The directors are satisfied that the Company will generate positive cashflows and profits over the life of the contract. Hence the directors believe that the Company has sufficient financial resources to meet its financial obligations as they fall due, for the foreseeable future. Accordingly the directors believe that it continues to be appropriate to prepare the financial statements on the going concern basis.

#### **Dividends**

No dividend was paid during the year (2022: £101,485, £101.485 per ordinary share).

#### **Financial risk management**

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

##### ***Interest rate risk***

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

As described in note 2, the company has negotiated consistent terms, rates and transition dates, with the respective counterparties. The transition to SONIA plus CAS completed on 27 June 2022 for both the LIBOR linked debt and swaps. As the hedge effectiveness has been maintained, there is no change to the entity's overall risk management strategy as a result of the benchmark rate replacement.

## **Epping PPP Maintenance (Health) Services Limited**

### **Directors' Report for the Year Ended 31 March 2023 (continued)**

#### **Financial risk management (continued)**

##### ***Inflation risk***

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.

##### ***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 NHS Property Services Limited and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

##### ***Major maintenance replacement risk***

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

#### **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 (resigned 1 November 2022)

D North

E L Lancaster

L J Falero (appointed 1 November 2022)

## **Epping PPP Maintenance (Health) Services Limited**

### **Directors' Report for the Year Ended 31 March 2023 (continued)**

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

#### **Directors' confirmations**

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

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

#### **Going concern**

The financial statements of the Company have been prepared on a going concern basis. The Company has received a letter of support from Semperian PPP Investment Partners Group Limited and the Directors are satisfied that Semperian PPP Investment Partners Group Limited will continue to have access to adequate liquidity and resources for the foreseeable future within its subsidiaries, including the Company.

In reaching this assessment the Directors have considered a variety of information related to present and future projections of profitability, cash flows and capital resources, including the wider economic climate.

**Epping PPP Maintenance (Health) Services Limited**

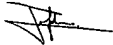
**Directors' Report for the Year Ended 31 March 2023 (continued)**

**Reappointment of auditors**

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

30 January 2024

Approved by the Board on ..... and signed on its behalf by:



.....  
L J Falero  
Director



## **Epping PPP Maintenance (Health) Services Limited**

### **Independent Auditors' Report to the members of Epping PPP Maintenance (Health) Services Limited**

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

##### **Opinion**

In our opinion, Epping PPP Maintenance (Health) Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2023; the profit and loss account, statement of comprehensive income and statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

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

##### *Independence*

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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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

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

## **Epping PPP Maintenance (Health) Services Limited**

### **Independent Auditors' Report to the members of Epping PPP Maintenance (Health) Services Limited (continued)**

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

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

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

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

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

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2023 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.

## **Epping PPP Maintenance (Health) Services Limited**

### **Independent Auditors' Report to the members of Epping PPP Maintenance (Health) Services Limited (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 corporation tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

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

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

#### *Use of this report*

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

**Epping PPP Maintenance (Health) Services Limited**

**Independent Auditors' Report to the members of Epping PPP Maintenance (Health) Services Limited (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 obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



.....  
Stephen Patey (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

Date: 31 January 2024

## Epping PPP Maintenance (Health) Services Limited

### Profit and Loss Account for the Year Ended 31 March 2023

	Note	2023 £	2022 £
<b>Turnover</b>	4	1,341,472	1,277,820
Cost of sales		<u>(1,517,140)</u>	<u>(631,418)</u>
<b>Gross (loss)/profit</b>		(175,668)	646,402
Administrative expenses		<u>(332,068)</u>	<u>(389,572)</u>
<b>Operating (loss)/profit</b>	5	(507,736)	256,830
Net gain/(loss) on derivative financial instruments	18	20,047	(29,888)
Interest receivable and similar income	6	839,087	854,060
Interest payable and similar expenses	7	<u>(865,575)</u>	<u>(913,646)</u>
<b>(Loss)/profit before taxation</b>		(514,177)	167,356
Tax on (loss)/profit	8	<u>128,545</u>	<u>(24,844)</u>
<b>(Loss)/profit for the financial year</b>		<u><u>(385,632)</u></u>	<u><u>142,512</u></u>

The above results were derived from continuing operations.

### Statement of Comprehensive Income for the Year Ended 31 March 2023

	Note	2023 £	2022 £
<b>(Loss)/profit for the financial year</b>		<u>(385,632)</u>	<u>142,512</u>
<b>Other comprehensive income / (expense):</b>			
Change in value of hedging instrument	18	751,245	(2,322,146)
Reclassifications to profit and loss	18	501,750	615,710
Deferred tax arising on unrealised movements on cash flow hedges	8	<u>(313,249)</u>	<u>774,468</u>
<b>Other comprehensive income / (expense) for the year, net of tax</b>		<u>939,746</u>	<u>(931,968)</u>
<b>Total comprehensive income / (expense) for the year</b>		<u><u>554,114</u></u>	<u><u>(789,456)</u></u>

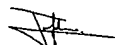
The notes on pages 14 to 27 form an integral part of these financial statements.

**Epping PPP Maintenance (Health) Services Limited****Balance Sheet as at 31 March 2023**

	Note	2023 £	2022 £
<b>Current assets</b>			
Debtors: Amounts falling due after more than one year	9	13,876,700	14,663,018
Debtors: Amounts falling due within one year	11	935,598	855,139
Cash at bank and in hand		<u>694,665</u>	<u>1,208,170</u>
		15,506,963	16,726,327
<b>Creditors: Amounts falling due within one year</b>	12	<u>(1,411,683)</u>	<u>(1,881,910)</u>
<b>Total assets less current liabilities</b>		14,095,280	14,844,417
<b>Creditors: Amounts falling due after more than one year</b>	12	(17,533,903)	(19,602,144)
<b>Provisions for liabilities</b>	14	<u>(764,990)</u>	<u>-</u>
<b>Net liabilities</b>		<u>(4,203,613)</u>	<u>(4,757,727)</u>
<b>Capital and reserves</b>			
Called up share capital	15	1,000	1,000
Cash flow hedge reserve		(4,688,324)	(5,628,070)
Profit and loss account		<u>483,711</u>	<u>869,343</u>
<b>Total equity</b>		<u>(4,203,613)</u>	<u>(4,757,727)</u>

30 January 2024

The financial statements on pages 11 to 27 were approved by the Board of Directors on ..... and signed on its behalf by:



.....  
L J Falero  
Director

The notes on pages 14 to 27 form an integral part of these financial statements.

# **Epping PPP Maintenance (Health) Services Limited**

## **Statement of Changes in Equity for the Year Ended 31 March 2023**

	Note	Called up Share capital £	Cash flow hedge reserve £	Profit and loss account £	Total equity £
At 1 April 2021		1,000	(4,696,102)	828,316	(3,866,786)
Profit for the financial year		-	-	142,512	142,512
Other comprehensive income		-	(931,968)	-	(931,968)
Total comprehensive income		-	(931,968)	142,512	(789,456)
Dividends	16	-	-	(101,485)	(101,485)
At 31 March 2022		1,000	(5,628,070)	869,343	(4,757,727)
		Called up Share capital £	Cash flow hedge reserve £	Profit and loss account £	Total equity £
At 1 April 2022		1,000	(5,628,070)	869,343	(4,757,727)
Loss for the financial year		-	-	(385,632)	(385,632)
Other comprehensive income		-	939,746	-	939,746
Total comprehensive income		-	939,746	(385,632)	554,114
At 31 March 2023		1,000	(4,688,324)	483,711	(4,203,613)

The notes on pages 14 to 27 form an integral part of these financial statements.

## **Epping PPP Maintenance (Health) Services Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2023**

#### **1 General information**

The principal activity of the company is the continued development and operation of a Private Finance Initiative (PFI) project with NHS Property Services Limited for a contractual period of 30 years from financial close of the scheme in April 2005. The build was completed in January 2007.

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

The address of its registered office is:

Third Floor  
Broad Quay House  
Prince Street  
Bristol  
BS1 4DJ

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

#### **2 Accounting policies**

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

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

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

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

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

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

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

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

The entity has floating rate debt and related hedging instruments which are subject to SONIA, as disclosed in note 13 and 17. The Company has negotiated consistent terms, rates and transition dates, with the respective counterparties, although formal transition was only achieved 27 June 2022. In the meantime, synthetic LIBOR was applied.



## **Epping PPP Maintenance (Health) Services Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)**

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

##### **Going concern**

The financial statements of the Company have been prepared on a going concern basis. The Company has received a letter of support from Semperian PPP Investment Partners Group Limited and the Directors are satisfied that Semperian PPP Investment Partners Group Limited will continue to have access to adequate liquidity and resources for the foreseeable future within its subsidiaries, including the Company.

In reaching this assessment the Directors have considered a variety of information related to present and future projections of profitability, cash flows and capital resources, including the wider economic climate.

##### **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 / (expense) is also recognised directly in other comprehensive income / (expense).

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.

## **Epping PPP Maintenance (Health) Services Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2023 (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.

##### ***(a) 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.

##### ***(b) Financial liabilities***

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

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

## **Epping PPP Maintenance (Health) Services Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)**

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

##### ***(b) Financial liabilities (continued)***

Interest accrues on each debt instrument on a daily basis at the applicable rate. The entity has floating rate senior debt and related hedging instruments which are subject to SONIA plus CAS, as disclosed in notes 13 and 18. The entity has fixed rate subordinated debt, as disclosed in note 13.

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.

##### ***(c) 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.

##### ***(d) Derivatives and Hedging arrangements***

Derivatives, which may include interest rate swaps and RPI swaps, are not basic financial instruments.

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, unless they are included in hedging arrangements.

The company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income / (expense) is reclassified to the profit and loss account in the same period in which the hedged transaction is recognised in the profit and loss account or when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

## **Epping PPP Maintenance (Health) Services Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)**

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

##### **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.

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

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

- the requirement to prepare a statement of cash flows;
- certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- 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.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates made are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. Actual results may subsequently differ from these estimates.

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

##### **Judgements**

###### *Treatment of derivatives*

The directors have adopted a policy of cash flow hedge accounting for derivative financial instruments and have assessed that the company's interest rate and RPI swaps meet the criteria for hedge accounting under FRS 102. This allows unrealised gains and losses to be deferred in a cash flow hedge reserve and only recognised through the profit and loss account at the same time as the hedged cash flows.

##### **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 11 for the carrying value of the finance debtor and note 12 for amounts of turnover deferred to future periods.

## Epping PPP Maintenance (Health) Services Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

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

##### Impairment of debtors

Management makes an estimate of the likely recoverable value of trade and other debtors by considering factors including the current credit rating, the ageing profile and the historical experience of the respective debtor. See notes 9 and 11 for the carrying value of the debtors.

##### Measurement of derivatives

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 company has used a third party expert to assist with valuing such instruments. See note 18 for the fair value of the financial instruments.

##### Lifecycle

The accounting for life cycle and major maintenance expenditure requires estimation of forecast replacement costs, based on asset condition surveys, so as to maintain the accommodation at the required statutory and contractual standards throughout, and at the end, of the concession. See note 12 for amounts of turnover deferred to future periods, to be recorded in the profit and loss account in the period in which the relevant costs are incurred.

#### 4 Turnover

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

#### 5 Operating (loss)/profit

The company had no employees during the year (2022: 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 £98,929 (2022: £91,452) to the company in respect of these services.

The audit fee in respect of the company was £11,003 for the year (2022: £9,130).

In the year ended 31 March 2023 £115,075 (2022:£185,464) of costs were incurred, recorded in Administrative expenses, arising from the agreed survey process. In the year ended 31 March 2023 £825,237 (2022:£ nil) of costs were incurred, recorded in Cost of Sales, arising from the identified remedial works.

#### 6 Interest receivable and similar income

	2023 £	2022 £
Imputed interest receivable on finance debtor	822,810	854,030
Interest income on bank deposits	16,277	30
	<u>839,087</u>	<u>854,060</u>

# **Epping PPP Maintenance (Health) Services Limited**

## **Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)**

### **7 Interest payable and similar charges**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Interest on bank borrowings	417,126	188,293
Interest rate swap costs	272,965	543,162
Other finance costs	9,404	4,322
Interest payable on loans from group undertakings	166,080	177,869
	<u>865,575</u>	<u>913,646</u>

### **8 Tax on (loss)/profit**

#### **(a) Tax (credit)/expense included in profit or loss**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Current taxation</b>		
UK corporation tax	-	37,478
UK corporation tax adjustment to prior periods	(1)	314
Total current taxation	<u>(1)</u>	<u>37,792</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	(128,544)	(7,472)
Arising from changes in tax rates and laws	-	(5,476)
Total deferred taxation	<u>(128,544)</u>	<u>(12,948)</u>
Tax on (loss)/profit	<u>(128,545)</u>	<u>24,844</u>

#### **(b) Tax relating to items recognised in other comprehensive income / (expense) or equity**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Deferred tax</b>		
Arising from origination and reversal of timing differences	313,249	(426,609)
Arising from changes in tax rates and laws	-	(347,859)
Total tax expense included in other comprehensive income	<u>313,249</u>	<u>(774,468)</u>

## Epping PPP Maintenance (Health) Services Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 8 Tax on (loss)/profit (continued)

##### (c) Reconciliation of tax (credit)/charge

The tax on (loss)/profit for the year is lower than the standard rate of corporation tax in the UK (2022: lower than the standard rate of corporation tax in the UK) of 19% (2022: 19%).

The differences are reconciled below:

	2023 £	2022 £
(Loss)/profit before taxation	<u>(514,177)</u>	<u>167,356</u>
Corporation tax at standard rate	(97,694)	31,798
Adjustments to tax charge in respect of prior years	(1)	-
Re-measurement of deferred tax - change in UK tax rates	<u>(30,850)</u>	<u>(6,954)</u>
Total tax (credit)/charge	<u>(128,545)</u>	<u>24,844</u>

##### (d) Tax rate changes

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

#### 9 Debtors: Amounts falling due after more than one year

	Note	2023 £	2022 £
Finance debtor		12,155,095	12,756,708
Deferred tax assets	10	<u>1,721,605</u>	<u>1,906,310</u>
		<u>13,876,700</u>	<u>14,663,018</u>

#### 10 Deferred tax asset

	Deferred tax £
At 1 April 2022	1,906,310
Additions dealt with in profit or loss	128,544
Additions dealt with in other comprehensive income / (expense)	<u>(313,249)</u>
At 31 March 2023	<u>1,721,605</u>

The deferred tax asset consists of the following assets:

2023 £	2022 £
<u>1,721,605</u>	<u>1,906,310</u>

## Epping PPP Maintenance (Health) Services Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

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

	2023 £	2022 £
Trade debtors	281,247	257,423
Finance debtor	601,613	541,548
Group relief receivable	34,533	34,532
Prepayments and accrued income	18,205	21,636
	<u>935,598</u>	<u>855,139</u>

#### 12 Creditors

	Note	2023 £	2022 £
<b>Amounts falling due within one year</b>			
Senior debt	13	668,808	872,908
Subordinated debt	13	174,997	266,131
Trade creditors		30,160	13,927
Amounts owed to group undertakings		153,475	61,585
Other creditors including taxation and social security		51,389	80,473
Accruals and deferred income		332,854	586,886
		<u>1,411,683</u>	<u>1,881,910</u>
<b>Amounts falling due after more than one year</b>			
Senior debt	13	9,098,203	9,768,019
Subordinated debt	13	1,221,694	1,214,026
Accruals and deferred income		861,808	994,859
Derivative financial instruments	18	6,352,198	7,625,240
		<u>17,533,903</u>	<u>19,602,144</u>



# **Epping PPP Maintenance (Health) Services Limited**

## **Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)**

### **13 Loans and borrowings**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Loans and borrowings falling due within one year</b>		
Senior debt	668,808	872,908
Subordinated debt	<u>174,997</u>	<u>266,131</u>
	<u>843,805</u>	<u>1,139,039</u>
	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Loans and borrowings falling due between one and five years</b>		
Senior debt	3,492,212	3,247,657
Subordinated debt	<u>219,889</u>	<u>248,278</u>
	<u>3,712,101</u>	<u>3,495,935</u>
	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Loans and borrowings falling due after more than five years</b>		
Senior debt	5,605,991	6,520,362
Subordinated debt	<u>1,001,805</u>	<u>965,748</u>
	<u>6,607,796</u>	<u>7,486,110</u>

## **Epping PPP Maintenance (Health) Services Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)**

#### **13 Loans and borrowings (continued)**

##### **Senior debt**

The senior debt is repayable in semi-annual instalments, by September 2033, with principal repayments having commenced in September 2007. Interest charged on amounts drawn under the facility is based on the floating SONIA rate, plus a margin of 1.45%. All amounts drawn under the term loan facility are secured by fixed and floating charges over the total assets of the company. Under the terms of the Intercreditor Deed the fixed and floating charges of the senior debt provider rank in priority to those of the subordinated debt provider.

The senior debt was subject to synthetic LIBOR and a variable margin of 1.48% until 30 September 2022, at which point the rate transferred to SONIA plus CAS and a variable margin of 3.23%.

##### **Swap arrangements**

The company has entered into an interest rate swap agreement under the term loan which expires in September 2033. A fixed rate of 5.080% (plus the margin above) applies to all amounts drawn under the term loan facility since its inception. The interest rate swap converts the borrowings from rates linked to LIBOR to the fixed rate above.

##### **Subordinated debt**

The subordinated loan notes are repayable in semi-annual repayments by 31 March 2034. These loan notes are subordinated to the right of payment of senior debt providers with an interest rate fixed at 11.6601% per annum, interest is payable semi-annually. They are secured by fixed and floating charges over the total assets of the company. As shown above under the terms of the Intercreditor Deed the fixed and floating charges of the senior debt provider rank in priority to those of the subordinated debt provider. All other amounts owed to or owed by group undertakings are interest free, unsecured and repayable on demand.

##### **Inter-Company Loan**

In order to finance the professional fees associated with the surveys of properties under management, the Company has entered into an Inter-Company Loan Agreement, on 28 May 2021, with Semperian PPP Investment Partners Group Limited, providing a facility of up to £484,359, available for drawdown until 31 December 2021, subordinated to the rights of the provider of the senior debt. As at 31 March 2023 £nil (2022: £242,283) of the loan remained outstanding, with repayment to be made as cashflows permit.

In order to finance the remedial works, the Company entered into a further Inter-Company Loan Agreement, on 12 December 2023, with Semperian PPP Investment Partners Group Limited, providing a facility of up to £671,000, subordinated to the rights of the provider of the senior debt.

This Intercompany Loan is a revolving facility made available until 16 December 2024, repayable as cashflows permit. Interest is charged at a fixed rate of 6.5% per annum, payable quarterly in arrears, with commitment fees of 3.25% per annum based on the undrawn facility. As at 31 March 2023 £174,997 (2022: £nil) of the loan had been drawn and £174,997 (2022: £nil) remained outstanding, with repayment to be made as cashflows permit.

## Epping PPP Maintenance (Health) Services Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 14 Provisions for liabilities

	Remedial Works £ 000
Additions dealt with in profit or loss	764,991
At 31 March 2023	<u>764,991</u>

The Company provided an amount of £764,991 (2022: £nil) in respect of professional fees and other costs associated with the remedial works, as described in the Directors Report. The provision is expected to be fully utilised withing the next year.

#### 15 Called up share capital

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

	2023		2022	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

#### 16 Dividends

	2023	2022
	£	£
Final dividend of £nil (2022 - £101.485) per ordinary share	<u>-</u>	<u>101,485</u>

#### 17 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.

## Epping PPP Maintenance (Health) Services Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 18 Financial instruments

##### Fair value of derivatives used for hedging in the Balance Sheet

	2023 £	2022 £
Creditors: Amounts falling due after more than one year - Fair value of swaps	<u>(6,352,198)</u>	<u>(7,625,240)</u>
Net Fair value of swaps in the Balance Sheet	<u>(6,352,198)</u>	<u>(7,625,240)</u>

##### Movement in Fair value of derivatives used for hedging

	2023 £	2022 £
Recognised through the Profit and Loss Account	20,047	(29,888)
Recognised through Other Comprehensive Income / (Expense)	<u>1,252,995</u>	<u>(1,706,436)</u>
	<u>1,273,042</u>	<u>(1,736,324)</u>

The company has entered into an interest rate swap to receive interest linked to LIBOR and pay interest at a fixed 5.08% (plus margin of 1.45%). The swap is based on an original principal amount of £15,819,614, but reduces in line with the senior debt principal and matures in 2033 on the same date as the Senior loans.

At the date of financial close an inflation rate derivative was taken out to fix a portion of the inflation index-linked income due under the PFI contract. The terms of the swap are such that the inflation rate has been fixed at 2.72% on £728,489 of the annual turnover at the effective base date. The effective date of the swap was 5 October 2006 and the termination date is 5 April 2035.

The interest rate swap is used to hedge the company's exposure to interest rate movements on the Senior loan facility. The hedging arrangement fixes the total interest payable on the sterling Senior loan to 6.53% (including margin).

Cash flows on both the loan and the interest rate swaps are paid in six-monthly instalments. During the year, a hedging gain of £1,071,932 (2022: £698,299 gain) was recognised in other comprehensive income for changes in the fair value of the interest rate swap and £267,921 (2022: £534,149) was reclassified from the hedge reserve to profit and loss. The fair value of the interest rate swap is a liability of £616,780 (2022: £1,978,060 liability).

The interest rate swap was subject to synthetic LIBOR until 3 October 2022, at which point the rate transferred to SONIA plus CAS.

The interest rate swaps are measured at fair value which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are forward interest rates.

Cash flows on the RPI swaps are paid in six-monthly instalments. During the year, a hedging loss of £320,687 (2022: £3,020,445 loss) was recognised in other comprehensive income for changes in the fair value of the RPI swap and £233,829 (2022: £81,561) was reclassified from the hedge reserve to profit and loss within turnover. The fair value of the RPI swap is a liability of £5,735,418 (2022: £5,647,180 liability).

## **Epping PPP Maintenance (Health) Services Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)**

#### **19 Parent and ultimate parent undertaking**

The company's immediate parent is RBIL 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.