

Company registration number 04668140 (England and Wales)

**DERBY HEALTHCARE PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

# DERBY HEALTHCARE PLC

## COMPANY INFORMATION

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|-----------------------------|----------------------------------------------------------------------------------------|
| <b>Directors</b>            | Mrs G Birley-Smith<br>Mr R Sheehan<br>Mr M Fry                                         |
| <b>Secretary</b>            | Vercity Social Infrastructure (UK) Limited                                             |
| <b>Company number</b>       | 04668140                                                                               |
| <b>Registered office</b>    | 8 White Oak Square<br>London Road<br>Swanley<br>Kent<br>BR8 7AG                        |
| <b>Independent auditors</b> | PricewaterhouseCoopers LLP<br>Atria One<br>144 Morrison Street<br>Edinburgh<br>EH3 8EX |
| <b>Banker</b>               | BNP Paribas<br>10 Harewood Avenue<br>London<br>NW1 6AA                                 |
| <b>Solicitors</b>           | Clyde & Co<br>The St Botolph Building<br>138 Houndsditch<br>London<br>EC3A 7AR         |

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# DERBY HEALTHCARE PLC

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# DERBY HEALTHCARE PLC

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2023

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

#### **Business Review and Principal Activities**

The principal activity of the company is to design, build, finance, operate and maintain a Hospital in accordance with a forty year contract (the "Project Agreement" or "Contract") with University Hospitals of Derby and Burton NHS Foundation Trust (the "Trust"). Contract negotiations were successfully completed in September 2003 and construction commenced immediately. The project has been fully operational since 2008.

#### **Principal Risks and Uncertainties**

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:

##### ***Lifecycle***

The principal risk borne by the company is that lifecycle costs exceed those forecast in the financial model agreed at financial close. Increased lifecycle costs are therefore the greatest risk to breaching the ratio covenants in the Collateral Deed. This risk is mitigated by future estimates of lifecycle expenditure being prepared by maintenance experts on an asset by asset basis and by the periodic technical evaluations of the physical condition of the facilities. In addition, comparisons of actual expenditure are compared to the lifecycle forecast.

##### ***Availability under the project agreement***

Investment in the project is funded primarily by the Bonds and subordinated unsecured loan stock. During the operational phase the principal source of funds available to meet its liabilities under the Bonds will be the unitary charge received from the Trust under the Project Agreement. Failure to achieve the forecast levels of availability would result in lower than forecast revenues and this may adversely affect the company's ability to make payments to Bondholders. Deductions of £143,000 (2022: £173,000) were incurred in the year, these were recovered from the service provider, resulting in a net deduction of £Nil (2022: £Nil).

##### ***Service performance***

Performance risk under the Project Agreement and related contracts are substantially passed on to the service providers. The obligations of these subcontractors are underwritten by parent company guarantees. Ultimately, poor performance may result in the Trust having the right to terminate the Project Agreement. As noted in the discussion of the company's KPIs, the levels of deductions levied in the year were low and are not considered to pose a risk to the project.

##### ***Service provider failure***

The likelihood of this risk is assessed through the review of service provider financial statements and through discussions with the service providers. The company currently considers the likelihood of this risk as being low. However, as continuity of service delivery is of paramount importance, the company has a Business Continuity Plan which details how the company would deal with a service provider failure. This includes directly employing staff and sub-contractors until a replacement sub-contractor is in place.

##### ***Liquidity risk***

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business. At the start of the PFI contract, the company negotiated debt facilities with an external party to ensure that the company has sufficient funds over the life of the PFI concession.

##### ***Credit risk***

The company's principal financial assets are cash, finance debtor and trade and other receivables. The company's credit risk is primarily attributable to its trade receivables which are with one counterparty, although in the opinion of the board of directors this risk is limited as the receivables are with a NHS Trust.

# DERBY HEALTHCARE PLC

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2023

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#### Principal Risks and Uncertainties (continued)

##### **Interest risk**

The guaranteed secured bonds and unsecured subordinated loan notes both have a fixed rate until 2041, thus there is no interest risk associated with these financial liabilities. Rising interest rates have a beneficial impact on the company as the company has significant cash balances upon which it earns interest income.

##### **Inflation risk**

As the company's debt is fixed rate, rising inflation has a beneficial impact on the company as the increase in Unitary Charge income offsets any increase in operating costs.

##### **Economic outlook**

The directors have considered the general economic outlook, taking into account the Ukraine conflict, inflation and interest rates, but consider that the company and its ability to continue as a Going Concern is not adversely affected. To date the Ukraine conflict has not adversely impacted the company.

#### **Development and Performance**

Turnover in the year increased to £68,251,000 (2022: £61,788,000). This is primarily due to inflation uplifts on service costs resulting in higher services income, as a mark-up is applied to these service costs. The inflation uplifts to service costs are governed by the project contracts. Pass through and variation income has increased by £2,276,000 compared to the prior year however, as this is income that is passed through with no mark-up on costs, there is no gross profit impact.

Gross profit has increased to £11,080,000 (2022: £10,466,000).

Interest receivable and similar income has increased to £19,324,000 (2022: £18,556,000). Interest on bank deposits has increased considerably due to increased deposit rates on offer. This has offset the decrease in interest receivable on the Finance Debtor which reduces in proportion with the reduction in the Finance Debtor balance.

Interest payable and similar expenses has decreased to £29,493,000 (2022: £29,696,000). Interest payable on the bonds has reduced in proportion with the reduction in the bond balance, but interest on subordinated debt has increased to £7,821,000 (2022: £7,682,000). This is a result of compounded interest because since 2016 not all of the subordinated interest due has been paid. In accordance with the unsecured subordinated loan notes 2041, the unpaid interest has been added to the outstanding balance and hence the increased balance results in the increased interest payable. The subordinated debt balance as at 31 December 2023 was £61,811,000 (2022: £56,235,000).

The impact of these movements has resulted in a profit before taxation of £911,000 compared to the prior year loss before taxation of £674,000.

At 31 December 2023 the company had net liabilities of £33,961,000 (2022: net liabilities of £34,809,000).

Financial covenants have been met during the year and having considered the anticipated future performance and position of the company the directors are of the opinion that the covenants will continue to be met in the future.

The Finance Debtor is being amortised over the life of the concession and the carrying value at the reporting date is £281,864,000 (2022: £288,993,000). The Finance Debtor amortisation during the year was £7,128,000 (2022: £6,702,000). The directors believe the Finance Debtor to be recoverable over the term of the Project Agreement.

During the year principal payments were made on the Secured Guaranteed Bonds of £3,260,000 (2022: £6,808,000). Scheduled loan repayment dates are typically 30 June and 31 December each year, however the scheduled repayment dates for 2023 were 30 June 2023 and 2 January 2024, hence the lower amount paid within the year compared to 2022.

During the year the company has not repaid any of the subordinated unsecured loan stock as scheduled repayments do not commence until 2041.

# DERBY HEALTHCARE PLC

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2023

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#### Key Performance Indicators

Financial penalties are levied by the Trust in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service providers, but the quantum is an indication of unsatisfactory performance. During the financial year deductions of £143,000 (2022: £173,000) were levied by the Trust and passed onto the service providers to the fullest extent possible. This deduction amounts to only 0.46% (2022: 0.61%) of the total fees charged by the service providers. The directors consider this low level of deduction to be satisfactory.

The directors have modelled the anticipated financial outcome of the project across the term of the contract up to the end of the concession. The directors monitor actual performance against this anticipated performance. As stated above the company's performance as at 31 December 2023 against this measure was considered satisfactory.

The company is providing a full range of facilities management services as required under the Project Agreement at a satisfactory level.

#### Section 172 Companies Act 2006 Statement

The directors have a duty to promote the success of the company for the benefit of the shareholders as a whole and to describe how this duty has been performed with regard to those matters set out in section 172(1) of the Companies Act 2006 ("section 172").

The directors have identified the company's main stakeholders as the following:

i. The company's shareholders, bondholders and Credit Provider

Principal considerations of the board are whether the investment objective of the company is meeting shareholder and bondholder expectations and how the manager implements the objective. These are discussed at all board meetings, which are held regularly throughout the year.

The Bonds are secured by an irrevocable financial guarantee policy issued by MBIA Assurance S.A (succeeded by Assured Guaranty UK Limited), the Credit Provider. The board regularly discuss the obligations under this policy and how the manager is fulfilling these at board meetings and through engagement with the senior management of the manager. The board frequently engages with the Credit Provider and keeps them updated on matters as required.

ii. The Trust

The board recognises the importance of working in partnership with the Trust, to successfully deliver a key public infrastructure asset. On behalf of the company, the manager fosters this partnership through regular meetings with the client representatives and other key managers. The manager provides regular monthly reporting to the Trust on the performance of its obligations under the PFI arrangement. Periodically the directors will also meet with the Trust to discuss key service delivery matters.

iii. The sub-contractors

On behalf of the company, the manager seeks to maintain a constructive relationship with the sub-contractors by meeting regularly. The sub-contractors' reports provided to the company contain service provision information and relevant information about the performance of the PFI contract. These reports are reviewed by both the manager and the board. Periodically the directors will also meet with the sub-contractors to discuss key service delivery matters.

iv. The manager

The company has outsourced the management of the company to Vercity Social Infrastructure (UK) Limited ("Vercity"), the manager. The delivery by the manager of its services is fundamental to the long term success of the company. The board seeks to engage regularly with the manager through a number of forums, including at board meetings, portfolio briefings and through engagement with the manager's senior leadership team. Regular reporting is provided to the board by the manager, which will alert the board to changes to regulation or market practice, which will inform the board's decision making.

# DERBY HEALTHCARE PLC

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2023

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Throughout the year the board has made due consideration during its discussions and decision-making of the matters set out in section 172 and below is a description of how the directors have had regards to these matters when performing their duties:

a. The likely consequences of any decision in the long term

The company has made no decisions during the year that have material long term consequences.

b. The interests of the company's employees

As an externally managed company, the company's activities are all outsourced and therefore it does not have any employees. The company does however, pay due regard to the interests and safety of all those engaged by contractors to the company to perform services on its behalf. This is performed by undergoing an external health and safety review and performing regular health and safety inspections.

c. The need to foster the company's business relationships with suppliers, customers and others

The company is committed to upholding the underlying principle of PFI of working in partnerships with all parties to the arrangement. As noted above, the company has policies and procedures to ensure regular communication is maintained between the parties and ensure that the supply chain is managed effectively in order that company obligations to the Trust and sub-contractors can be upheld.

d. The impact of the company's operations on the community and the environment

The company has very limited direct impact on the environment as it has no greenhouse gas emissions. Notwithstanding that the company is committed to minimising environmental disruption from its activities. The board upholds the company's environmental policy in all its activities and requires all parties to the arrangement to do the same.

The board recognises that the company is a key partner in the delivery of public infrastructure and encourages its partners in considering and delivering Environmental, Social and Governance (ESG) values and initiatives to achieve socially responsible investing.

e. The desirability of the company maintaining a reputation for high standards of business conduct

The company is committed, in its day to day operations and dealings with all affiliates to uphold the highest standard of business conduct and integrity. The directors are not responsible for setting a "business culture" in the traditional sense but are committed to understanding the culture of the manager and sub-contractors and raise any concerns in this regard if necessary.

f. The need to act fairly between members of the company

The company is solely owned by one member and therefore has no fairness considerations needed to made during decision making.

The directors are cognisant of their duty under s172 in their deliberation as a board on all matters. Decisions made by the board take into account the interests of all the company's key stakeholders and reflect the board's belief that the long term sustainable success of the company is linked directly to its key stakeholders.

On behalf of the board



Mr R Sheehan

**Director**

**29 April 2024**

Date: .....

# DERBY HEALTHCARE PLC

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2023

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

#### Results and dividends

The results for the year are set out on page 15.

No interim dividends were paid (2022: £nil). The directors do not recommend payment of a final dividend.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mrs G Birley-Smith  
Mr R Sheehan  
Mr M Fry

#### Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future based upon cashflow forecasts and stress testing of those forecasts. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in Note 1 of the Accounting Policies.

#### Stakeholder Engagement

Stakeholder engagement is discussed fully in pages 3 and 4 of the Strategic Report.

#### 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 date of approval of these financial statements.

#### Future developments

The directors are not aware, at the date of this report, of any major changes in the company's activities in the next year.

#### Auditors

PricewaterhouseCoopers LLP were appointed as auditors to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

#### Audit Committee

The Audit Committee oversees external financial reporting and monitors the work of the external auditors. The Committee reviews the external auditor's assessment of their independence and ensures that auditor rotation rules are adhered to. The Committee members are Richard Sheehan and Mike Fry. The Board are satisfied that the committee membership independence requirements are met, as the management of the company is outsourced to the MSA provider. The Committee, chaired by Mike Fry, met twice during 2023.

#### Internal Controls

The Board have overall responsibility for ensuring that the company has adequate risk management and internal controls in relation to the financial reporting process. The Board have policies in place which ensure clear division of roles and responsibilities for the purpose of effectively managing risks. The Board review these policies on annual basis and update as required. The Board meet regularly throughout the year to review financial performance and forecasts. In addition, a risk register is maintained, which tracks risks and their mitigating controls. Further detail of identified risks and risk management is presented in the Strategic Report on pages 1-4.

#### Energy and carbon report

As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.



# DERBY HEALTHCARE PLC

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2023**

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### Statement of disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



.....  
Mr R Sheehan

Director

29 April 2024

Date: .....

# DERBY HEALTHCARE PLC

## DIRECTORS' RESPONSIBILITIES STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2023

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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

Each of the directors, whose names and functions are listed in Company Information confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102, give a true and fair view of the assets, liabilities, financial position and profit of the company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

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.

# DERBY HEALTHCARE PLC

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF DERBY HEALTHCARE PLC

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

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##### **Opinion**

In our opinion, Derby Healthcare Plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, 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 December 2023; the 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.

Our opinion is consistent with our reporting to the Audit Committee.

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

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

##### **Independence**

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

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

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

# DERBY HEALTHCARE PLC

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DERBY HEALTHCARE PLC

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### Our audit approach

#### Context

First year statutory audit of the financial statements of Derby Healthcare Plc.

#### Overview

Audit scope

- We have performed a full scope audit of all material balances within the entity.

#### Key audit matters

- Risk of incorrect turnover recognition as a result of inappropriate calculation and allocation of the unitary charge

#### Materiality

- Overall materiality: £1,442,400 based on 5% of gross profit + finance debtor interest.
- Performance materiality: £1,081,800.

### The scope of our audit

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

#### Key audit matters

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

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

# DERBY HEALTHCARE PLC

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DERBY HEALTHCARE PLC

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### Key audit matter

*Risk of incorrect turnover recognition as a result of inappropriate calculation and allocation of the unitary charge*

Derby Healthcare Plc is in a service concession arrangement with University Hospital of Derby and Burton NHS Foundation Trust ("the Trust") for the design, finance and construction of certain new buildings and refurbishment of Derby City General Hospital and network cabling, and the subsequent ongoing maintenance. The company accounts for the service concession arrangement as a finance debtor with amortisation and finance income recognised each year at a constant rate. The unitary charge payments received from the Trust for the service concession arrangement are allocated to turnover, finance income and the finance debtor amortisation. The allocation to turnover is calculated by applying a margin to the costs incurred in the ongoing maintenance of the asset. This can result in an accrued or deferred position accounted for within other debtors, which is presented within 'Debtors' (Note 9). Due to the judgement required to estimate the margin and the significant impact that the allocation of the unitary charge has on key accounts: turnover, finance income and the finance debtor, including those most susceptible to fraudulent manipulation, we consider this risk to be a key area of focus.

### How our audit addressed the key audit matter

Our audit addressed the risk as follows:

- tested a sample of unitary charge payments received from the customer, agreeing to invoice and evidence of cash receipt and used this to determine an expectation for total value of payments received in the year;
- compared the margin applied in the current year to the margin applied in the prior year. Where there was a material movement in the margin, we sought to understand and corroborate the factors that have driven this change. This included analysing the project financial models to establish any changes in trends for expected future costs which impact the lifetime margin of the project, and investigating unusual trends in key elements of the project forecasts;
- recalculated the revenue recognised by applying the margin to qualifying costs incurred in the year ended 31 December 2023; and
- re-performed the allocation of the unitary payment between turnover, finance debtor amortisation, finance income and where applicable the accrued service concession income and checked that the allocated amounts had been recognised appropriately.

Our audit work did not identify any issues and we therefore concluded that there was no material misstatement in any of the impacted financial statement line items.

### How we tailored the audit scope

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

The company's financial statements comprise solely the special purpose vehicle which was subject to a full scope audit. The principal activities of the companies is the provision, operation and maintenance of Derby City General Hospital.

### The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

# DERBY HEALTHCARE PLC

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DERBY HEALTHCARE PLC

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### Materiality

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

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

|                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Overall company materiality</i>     | £1,442,400.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <i>How we determined it</i>            | 5% of gross profit + finance debtor interest                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <i>Rationale for benchmark applied</i> | We believe that gross profit adjusted for finance debtor interest is an appropriate benchmark as it approximates the cash flow of the SPV that is used by management to track the performance of the project and takes into account revenue, related costs of providing the service as well as interest on the finance debtor which constitutes a significant portion of the unitary charge received from the project's customer. This metric focuses on profitability and is easy to interpret and also to calculate from balances that is presented in the financial statements. |

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1,081,800 for the company financial statements.

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

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £144,240 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

# DERBY HEALTHCARE PLC

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DERBY HEALTHCARE PLC

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### Conclusions relating to going concern

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

- Obtaining and testing the mathematical accuracy of the latest financial model which sets out the expected income and costs over the life of the project and calculates the margins to be recognised each period;
- Performing a look back test by comparing the current year financial statement balances to the prior year model to assess management's ability to forecast;
- Assessing the reasonableness of the current year financial model by reviewing the trends in finance debtor amortisation, finance debtor interest and the unitary charge split over the life of the project; and
- Testing historic and prospective compliance with debt covenants and reviewing the company's cashflow forecast included in the latest financial model and determining if the entity has sufficient headroom to meet its liabilities as they fall due.

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

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

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

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

### Reporting on other information

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

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 December 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.

# DERBY HEALTHCARE PLC

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DERBY HEALTHCARE PLC

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### Responsibilities for the financial statements and the audit

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

As explained more fully in the Directors' Responsibilities Statement, 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.

#### 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 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 the Companies Act 2006, UK tax legislation and listing rules, 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 manipulation of the distributable reserves available to shareholders, through posting inappropriate journal entries to increase revenue or making inappropriate distributions or payments from the company. Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation and instances of fraud;
- Understanding of management's controls designed to prevent fraud and detect irregularities;
- Review of board minutes; and
- Identifying and testing journal entries to assess whether any of the journals appeared unusual, for example impacting revenue and distributable reserves.

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

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

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



# DERBY HEALTHCARE PLC

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DERBY HEALTHCARE PLC

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### Use of this report

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

### Other required reporting

#### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

### Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 5 January 2024 to audit the financial statements for the year ended 31 December 2023 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.



**Paul Cheshire (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
**Chartered Accountants and Statutory Auditors**  
**Edinburgh**  
29 April 2024

# DERBY HEALTHCARE PLC

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

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|                                             | Notes    | 2023<br>£000      | 2022<br>£000        |
|---------------------------------------------|----------|-------------------|---------------------|
| <b>Turnover</b>                             | <b>3</b> | 68,251            | 61,788              |
| Cost of sales                               |          | (57,171)          | (51,322)            |
| <b>Gross profit</b>                         |          | <u>11,080</u>     | <u>10,466</u>       |
| <br>Interest receivable and similar income  | <b>6</b> | 19,324            | 18,556              |
| Interest payable and similar expenses       | <b>7</b> | (29,493)          | (29,696)            |
| <b>Profit/(loss) before taxation</b>        |          | <u>911</u>        | <u>(674)</u>        |
| <br>Tax on profit/(loss)                    | <b>8</b> | (63)              | (161)               |
| <b>Profit/(loss) for the financial year</b> |          | <u><u>848</u></u> | <u><u>(835)</u></u> |

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 18 to 31 form part of these financial statements.

# DERBY HEALTHCARE PLC

## BALANCE SHEET

AS AT 31 DECEMBER 2023

|                                                                | Notes | 2023<br>£000 | £000      | 2022<br>£000 | £000      |
|----------------------------------------------------------------|-------|--------------|-----------|--------------|-----------|
| <b>Current assets</b>                                          |       |              |           |              |           |
| Debtors: amounts falling due after more than one year          | 9     | 338,363      |           | 345,176      |           |
| Debtors: amounts falling due within one year                   | 9     | 22,025       |           | 16,947       |           |
| Cash at bank and in hand                                       | 10    | 58,745       |           | 39,834       |           |
|                                                                |       | 419,133      |           | 401,957      |           |
| <b>Creditors: amounts falling due within one year</b>          | 11    | (43,374)     |           | (26,580)     |           |
| <b>Net current assets</b>                                      |       |              | 375,759   |              | 375,377   |
| <b>Creditors: amounts falling due after more than one year</b> | 12    |              | (409,720) |              | (410,186) |
| <b>Net liabilities</b>                                         |       |              | (33,961)  |              | (34,809)  |
| <b>Capital and reserves</b>                                    |       |              |           |              |           |
| Called up share capital                                        | 15    |              | 50        |              | 50        |
| Profit and loss account                                        |       |              | (34,011)  |              | (34,859)  |
| <b>Total shareholders' deficit</b>                             |       |              | (33,961)  |              | (34,809)  |

The notes on pages 18 to 31 form part of these financial statements.

29/04/24

The financial statements on pages 21 to 33 were approved by the Board of Directors on ..... and are signed by:



Mr R Sheehan  
Director

Company Registration No. 04668140

# DERBY HEALTHCARE PLC

## STATEMENT OF CHANGES IN EQUITY

**FOR THE YEAR ENDED 31 DECEMBER 2023**

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|                                       | Called up<br>Share<br>capital<br>£000 | Profit and<br>loss<br>account<br>£000 | Total<br>£000   |
|---------------------------------------|---------------------------------------|---------------------------------------|-----------------|
| <b>Balance at 1 January 2022</b>      | 50                                    | (34,024)                              | (33,974)        |
| <b>Year ended 31 December 2022:</b>   |                                       |                                       |                 |
| Loss and total comprehensive expense  | -                                     | (835)                                 | (835)           |
|                                       | <hr/>                                 | <hr/>                                 | <hr/>           |
| <b>Balance at 31 December 2022</b>    | 50                                    | (34,859)                              | (34,809)        |
| <b>Year ended 31 December 2023:</b>   |                                       |                                       |                 |
| Profit and total comprehensive income | -                                     | 848                                   | 848             |
|                                       | <hr/>                                 | <hr/>                                 | <hr/>           |
| <b>Balance at 31 December 2023</b>    | <u>50</u>                             | <u>(34,011)</u>                       | <u>(33,961)</u> |

The notes on pages 18 to 31 form part of these financial statements.

# DERBY HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2023

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#### 1 Accounting policies

##### Company information

Derby Healthcare Plc is a public company limited by shares incorporated in the United Kingdom. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below and have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Derby Healthcare (Holdings) Limited. These consolidated financial statements are available from its registered office.

# DERBY HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

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### 1 Accounting policies

(Continued)

#### 1.2 Going concern

Notwithstanding net liabilities of £33,961,000 (2022: £34,809,000) as at 31 December 2023, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts covering a period of at least 12 months from the signing date of these financial statements which indicate that the company will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement and the directors expect these amounts to be received even in severe but plausible downside scenarios. The company continues to operate in accordance with the contract and the hospital is available to be used. As a result the company does not believe there is any likelihood of a material impact to the unitary payment. The directors have considered the potential impact of the current economic environment, which includes the company's operating cash inflows which are largely dependent on the unitary charge payments. All unitary charge payments have been received on time and in full and the directors expect this to continue.

The directors have assessed the viability of its main sub-contractors and reviewed the contingency plans of the sub-contractors and are satisfied in their ability to provide the services in line with the contract without significant additional costs to the company, even in downside scenarios, due to the underlying contractual terms. To date, there has been no adverse impact on the services provided by the company or its subcontractors arising from the current economic climate. However, in the unlikely event of a subcontractor failure, the company has its own business continuity plans to ensure that service provision will continue.

Consequently, the directors at the time of approving the financial statements have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.3 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 at nil or negligible margin, as specified in the Project Agreement.

Variation income relates to the recharge of costs, at nil or negligible margin, incurred for the alteration of the facilities or the services provided, requested by the Trust.

#### 1.4 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

# DERBY HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

---

### 1 Accounting policies

(Continued)

#### 1.5 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 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.

##### **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.

##### **Trade and other debtors**

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### **Accrued service concession income**

Accrued service concession income relates to future periods income for services already performed.

##### **Cash and short term deposits**

Cash and cash equivalents comprise cash balances and call deposits with a maturity less than 3 months. Short term deposits comprise of deposits with a maturity of more than 3 months.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Loans 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.

# DERBY HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

---

### 1 Accounting policies

(Continued)

#### **Service Concession**

The company is an operator of a Public Finance Initiative ("PFI") contract. The company entered into a project agreement (the "contract") with the Trust to design, build, finance, operate and maintain the Royal Derby Hospital and the London Road Community Hospital. The contract negotiations were successfully completed in September 2003 and construction commenced immediately. The project has been fully operational since 2008. The concession period is for 40 years, during this period the company has contracted to provide hard and soft facilities management services to the Trust. The company has passed these obligations down to Skanska Rashleigh Weatherfoil Ltd ("Skanska") and ISS Mediclean Limited ("ISS") respectively via subcontracts. The obligation to provide major maintenance works (lifecycle) is undertaken by Skanska, however, as discussed in the strategic report, the risk that the costs exceed those forecast in the financial model is borne by the company. The timing and extent of the major maintenance works is a key assumption that will affect the cashflows of the company, further information is shown in Note 2. The contract does not entitle the Trust to any share of the profits of the company. The Trust is entitled to terminate the Contract at any time by giving six months written notice. If the Trust exercises this right they are liable to pay the company compensation as set out in the Contract, which would include the senior debt, redundancy costs, subcontractor losses, and the market value of the subordinated debt. As the company entered into the contract prior to the date of transition to FRS102, the company has taken advantage of the exemption in section 35.10 (i) of FRS102 which permit it to continue to account for the service concession arrangements under the accounting policies adopted under old UK GAAP. In particular, the underlying asset is not deemed to be an asset of the company under old UK GAAP, because the risks and rewards of ownership as set out in that standard are deemed to lie principally with the Trust.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase the Trust pays the company a fixed Unitary Charge payment, as determined in the Contract, that is inflated by RPI each year. Income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is deferred on the balance sheet and subsequently included within turnover in accordance with FRS102 section 23. The company recognises revenue in respect of the services provided, including lifecycle services (the costs for which are recognised when incurred), as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services. As a result, the Unitary Charge Control Account may represent either deferred or accrued income. The Unitary Charge Control Account is considered to be fully recoverable as forecast in the financial model.

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit or loss, 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, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.



# DERBY HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

---

### 1 Accounting policies

(Continued)

#### **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, bonds, 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.

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

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.

#### **Trade and other creditors**

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### **Interest-bearing borrowings classified as basic financial instruments**

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### **Other financial liabilities**

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### **Derecognition of financial liabilities**

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

### 1.6 Equity instruments

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

### 1.7 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.

# DERBY HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

---

### 1 Accounting policies

(Continued)

#### ***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 statement of comprehensive income, 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.

# DERBY HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

### 2 Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may 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 if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the company's accounting policies are described below:

#### Critical judgements

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

#### Service concession arrangement

Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the service concession contract. Lifecycle costs are a significant proportion of future expenditure. Given the length of the Company's service concession contract, the forecast of lifecycle costs is subject to significant estimation uncertainty and changes in the amount and timing of expenditure could have material impacts. As a result, there is a significant level of judgement applied in estimating future lifecycle costs. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis and periodic technical evaluations of the physical condition of the facilities are undertaken. In addition, comparisons of actual expenditure are compared to the lifecycle forecast. If lifecycle costs cumulatively over the remainder of the concession increased by 5% the impact on revenue and profit in the year would have been a decrease in revenue of £351,000 (2022: £442,000) and a decrease in the profit before tax of £351,000 (2022: £442,000).

#### Deferred tax asset recoverability

Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognised in respect of deferred tax assets as well as in the amounts recognised in income in the period in which the change occurs.

### 3 Turnover

An analysis of the company's turnover is as follows:

|                                               | 2023<br>£000  | 2022<br>£000  |
|-----------------------------------------------|---------------|---------------|
| <b>Turnover analysed by class of business</b> |               |               |
| Services income                               | 49,691        | 45,518        |
| Pass through and variation income             | 18,395        | 16,119        |
| Other Income                                  | 165           | 151           |
|                                               | <u>68,251</u> | <u>61,788</u> |

# DERBY HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

### 4 Auditors' remuneration

|                                                        | 2023<br>£000 | 2022<br>£000 |
|--------------------------------------------------------|--------------|--------------|
| Fees payable to the company's auditors and associates: |              |              |
| <b>For audit services</b>                              |              |              |
| Audit fee for the financial statements of the company  | 32           | 38           |

### 5 Employees

The company had no employees during the year (2022: nil).

### 6 Interest receivable and similar income

|                                       | 2023<br>£000 | 2022<br>£000 |
|---------------------------------------|--------------|--------------|
| Interest on bank deposits             | 1,556        | 362          |
| Interest receivable on finance debtor | 17,768       | 18,194       |
|                                       | 19,324       | 18,556       |

### 7 Interest payable and similar expenses

|                                                                      | 2023<br>£000 | 2022<br>£000 |
|----------------------------------------------------------------------|--------------|--------------|
| <b>Interest on financial liabilities measured at amortised cost:</b> |              |              |
| Interest on bonds                                                    | 20,858       | 21,188       |
| Interest on subordinated debt                                        | 7,821        | 7,682        |
|                                                                      | 28,679       | 28,870       |
| <b>Other finance costs:</b>                                          |              |              |
| Amortisation of finance arrangement costs                            | 814          | 826          |
|                                                                      | 29,493       | 29,696       |

### 8 Tax on profit/(loss)

|                                              | 2023<br>£000 | 2022<br>£000 |
|----------------------------------------------|--------------|--------------|
| <b>Current tax</b>                           |              |              |
| UK corporation tax on profits for the period | 55           | 31           |
| Adjustments in respect of prior periods      | (31)         | -            |
| Total current tax                            | 24           | 31           |

# DERBY HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

### 8 Tax on profit/(loss)

(Continued)

|                                           | 2023<br>£000 | 2022<br>£000 |
|-------------------------------------------|--------------|--------------|
| <b>Deferred tax</b>                       |              |              |
| Effect of change in corporation tax rate  | -            | 31           |
| Adjustment in respect of prior periods    | (130)        | -            |
| Utilisation of tax losses brought forward | 169          | 99           |
|                                           | <u>39</u>    | <u>130</u>   |
| Total deferred tax                        |              |              |
|                                           | <u>39</u>    | <u>130</u>   |
| Total tax charge                          | <u>63</u>    | <u>161</u>   |

All tax has been charged to the statement of comprehensive income with none charged through other comprehensive income.

The actual charge for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

|                                                                                                               | 2023<br>£000 | 2022<br>£000 |
|---------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Profit/(loss) before taxation                                                                                 | <u>911</u>   | <u>(674)</u> |
| Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 23.50% (2022: 19.00%) | 214          | (128)        |
| Tax effect of expenses that are not deductible in determining taxable profit                                  | -            | 258          |
| Adjustment in respect of prior periods                                                                        | (31)         | -            |
| Effect of change in corporation tax rate on deferred tax utilised                                             | 10           | 31           |
| Deferred tax adjustment in respect of prior year                                                              | (130)        | -            |
|                                                                                                               | <u>63</u>    | <u>161</u>   |
| Taxation charge for the year                                                                                  | <u>63</u>    | <u>161</u>   |

#### Factors that may affect the future tax charge

The company has tax losses of £41,684,000 (2022: £41,843,000) which have been carried forward and will be offset against future trading profits.

A deferred tax asset in respect of tax losses has been recognised as the directors consider the balance to be recoverable over the life of the PFI contract.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase from 19% to 25%. This new law was substantively enacted on 24 May 2021. For the financial year ended 31 December 2023, the current weighted averaged tax rate was 23.5%.

Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

# DERBY HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

### 9 Debtors

|                                                      |              | 2023<br>£000         | 2022<br>£000         |
|------------------------------------------------------|--------------|----------------------|----------------------|
| <b>Amounts falling due within one year:</b>          |              |                      |                      |
| Trade debtors                                        |              | 9,143                | 8,723                |
| Amounts owed by group undertakings                   |              | 323                  | 320                  |
| Finance debtor                                       |              | 7,580                | 7,128                |
| Prepayments and accrued income                       |              | 4,979                | 658                  |
|                                                      |              | <u>22,025</u>        | <u>16,829</u>        |
| Deferred tax asset (note 14)                         |              | -                    | 118                  |
|                                                      |              | <u>22,025</u>        | <u>16,947</u>        |
|                                                      |              | <b>2023<br/>£000</b> | <b>2022<br/>£000</b> |
| <b>Amounts falling due after more than one year:</b> |              |                      |                      |
|                                                      | <b>Notes</b> |                      |                      |
| Finance debtor                                       |              | 274,284              | 281,865              |
| Accrued service concession income                    |              | 53,658               | 52,969               |
| Deferred tax asset                                   | 14           | 10,421               | 10,342               |
|                                                      |              | <u>338,363</u>       | <u>345,176</u>       |
| <b>Total debtors</b>                                 |              | <u>360,388</u>       | <u>362,123</u>       |

### 10 Cash and short term deposits

|              | 2023<br>£000  | 2022<br>£000  |
|--------------|---------------|---------------|
| Cash at bank | <u>58,745</u> | <u>39,834</u> |

#### Restricted cash

The company is obligated to keep separate cash reserves in respect of requirements in the company's funding agreements. This restricted cash balance, which is shown on the balance sheet within the "Cash at bank" balance, amounts to £35,338,000 at the year end (2022: £33,279,000).

### 11 Creditors: amounts falling due within one year

|                              | Notes | 2023<br>£000  | 2022<br>£000  |
|------------------------------|-------|---------------|---------------|
| Bonds                        | 13    | 10,821        | 7,174         |
| Trade creditors              |       | 7,462         | 5,780         |
| Corporation tax              |       | 23            | 31            |
| Other taxation               |       | 742           | 1,142         |
| Bond accrued interest        |       | 10,331        | -             |
| Accruals and deferred income |       | 13,995        | 12,453        |
|                              |       | <u>43,374</u> | <u>26,580</u> |

# DERBY HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

### 12 Creditors: amounts falling due after more than one year

|                           | Notes | 2023<br>£000   | 2022<br>£000   |
|---------------------------|-------|----------------|----------------|
| Bank loans and overdrafts | 13    | 347,909        | 353,951        |
| Subordinated loans        | 13    | 61,811         | 56,235         |
|                           |       | <u>409,720</u> | <u>410,186</u> |

Amounts included above which fall due after five years are as follows:

|                        | 2023<br>£000   | 2022<br>£000   |
|------------------------|----------------|----------------|
| Payable by instalments | <u>375,035</u> | <u>382,555</u> |

### 13 Loans and overdrafts

|                         | 2023<br>£000   | 2022<br>£000   |
|-------------------------|----------------|----------------|
| Bonds                   | 358,730        | 361,125        |
| Subordinated loans      | <u>61,811</u>  | <u>56,235</u>  |
|                         | <u>420,541</u> | <u>417,360</u> |
| Payable within one year | 10,821         | 7,174          |
| Payable after one year  | <u>409,720</u> | <u>410,186</u> |
|                         | <u>420,541</u> | <u>417,360</u> |

# DERBY HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

### 13 Loans and overdrafts

(Continued)

#### **Guaranteed secured bonds 2041**

The company has created £446,588,000 5.564% guaranteed secured bonds 2041 pursuant to a Trust Deed and Collateral Deed dated 9 September 2003 of which £411,588,000 were issued for cash on 9 September 2003 at an issue price of 99.993%.

The bonds bear interest at 5.564% which is payable semi-annually in arrears on 30 June and 31 December each year. The bonds are repayable in instalments which commenced in June 2009 and end in June 2041. The bond balance has been offset by capitalised finance fees of £8,515,000 with £759,000 amortised in the year to 31 December 2023 (2022: £771,000).

The company retained £35,000,000 of bonds (the "variation bonds") which it may sell, subject to certain restrictions in the Collateral Deed, to fund variations to the project.

The bonds, excluding the variation bonds, have the benefit of an unconditional and irrevocable financial guarantee issued by MBIA Assurance S.A. in favour of BNP Paribas Trust Corporation UK Limited as security trustee over all of the undertaking and assets of the Company.

#### **Unsecured subordinated 13.465% loan notes 2041**

Under the terms of Deed Polls made on 9 September 2003 both Derby Healthcare (Holdings) Limited and the company authorised and approved the issue of up to £39,070,000 unsecured subordinated loan notes 2041 on like terms. Under the terms of an Equity Subscription Agreement dated 9 September 2003 the shareholders of Derby Healthcare (Holdings) Limited each agreed to subscribe in instalments between December 2003 and December 2008 for £39,070,000 of the loan notes in Derby Healthcare (Holdings) Limited, which in turn agreed to subscribe for the £39,070,000 loan notes in the company.

Derby Healthcare (Holdings) Limited and the Company have each issued £39,070,000 of loan notes at par for cash. The loan notes bear interest at 13.465% which is payable semi-annually on 30 June and 31 December each year. The loan notes are repayable in instalments on 30 June and 31 December 2041. The balance of the subordinated loans is now £61,811,000 (2022: £56,235,000) due to unpaid interest which has been rolled up into the balance. The loan balance has been offset by capitalised finance fees of £984,000 with £55,000 amortised in the year to 31 December 2023 (2022: £55,000).

### 14 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

|                  | <b>Assets</b> | <b>Assets</b> |
|------------------|---------------|---------------|
|                  | <b>2023</b>   | <b>2022</b>   |
| <b>Balances:</b> | <b>£000</b>   | <b>£000</b>   |
| Tax losses       | 10,421        | 10,460        |



# DERBY HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

### 14 Deferred taxation

(Continued)

|                                          | 2023<br>£000  | 2022<br>£000  |
|------------------------------------------|---------------|---------------|
| <b>Movements in the year:</b>            |               |               |
| Asset brought forward                    | 10,460        | 10,590        |
| Charge to profit or loss                 | (169)         | (99)          |
| Adjustment in respect of 2022 tax return | 130           | (31)          |
|                                          | <u>10,421</u> | <u>10,460</u> |
| Asset carried forward                    | <u>10,421</u> | <u>10,460</u> |

### 15 Called up share capital

|                                                         | 2023<br>Number | 2022<br>Number | 2023<br>£000 | 2022<br>£000 |
|---------------------------------------------------------|----------------|----------------|--------------|--------------|
| <b>Ordinary share capital<br/>Issued and fully paid</b> |                |                |              |              |
| Ordinary shares of £1 each                              | 50,000         | 50,000         | 50           | 50           |
|                                                         | <u>50,000</u>  | <u>50,000</u>  | <u>50</u>    | <u>50</u>    |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

### 16 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

|                     | 2023<br>£000 | 2022<br>£000 |
|---------------------|--------------|--------------|
| Directors' services | 43           | 36           |
|                     | <u>43</u>    | <u>36</u>    |

The company incurred the above fees from Innisfree Limited.

#### Transactions with related parties

During the year the company entered into the following transactions with related parties:

|                                            | Subordinated Debt Interest |              | Management Services |              |
|--------------------------------------------|----------------------------|--------------|---------------------|--------------|
|                                            | 2023<br>£000               | 2022<br>£000 | 2023<br>£000        | 2022<br>£000 |
| Innisfree Continuation Fund                | 5,864                      | 5,761        | -                   | -            |
| Innisfree PFI Secondary Fund               | 626                        | 615          | -                   | -            |
| Innisfree PFI Secondary Fund 2 LP          | 1,330                      | 1,306        | -                   | -            |
| Vercity Social Infrastructure (UK) Limited | -                          | -            | 1,192               | 1,080        |
|                                            | <u>7,820</u>               | <u>7,682</u> | <u>1,192</u>        | <u>1,080</u> |

# DERBY HEALTHCARE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

### 16 Related party transactions

(Continued)

In September 2003 the company entered into transactions in the ordinary course of business for the duration of the project agreement with its management service provider Vercity Social Infrastructure (UK) Limited. Vercity Holdings Limited, the parent company of Vercity Social Infrastructure (UK) Limited, is owned by Innisfree M&G PPP LP, a fund co-managed by Innisfree Limited and M&G Investment Management Limited. Innisfree Limited also manages the funds invested in the company.

The following amounts were outstanding at the reporting end date:

|                                            | 2023<br>£000      | 2022<br>£000      |
|--------------------------------------------|-------------------|-------------------|
| <b>Amounts due to related parties</b>      |                   |                   |
| Innisfree Continuation Fund                | 47,096            | 42,956            |
| Innisfree PFI Secondary Fund               | 5,024             | 4,582             |
| Innisfree PFI Secondary Fund 2 LP          | 10,675            | 9,737             |
| Vercity Social Infrastructure (UK) Limited | 124               | 110               |
|                                            | <u>          </u> | <u>          </u> |

### 17 Ultimate controlling party

The company's immediate parent is Derby Healthcare (Holdings) Limited incorporated in the United Kingdom, registered at 8 White Oak Square, London Road, Swanley, Kent BR8 7AG. Innisfree Nominees Limited, acting on behalf of Innisfree PFI Continuation Fund (75%), Innisfree PFI Secondary Fund (8%) and Innisfree PFI Secondary Fund 2 LP (17%), holds legal title to the entire issued share capital of Derby Healthcare (Holdings) Limited.

The ultimate controlling party is Innisfree PFI Continuation Fund.

The largest and smallest group in which the results of the company are consolidated is that headed by Derby Healthcare (Holdings) Limited. The consolidated financial statements of this group are available to the public and may be obtained from 8 White Oak Square, London Road, Swanley, Kent BR8 7AG.