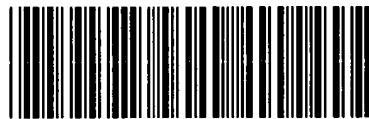


Registered number: 09310041

NPH HEALTHCARE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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NPH HEALTHCARE LIMITED

COMPANY INFORMATION

Directors	P A Bannister D Rose R D Knight L M Eriksson (appointed 1 June 2022) J K Fegan (resigned 30 April 2021) P Winqvist (appointed 30 April 2021, resigned 1 June 2022)
Company secretary	O Peach
Registered number	09310041
Registered office	3rd Floor, South Building 200 Aldersgate Street London England EC1A 4HD
Independent auditor	MHA MacIntyre Hudson 6th Floor 2 London Wall Place London EC2Y 5AU

NPH HEALTHCARE LIMITED

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NPH HEALTHCARE LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

Introduction

The directors present their Strategic Report, Directors' Report and audited financial statements of the Company for the year ended 31 December 2021.

Business review

This is the Company's fourth period of trading with a loss for the financial year of £652,150 (2020 - £674,240). No dividend was paid during the year (2020 - £Nil). The loss in the year is due to concession accounting and the phasing of the profit recognition function in the financial close model. The majority of project costs and revenues are dictated by index linked long term contracts, meaning profit and loss and balance sheet movements can be predicted with a high degree of accuracy within the financial model.

Net liabilities for the period has decreased primarily as a result of the movement in the fair value of derivative financial instruments.

The Company began the construction and design of the new 310 bedroom Papworth Cardiothoracic Hospital and research unit in 2015. Financial close was reached on 12 March 2015. The fit out by the client, commissioning and construction completion was complete on 14 January 2019.

Principal risks and uncertainties

The Company has a single client; although loss of this client would be financially significant, the Company mitigates this risk via project contracts and by only dealing with creditworthy government authorities.

The Company's board of Directors has built an appropriate liquidity risk management framework for the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

The Company manages interest rate risk via an interest rate swap agreement. All RPI risk is managed via an index linked payment mechanism.

The Directors have considered the stability of financial counterparties and have concluded that all financial counterparties have the ability to meet all contractual obligations.

Financial key performance indicators

The Company is governed by a detailed set of key performance indicators across the business as a whole. These performance measures relate to:

- Health & Safety;
- Programme delivery (design and construction management);
- Service delivery;
- Asset management;
- Environmental management; and
- Customer satisfaction.

Progress and performance against each of these measures is assessed and reported to the Board on a regular basis with the company performing well against each of these measures in the year.

NPH HEALTHCARE LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Going concern

The Company currently has net liabilities of £5,091,809 (2020 - £9,040,330) as a result of accounting for the fair value of interest rate swap agreements, the majority of which do not crystallise as liabilities for a number of years. As such, the Company's forecasts and projections, taking account of the impact of swaps and reasonably possible changes in trading performance, show that it should be able to operate within the level of its current facilities and continue to meet forecast loan covenants. The financial models in place allow the Directors to review cash flows for all periods up to the end of concession, and allow for stress testing of scenarios such as Facilities Management subcontractor insolvency. Due to the contractual nature of the SPV, cash flows are guaranteed with the only risk around going concern being the levels of service which are monitored closely through review of KPIs. The Directors have reviewed the results of these tests and are satisfied that the mechanisms imbedded into the contracts, and reserves held, allow for sufficient headroom on all covenants in the event of adverse circumstances.

The Directors have considered the long term impact of the COVID-19 pandemic. The Company has entered into long-term contracts with its customer and suppliers, and after careful review of these contracts the Directors are confident that the Company can operate as normal for the next twelve months. The Directors have committed to carrying out regular reviews of the Company's cash flows to monitor the ongoing situation.

The Directors have considered the above in conjunction with the modelled performance of the Company and they consider that the Company will remain in operational existence for the foreseeable future and will be able to service the principal and interest repayments required under the finance documents.

For these reasons, the Directors consider that it is appropriate to prepare the Company accounts on a going concern basis.

This report was approved by the board and signed on its behalf.

P A Bannister
Director



Date: 30th June 2022

NPH HEALTHCARE LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

Principal activities

The principal activity of the Company is the design and construction of the 310 bedroom Papworth Cardiothoracic Hospital and research unit, and the provision of FM Services and Lifecycle throughout a 30 year concession.

There have not been any significant changes in the Company's principal activities in the year under review.

Results and dividends

The loss for the year, after taxation, amounted to £652,150 (2020 - £674,240).

There were no dividends paid within the year (2020 - £Nil). The Directors do not recommend payment of a final dividend.

Directors

The directors who served during the year and up to the date of signature of the financial statements were:

P A Bannister
D Rose
R D Knight
J K Fegan (resigned 30 April 2021)
P Winqvist (appointed 30 April 2021, resigned 1 June 2022)
L M Eriksson (appointed 1 June 2022)

Future developments

The Directors do not envisage that there will be any substantial change for the foreseeable future in the operations of the Company.

Qualifying third party indemnity provisions

The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the year. These provisions remain in force at the reporting date.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

On 11th May 2022 NPH Healthcare Limited signed Agreements with its SWAP Provider to transition the floating interest rates from LIBOR to SONIA. The SONIA rate will be determined five business days before the end of each calculation period, with an agreed margin of 0.2766%. The transition will commence on 1 October 2022.

NPH HEALTHCARE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Auditor

During the year, the previous auditor, BDO LLP, resigned, and MHA MacIntyre Hudson were appointed as auditor for the 2021 financial statements.

The auditor, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

P A Bannister
Director



Date: 30th June 2022

NPH HEALTHCARE LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

NPH HEALTHCARE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NPH HEALTHCARE LIMITED

Opinion

We have audited the financial statements of NPH Healthcare Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

NPH HEALTHCARE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NPH HEALTHCARE LIMITED (CONTINUED)

Other information

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

NPH HEALTHCARE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NPH HEALTHCARE LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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:

- Obtaining an understanding of the legal and regulatory frameworks that the company operates in
- Reviewing key correspondence with regulatory authorities;
- Testing for evidence of management override;
- Enquiry of management to identify any instances of non-compliance with laws and regulations;
- Enquiry of management around actual and potential litigation and claims;
- Enquiry of management to identify any instances of known or suspected instances of fraud;
- Discussing among the engagement team regarding how and where fraud might occur.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or representation.

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

Use of our report

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



Atul Kariya FCCA (Senior statutory auditor)

for and on behalf of
MHA MacIntyre Hudson

Statutory Auditors

London, United Kingdom
Date: 30/06/2022

NPH HEALTHCARE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Turnover	4	9,845,024	10,124,099
Cost of sales		(9,538,916)	(10,064,558)
Gross profit		306,108	59,541
Interest receivable and similar income	6	3,386,664	3,548,915
Interest payable and similar expenses	7	(4,497,896)	(4,440,851)
Loss before tax		(805,124)	(832,395)
Tax credit on loss	8	152,974	158,155
Loss for the financial year		(652,150)	(674,240)
Other comprehensive income/(loss) for the year			
Effective portion of changes in fair value of cash flow hedge		5,230,706	(3,700,419)
Taxation in respect of items of other comprehensive income		(630,037)	703,078
Other comprehensive income/(loss) for the year		4,600,669	(2,997,341)
Total comprehensive income/(loss) for the year		3,948,519	(3,671,581)

The notes on pages 13 to 30 form part of these financial statements.

All amounts relate to continuing operations.

NPH HEALTHCARE LIMITED
REGISTERED NUMBER: 09310041

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Current assets			
Debtors: amounts falling due within one year	9	3,243,661	3,445,502
Debtors: amounts falling due after more than one year	9	88,538,300	91,926,344
Cash at bank and in hand	10	10,468,534	9,468,300
		<u>102,250,495</u>	<u>104,840,146</u>
Creditors: amounts falling due within one year	11	(11,020,237)	(9,578,707)
Net current assets		91,230,258	95,261,439
Creditors: amounts falling due after more than one year	12	(96,322,067)	104,301,769
Net liabilities		<u>(5,091,809)</u>	<u>(9,040,330)</u>
Capital and reserves			
Called up share capital	16	100	100
Cash flow hedge reserve	17	(4,547,471)	(9,148,142)
Profit and loss account	17	(544,438)	107,712
		<u>(5,091,809)</u>	<u>(9,040,330)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

P A Bannister
Director



30th June 2022

Date:

The notes on pages 13 to 30 form part of these financial statements.

NPH HEALTHCARE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Cash flow hedge reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2021	100	(9,148,142)	107,712	(9,040,330)
Comprehensive loss for the year				
Loss for the year	-	-	(652,150)	(652,150)
Taxation in respect of items of other comprehensive income	-	(630,037)	-	(630,037)
Hedge effective portion of change in fair value of designated hedging	-	5,230,708	-	5,230,708
Total comprehensive income/(loss) for the year	-	4,600,671	(652,150)	3,948,521
At 31 December 2021	100	(4,547,471)	(544,438)	(5,091,809)

The notes on pages 13 to 30 form part of these financial statements.

NPH HEALTHCARE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Cash flow hedge reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2020	100	(6,150,801)	781,952	(5,368,749)
Comprehensive loss for the year				
Loss for the year	-	-	(674,240)	(674,240)
Taxation in respect of items of other comprehensive income	-	703,078	-	703,078
Hedge effective portion of change in fair value of designated hedging	-	(3,700,419)	-	(3,700,419)
Total comprehensive income/(loss) for the year	-	(2,997,341)	(674,240)	(3,671,581)
At 31 December 2020	100	(9,148,142)	107,712	(9,040,330)

The notes on pages 13 to 30 form part of these financial statements.

NPH HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. General information

NPH Healthcare Limited is a private company limited by shares, domiciled and incorporated in England and Wales. The registered office is 3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD. The Company's registered number is 09310041. The principal activities of the Company are set out in the Director's Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland', (FRS 102) and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The Company's ultimate parent undertaking, NPH Healthcare Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of NPH Healthcare Holdings Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemption available under FRS 102 in respect of the following disclosures:

- reconciliation of the number of shares outstanding from the beginning to the end of the period;
- key management personnel compensation

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A.

This information is included in the consolidated financial statements of NPH Healthcare Holdings Limited as at 31 December 2021 and these financial statements may be obtained from Companies House.

NPH HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.3 Going concern

The Company currently has net liabilities of £5,091,809 (2020 - £9,040,330) as a result of accounting for the fair value of interest rate swap agreements, the majority of which do not crystallise as liabilities for a number of years. As such, the Company's forecasts and projections, taking account of the impact of swaps and reasonably possible changes in trading performance, show that it should be able to operate within the level of its current facilities and continue to meet forecast loan covenants. The financial models in place allow the Directors to review cash flows for all periods up to the end of concession, and allow for stress testing of scenarios such as Facilities Management subcontractor insolvency. Due to the contractual nature of the SPV, cash flows are guaranteed with the only risk around going concern being the levels of service which are monitored closely through review of KPIs. The Directors have reviewed the results of these tests and are satisfied that the mechanisms imbedded into the contracts, and reserves held, allow for sufficient headroom on all covenants in the event of adverse circumstances.

The Directors have considered the long term impact of the COVID-19 pandemic. The Company has entered into long-term contracts with its customer and suppliers, and after careful review of these contracts the Directors are confident that the Company can operate as normal for the next twelve months. The Directors have committed to carrying out regular reviews of the Company's cash flows to monitor the ongoing situation.

The Directors have considered the above in conjunction with the modelled performance of the Company and they consider that the Company will remain in operational existence for the foreseeable future and will be able to service the principal and interest repayments required under the finance documents.

For these reasons, the Directors consider that it is appropriate to prepare the Company accounts on a going concern basis.

2.4 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Income received in respect of the service concession is allocated between revenue and capital repayment of, and interest income on, the PFI financial asset using the effective interest rate method. Service revenue is recognised as a margin on non-pass-through operating and maintenance costs.

Pass through income represents the direct pass through of recoverable costs, as specified in the Project Agreement.

Variation income relates to the recharge of costs incurred for the alteration of the facilities or the services provided, requested by the Authority.

2.5 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

NPH HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.7 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the balance sheet, 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

Loan and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Service concession

The Company is a special purpose entity that has been established to provide services under certain private finance agreements with Papworth Hospital NHS Foundation Trust (the Trust). Under the terms of these Agreements, the Trust (as grantor) controls the services to be provided by the Company over the contract term. Based on the contractual arrangements the Company has classified the project as a service concession arrangement, and has accounted for the principal assets of, and income streams from, the project in accordance with FRS 102, Section 34.12 Service Concession Arrangements.

NPH HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.7 Financial instruments (continued)

The Company has chosen to adopt the transitional arrangements available within FRS 102, Section 35.10(i) and as such the service concession arrangement has continued to be accounted for using the same accounting policies being applied at the date of transition to FRS 102 (1 January 2014). The nature of the asset has therefore not changed; however, there has been a change in the description from Finance Debtor to Financial Asset.

Under the terms of the arrangement, the Company has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor (the Trust), and as such the asset is accounted for as a financial asset. The financial asset has initially been recognised at the fair value of the consideration received, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

NPH HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.7 Financial instruments (continued)

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. The effective interest rate method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

- Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

2.8 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

NPH HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.9 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in the statement of comprehensive income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the statement of comprehensive income depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

The Company does not hold or issue derivative financial instruments for speculative purposes.

Hedge accounting

The Company designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the statement of comprehensive income in the periods when the hedged item is recognised in the statement of comprehensive income in the same line as the recognised hedged item. However when the forecast transaction that is hedged results in the recognition of a nonfinancial asset or liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability concerned.

NPH HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.10 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

2.11 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Lifecycle costs

Provisions are made in respect of life cycle maintenance to the extent that the Company is obliged to undertake maintenance in future periods. The result is to spread the total anticipated contractual cost over the course of the concession.

NPH HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.14 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.15 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

NPH HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Hedge accounting

The Directors consider the Company to have met the criteria for cash flow hedge accounting; the Company has therefore recognised fair value movements on derivatives in effective hedging relationships through other comprehensive income as well as the deferred tax thereon.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Valuation of derivative financial instruments

The Directors use their judgement in selecting a suitable valuation technique for derivative financial instruments. All derivative financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases, the Company uses valuation techniques to assess the reasonableness of the valuation provided by the derivative counterparty. These techniques use a discounted cash flow analysis based on market observable inputs derived from similar instruments in similar and active markets. The fair value of derivative financial instruments at the balance sheet date was a liability of £6,063,294 (2020: £11,294,000). The Directors do not consider the impact of own credit risk to be material.

Service concession accounting

Financial Asset Interest Rate - The financial asset interest income is based on the weighted average cost of capital of the project and is applied to the carrying value of the Financial Asset on a quarterly basis. The interest rate used is 3.61% (2020: 3.70%) per annum.

Construction Margin – revenue on construction is recognised at cost plus 0.5% (2020: 0.5%) as profitability is considered to be low with no interim services provided during construction.

FM Operating Margin – revenue on facilities management and other operating costs is recognised at cost plus 3% (2020: 3%) as considered comparable across the market and in line with the reliability at which operating costs can be estimated across the concession.

Lifecycle Margin – revenue on lifecycle costs is recognised at cost plus 8.32% (2020: 8.32%). Lifecycle is considered the most volatile element as the risk is fully retained by the Company.

NPH HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. Judgments in applying accounting policies (continued)

Fair value of interest rate swaps - the fair value of interest rate swaps is determined by reference to mark-to-market valuations provided periodically by the senior lender.

There are no other key sources of estimation uncertainty.

4. Turnover

An analysis of turnover by class of business is as follows:

	2021 £	2020 £
Operational revenue	8,876,140	8,654,964
Pass-through revenue	968,884	1,469,135
	<u>9,845,024</u>	<u>10,124,099</u>

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

Auditor's remuneration was £15,000 (2020 - £13,850) in respect of audit services. Costs incurred in respect of non-audit services in the year were £3,000 (2020 - £6,000).

No Directors are employed directly by the Company (2020 - None). A recharge is made for Directors' services amounting to £53,285 (2020 - £52,646) during the year. The Company had no employees during the year.

6. Interest receivable

	2021 £	2020 £
Financial asset interest income	3,386,664	3,546,746
Other interest receivable	-	2,169
	<u>3,386,664</u>	<u>3,548,915</u>

NPH HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. Interest payable and similar expenses

	2021 £	2019 £
Bank interest payable	2,998,783	3,096,408
Interest payable to parent undertakings	1,499,113	1,344,443
	<u>4,497,896</u>	<u>4,440,851</u>

8. Taxation

A deferred tax charge of £630,037 (2020 - credit of £703,078) has been recognised in other comprehensive income (see note 15).

The total tax charged to profit and loss is as follows;

	2021 £	2019 £
Corporation tax		
Current tax on loss for the year	(152,974)	(158,155)
Taxation on loss on ordinary activities	<u>(152,974)</u>	<u>(158,155)</u>

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2020 - the same as) the standard rate of corporation tax in the UK of 19% (2020 - 19%) as set out below:

	2021 £	2020 £
Loss on ordinary activities before tax	<u>(805,124)</u>	<u>(832,395)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(152,974)	(158,155)
Effects of:		
Losses carried back	-	130,870
Adjustments to tax charge in respect of previous periods	-	(130,870)
Deferred tax credited directly to SOCIE	(630,037)	703,078
Timing differences not recognised in the computation	630,037	(703,078)
Total tax charge for the year	<u>(152,974)</u>	<u>(158,155)</u>

NPH HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

8. Taxation (continued)

Factors that may affect future tax charges

The UK corporation tax rate increase from 19% to 25%, effective 1 April 2023, was enacted following the March 2021 Budget. The deferred tax asset at 31 December 2021 has therefore been calculated using a rate of 25%.

9. Debtors

	2021 £	2020 £
Due after more than one year		
Financial asset	86,786,185	89,697,166
Deferred tax asset	1,752,115	2,229,178
	<u>88,538,300</u>	<u>91,926,344</u>
	2021 £	2020 £
Due within one year		
Financial asset	2,896,255	2,991,529
Trade debtors	57,856	159,538
Tax recoverable	130,688	148,710
Prepayments and accrued income	158,862	145,725
	<u>3,243,661</u>	<u>3,445,502</u>

10. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	10,468,534	9,468,300
	<u>10,468,534</u>	<u>9,468,300</u>

As at 31 December 2021 no amounts (2020: £750,000) were held in Escrow and restricted as per the associated account agreement.

NPH HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. Creditors: Amounts falling due within one year

	2021 £	2020 £
Bank loans	2,802,710	2,706,366
Trade creditors	961,326	1,047,606
Amounts owed to group undertakings	5,027,041	3,533,209
Other taxation and social security	288,224	346,534
Accruals and deferred income	1,940,936	1,944,992
	<u>11,020,237</u>	<u>9,578,707</u>

Bank loans of £2,802,710 (2020 - £2,706,366) are secured on the assets of the company.

12. Creditors: Amounts falling due after more than one year

	2021 £	2020 £
Bank loans	79,395,722	82,149,999
Amounts owed to group undertakings	10,863,051	10,857,770
Interest rate swap	6,063,294	11,294,000
	<u>96,322,067</u>	<u>104,301,769</u>

Bank loans of £79,395,722 (2020 - £82,149,999) are secured on the assets of the company.

NPH HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. Loans

Analysis of the maturity of loans is given below:

	2021 £	2020 £
Amounts falling due within one year		
Bank loans	2,880,917	2,791,078
Arrangement fees	(83,488)	(89,993)
	<u>2,797,429</u>	<u>2,701,085</u>
Amounts falling due 1-2 years		
Bank loans	3,113,118	2,880,917
Amounts owed to group undertakings	191,706	-
Arrangement fees	(80,625)	(87,166)
	<u>3,224,199</u>	<u>2,793,751</u>
Amounts falling due 2-5 years		
Bank loans	8,895,751	9,115,696
Amounts owed to group undertakings	610,425	737,483
Arrangement fees	(224,765)	(243,580)
	<u>9,281,411</u>	<u>9,609,599</u>
Amounts falling due after more than 5 years		
Bank loans	68,265,584	71,158,756
Amounts owed to group undertakings	10,199,541	10,264,189
Arrangement fees	(711,962)	(818,527)
	<u>77,753,163</u>	<u>80,604,418</u>
	<u>93,056,202</u>	<u>95,708,853</u>

NPH HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

13. Loans (continued)

The loan amounts shown above are recognised at the Effective Interest Rate.

The Company has two loan facilities, being a Term Loan with KfW, and a Term Loan with EIB.

The KfW Term Loan totals to £46,659,074 of which £41,884,975 (2020 - £43,229,691) remains outstanding at the year end. The loan is secured on the assets of the Company. Interest is charged at the rate of LIBOR plus a margin of 1.2%. The base facility matures on 5th November 2046.

The EIB Term Loan totals to £46,275,044 of which £41,270,395 (2020 - £42,716,756) remains outstanding at the year end. The loan is secured on the assets of the Group. Interest is charged at the rate of 3.092%. The base facility matures on 5th February 2046.

The parent company shareholders subscribed £11,001,672 on 22nd January 2018 for Loan Notes issued by the parent company, which subsequently loaned this amount to the SPV. The loan from the parent company bears interest at 9.5% per annum and is repayable in semi-annual installments from 30th June 2023. The parent company Loan Notes are subordinated debt and will be settled once all senior loans have been repaid.

The Company has entered into an interest rate swap agreement in order to convert the variable interest rates payable on the debts to a fixed rate. The swap has the effect of fixing the interest rate at 2.39% for the life of the KfW Term loan.

14. Financial instruments

	2021 £	2020 £
Financial liabilities		
Derivative financial instruments designated as hedges of variable interest rate risk	(6,063,294)	(11,294,000)

Derivative financial instruments designated as hedges of variable interest rate risk comprise an interest rate swap. The fair value of the interest rate swap has been determined by reference to prices available from the markets on which the instruments involved are traded.

The following tables indicate the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models:

NPH HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

14. Financial instruments (continued)

2021

	Carrying amount £	Total Expected Cash Flows £	1 year or less £	1 to 2 years £	2 to 5 years £	5 years and over £
Interest rate swaps						
Liabilities	<u>6,063,294</u>	<u>7,632,005</u>	<u>753,379</u>	<u>365,687</u>	<u>1,119,048</u>	<u>5,393,890</u>

2020

	Carrying amount £	Total expected Cash Flows £	1 year or less £	1 to 2 years £	2 to 5 years £	5 years and over £
Interest rate swaps						
Liabilities	<u>11,294,000</u>	<u>12,209,076</u>	<u>982,264</u>	<u>973,380</u>	<u>2,471,948</u>	<u>7,781,484</u>

15. Deferred taxation

	2021 £
At beginning of year	2,229,178
Charged to the profit or loss	152,974
Charged to other comprehensive income	(630,037)
At end of year	<u>1,752,115</u>

The deferred tax asset is made up as follows:

	2021 £	2020 £
Tax losses carried forward	236,291	83,318
Deferred tax on derivative financial instruments	1,515,824	2,145,860
	<u>1,752,115</u>	<u>2,229,178</u>

NPH HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

16. Share capital

	2021 £	2020 £
Called up share capital		
- 100 (2020 - 100) Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

17. Reserves

Cash flow hedge reserve

The cash flow hedge reserve includes all current and prior period change in fair value of designated hedging and the associated tax movement.

Profit and loss account

The profit and loss account includes all current and prior period retained profit and losses.

18. Related party transactions

Disclosures need not be given of transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

	2021 Expense £	2020 Expense £
Skanska Infrastructure Development UK Ltd	26,825	26,323
Equitix Capital Eurobond 3 Ltd	26,825	39,325
	<u>53,650</u>	<u>65,648</u>

Transactions with Skanska Infrastructure Development UK Ltd, a related party by virtue of its 50% shareholding in NPH Healthcare (Holdings) Limited, relate to directors' fees. There were no balances outstanding at the year-end.

Transactions with Equitix Capital Eurobond 3 Ltd, the immediate parent company of Equitix Infrastructure 3 Limited, which owns 50% of shares in NPH Healthcare (Holdings) Limited, relate to directors' fees. There were no balances outstanding at the year-end.

NPH HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

19. Controlling party

The Company's immediate parent company is NPH Healthcare (Intermediate) Limited, which is 100% owned by NPH Healthcare (Holdings) Limited. The Company's results are consolidated within NPH Healthcare (Holdings) Limited, a company registered in England and Wales. The consolidated financial statements of this group are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

In the Directors' opinion there is no ultimate controlling party.