

MPT Worthing Ltd

Company Directory

Directors

Donna Shorto
James Barber-Lomax
James Kevin Hanna

Registered Office

1st Floor Senator House,
85 Queen Victoria Street,
London,
United Kingdom,
EC4V 4AB

Company Incorporated and Registered in United Kingdom

Company Secretary

Praxis Secretaries (UK) Limited

Independent Auditor

BDO LLP,
55 Baker Street,
London,
W1U 7EU

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MPT Worthing Ltd

Report of the Directors

The Directors have the pleasure in presenting this report and the financial statements of MPT Worthing Ltd (formerly GHG 32 (Goring Hall Hospital) Limited) ("the Company") for the year ended 31 March 2020.

Incorporation

The Company was incorporated on 18 April 2006 in the United Kingdom. The Company's name on incorporation was Pantomime Propco 32 Limited and it was changed to GHG 32 (Goring Hall Hospital) Limited on 7 November 2006. On 6 February 2020, the Company's name was changed to MPT Worthing Ltd.

On 8 January 2020, Medical Properties Trust Limited indirectly purchased the Company as part of the acquisition of the Company's parent, Hospital Midco, S.a r.l. The Company's original debt, which was used to finance the acquisition of the property, was settled using the combination of an equity contribution, a new facility agreement with Bank of America (BoFA) and an affiliated loan with MPT Operating Partnership L.P. These events are known as the "MPT Transaction".

The World Health Organization declared the outbreak of COVID-19 as a pandemic on 11 March 2020. As of the date of this report, there have been no significant impacts to the Company, but the Directors will continue to monitor the situation.

Principal activity

The principal activity of the Company is to hold investment property located in the United Kingdom.

Directors

The Directors holding office during the year and through to the date of signing of this report is:

D Duggins (resigned 8 January 2020)
Donna Shorto (appointed 8 January 2020)
James Barber-Lomax (appointed 8 January 2020)
James Kevin Hanna (appointed 8 January 2020)

Independent auditor

The auditors, BDO LLP have expressed their willingness to continue in office.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This report was approved by the Board of directors and signed on 12 March 2021



James Barber-Lomax
Director

MPT Worthing Ltd

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue the business.

The Directors confirm they have complied with all the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

MPT Worthing Ltd

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MPT WORTHING LTD

Opinion

We have audited the financial statements of MPT Worthing Ltd ("the Company") for the year ended 31 March 2020 which comprise the income statement, the statement of financial position, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Emphasis of Matter: Property valuations uncertainty

We draw attention to note 4, which explains that as a result of the impact of the outbreak of the Novel Coronavirus (COVID-19) on the market, the Company's property valuer has advised that less certainty, and a higher degree of caution, should be attached to their valuation than would normally be the case. Our opinion is not modified in respect of this matter.

MPT Worthing Ltd

Independent Auditor's Report (*continued*)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

MPT Worthing Ltd

Independent Auditor's Report (*continued*)

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Charles Ellis (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

Date: 18 March 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

MPT Worthing Ltd

Income Statement for the year ended 31 March 2020

	Note	Year 01.04.19 - 31.03.20 £000	Period 17.04.18 - 31.03.19 £000
Turnover			
Rental income		1,663	1,862
		1,663	1,862
Administrative expense	5	2,197	(318)
Gain on revaluation of RPI swap	5	-	20
Loss from changes in fair value of investment property	7	(475)	(1,470)
Restructuring costs	5	-	(623)
Profit / (loss) on ordinary activities before interest and tax		3,385	(529)
Gain on write off of debt		504	-
Loss on debt modification	5	-	(711)
Loss on revaluation of interest rate swap	5	(245)	(787)
Interest payable and similar charges		(1,066)	(1,163)
Operating profit / (loss) before tax		2,578	(3,190)
Tax on ordinary activities	6	107	515
Profit / (loss) for the financial year / period		2,685	(2,675)
Other comprehensive income / (loss)			
Loss on revaluation of interest rate swap		(122)	-
Total comprehensive income / (loss) for the year / period		2,563	(2,675)

All operations are considered to be continuing.

The notes on pages 11 to 22 form part of these financial statements.

MPT Worthing Ltd

Statement of Financial Position at 31 March 2020

	Note	31 March 2020 £000	31 March 2019 £000
Fixed assets			
Investment Property	7	27,455	27,930
Current assets			
Debtors: due within one year	8	3,504	90
Debtors: due more than one year	9	20	22
		<u>3,524</u>	<u>112</u>
Current liabilities			
Creditors: amount falling due within one year	10	<u>(795)</u>	<u>(1,804)</u>
Net current assets / (liabilities)		2,729	(1,692)
Total assets less current liabilities		<u>30,184</u>	<u>26,238</u>
Creditors: amount falling due after more than one year	11	(19,764)	(29,186)
Provisions for liabilities	13	(1,605)	(1,812)
Net assets / (liabilities)		<u>8,815</u>	<u>(4,760)</u>
Capital and reserves			
Share capital	15	-	-
Share premium	15	10,428	-
Capital contribution	15	584	-
Cash flow hedging reserve	16	(122)	-
Profit and loss account	16	(2,075)	(4,760)
Total equity / (deficit)		<u>8,815</u>	<u>(4,760)</u>

The financial statements for MPT Worthing Ltd registered number 05783503, which have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within the *Companies Act 2006*, Pt. 15 were approved by the Board of Directors and authorised for issue on 12 March 2021



James Barber-Lomax
Director

The notes on pages 11 to 22 form part of these financial statements.

MPT Worthing Ltd

Statements of Changes in Equity for the year ended 31 March 2020

	Share Capital £000	Share Premium £000	Capital Contribution £000	Cash Flow Hedging Reserve £000	Profit and Loss Account £000	Total Equity £000
16 April 2018	-	-	-	-	(2,085)	(2,085)
Total comprehensive loss for the period	-	-	-	-	(2,675)	(2,675)
31 March 2019	-	-	-	-	(4,760)	(4,760)
Issue of shares	-	10,428	-	-	-	10,428
Capital contribution	-	-	584	-	-	584
Total comprehensive income for the year	-	-	-	(122)	2,685	2,563
31 March 2020	-	10,428	584	(122)	(2,075)	8,815

The notes on pages 11 to 22 form part of these financial statements.

MPT Worthing Ltd

Definitions for the year ended 31 March 2020

Due to the complexity and inter-related nature of a number of matters set out within these financial statements, to eliminate the need for repeated descriptions, the following defined terms are used throughout the financial statements:

“Interest Rate Swaps” mean the arrangements under which the Propcos pay interest on the Propcos' Debt at a fixed rate of interest rather than the floating rate that was originally specified by the Lenders;

“Lenders” means the various banks and other financial institutions which provided and continue to provide the Propcos' Debt;

“Propcos” means the Company and 34 other UK companies and a further company which has acted as agent; each Propco owning a UK hospital property, the acquisition of which was partly financed by the Propcos' Debt and which properties are leased to and operated by the Tenant and **“Propco”** means any one of the Propcos;

“Propcos' Debt” means the amount outstanding up to the point of the sale of the Company of the loan facility of £1.65 billion advanced by the Lenders and drawn in full by the Propcos in 2006 (of which the Company's bank debt forms a part) and which was secured upon all the assets and shares of the Propcos;

“Tenant” means BMI Healthcare Limited, which is the sole lessee of all properties owned by the Propcos.

MPT Worthing Ltd

Notes forming part of the financial statements for the year ended 31 March 2020

1 Company Information

Date of Incorporation

The Company was incorporated in the United Kingdom under the Companies Act 2006 on 18 April 2006.

Principal activity

The principal activity of the Company is to hold investment property located in the United Kingdom.

Registered office

The registered office of the Company is 1st Floor Senator House, 85 Queen Victoria Street, London, United Kingdom, EC4V 4AB.

2 Principal accounting policies

The principal accounting policies are summarised below, which have all been applied consistently throughout the period and prior period, except where stated otherwise.

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 section 1A – The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102 1A) and with The Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 1A requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 4).

The financial statements have been presented in Pounds Sterling (£) which is the functional currency of the Company.

Going concern

The financial statements are prepared on the going concern basis unless it is inappropriate to assume that the Company will be able to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements.

Note 3 to the financial statements sets out the matters considered by the Directors in arriving at the conclusion that it is appropriate to prepare these financial statements on the going concern basis.

Investment property

Investment property is carried at fair value determined annually by an external valuer and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

MPT Worthing Ltd

Notes forming part of the financial statements for the year ended 31 March 2020 (*continued*)

2 Principal accounting policies (*continued*)

Financial assets

Basic financial assets, including trade and other receivables, are initially recognised at transaction price.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables and loans, are initially recognized at transaction price and subsequently measured at amortized cost using the effective interest method.

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Loans are presented net of borrowing costs. Borrowing costs incurred are deducted from the initial carrying value of the debt and are charged to profit or loss as part of the interest charge calculated using the straight-line method over the life of the loan.

Financial liabilities are derecognized when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled, or expires.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Cash

The Company maintains its cash in a bank account shared by the Propcos, which is managed and controlled by Medical Properties Trust Limited. The rental income paid by the Tenant to the Company is received into this shared bank account and all disbursements for the Company are made from this shared account. The Company's specific balance is £648,287 at 31 March 2020.

Derivative financial instruments

The Company has entered into derivative financial instruments to eliminate exposure to interest rate movements, and to adjust the variable annual rent increases under its property lease to a fixed annual increase. The Company does not hold or issue derivative financial instruments for speculative purposes.

These financial instruments are carried at fair value, based on expected future cash flows adjusted for any credit risk associated with the contractual counterparty. Movement in fair value are recognized in profit and loss when considered ineffective hedges. Movement for effective hedges are included as a component of other comprehensive income.

MPT Worthing Ltd

Notes forming part of the financial statements for the year ended 31 March 2020 (*continued*)

2 Principal accounting policies (continued)

Share capital

Called up share capital is determined using the nominal value of shares that have been issued.

Share premium

Share premium is the amount subscribed for share capital in excess of nominal value.

Capital contribution

Capital contribution refers to equity introduced into the Company from its shareholder without the subscription of shares.

Turnover

Company turnover comprises rental income from an operating lease in the normal course of the business. Rental income recognition is based on an accruals basis.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the Company can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Related parties

The Company discloses transactions with related parties. It does not disclose transactions with other Propcos.

Expenses

Expenses are accounted for on an accruals basis.

MPT Worthing Ltd

Notes forming part of the financial statements for the year ended 31 March 2020 (*continued*)

3 Going concern

The Directors considered several factors in determining whether the Company would continue as a going concern. As previously described, there was a change in ownership of the Company during the year, which resulted in an infusion of capital into the Company. The additional capital improved the Company's leverage position and decreased the amount required from external borrowing. As part of the transaction, all debt previously held by the Company was settled. The Company and its related parties entered into a new term loan, which is guaranteed by Medical Properties Trust, Inc. According to the terms of the loan, interest is payable monthly and principal is due January 2025. The Company is not subject to any compliance requirements itself as a party to the term loan. The Company also entered into an intercompany loan agreement with interest payments due semi-annually and principal due upon maturity in January 2040.

The Company's only source of income is the rent receipts earned from the assets under lease. The Company's ability to meet its obligations is dependent upon the tenant's ability to pay rents timely. As of the date of the audit report, there are no outstanding amounts due from the tenant as well as all debt obligations have been met.

On 11 March 2020, the World Health Organization characterized the outbreak of COVID-19 as a pandemic, which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

The spread of the COVID-19 virus has caused an economic downturn on a global scale, and international financial markets may continue to experience significant volatility, which may adversely affect the Company and the Tenant's respective business, financial condition, liquidity and results of operations. If the Tenant is unable to pay amounts due in a timely manner, the Company may be required to restructure Tenant's obligations and may not always be able to do so on terms as favorable as those currently in place. Numerous local and industry-initiated efforts may also affect the Company's ability to collect amounts owed or enforce remedies for the failure to pay. In the event of nonpayment by the Tenant, default or bankruptcy, the Company may incur costs in protecting its investments and re-leasing its properties.

The global impact of the COVID-19 pandemic continues to evolve rapidly, and the extent of its effect on the Company's operational and financial performance will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration, scope and severity of the pandemic, the actions taken to contain or mitigate its impact, and the direct and indirect economic effects of the pandemic and related containment measures, among others. The extent of its effect on the Company's operational and financial performance will depend on future developments, which are highly uncertain and cannot be predicted with confidence. The Directors are continuously monitoring and assessing the impact on the Company. As of the date of the audit report there are no indications that there is a material uncertainty about the Company's ability to continue operations.

After consideration, the Directors conclude that is appropriate to prepare the financial statements on a going concern basis and present the financial statements accordingly.

4 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

- Determine whether closing debtor balances are deemed fully collectable. This action requires a review of debt balances and the economic viability of tenants owing monies, using judgement to estimate the amount of impairment loss to recognise through the income statement.

MPT Worthing Ltd

Notes forming part of the financial statements for the year ended 31 March 2020 (*continued*)

4 Judgements in applying accounting policies and key sources of estimation uncertainty (*continued*)

Other key sources of estimation uncertainty

- *Investment property (see note 7)*

Investment property is valued by an external, independent valuer annually using a yield methodology, which has been based on comparable transactional evidence in the market place together with the assessment of the quality and length of the income stream, current rental values, capitalized at a market rate. However, there is an inevitable degree of judgement involved, as each property is unique and value can only be reliably tested in the market itself.

As discussed in note 3, the World Health Organization characterized the outbreak of COVID-19 as a pandemic on 11 March 2020. As a result, the external valuers declared that their valuation was subject to a "material valuation uncertainty" due to significantly lower levels of transactional activity and liquidity that had an impact on validating the yields used in the valuation. The external valuer has confirmed the inclusion of the "material valuation uncertainty" declaration does not mean that valuations cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to valuations than would otherwise be the case.

- *Interest rate derivatives*

The most critical estimates, assumptions and judgements relate to the determination of carrying value of swaps at fair value through the income statement. In determining this, the Company uses a third-party valuation, applying the concept that fair value is the amount for which the derivative could be traded. There are judgements based on the future rates of interest and on the counterparties' ability to make future payments, which affect the valuation.

- *Deferred tax asset (see note 14)*

At each financial period end judgement is required in respect of the deferred tax asset. The amount of the deferred tax asset included in the statement of financial position is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In estimating the amount of the deferred tax asset that may be recognised, the directors make judgements based on current budgets and forecasts about the amount of future taxable profits and the timings of when these will be realised.

- *Deferred tax liability (see note 14)*

The deferred tax liability reflects the deferred tax on the difference between the tax and accounting carrying values at rates substantively enacted at the balance sheet date, offset by the effect of the benefit available from previous tax losses that may reduce the liability arising on such a crystallisation.

- *Rental income*

As the lease is subject to an inflationary increase, changes in the rental income will be recognised as incurred rather than the first-year discount being spread over the term of the lease.

MPT Worthing Ltd

Notes forming part of the financial statements
for the year ended 31 March 2020 (continued)

5 Expenses

	Year 01.04.19 - 31.03.20 £000	Period 17.04.18 - 31.03.19 £000
Audit fees	4	3
Gain on revaluation of RPI swap	-	(20)
Write off of loan receivable from Hospital Topco Limited	43	-
Intercompany provision movement	(2,294)	272
Other expenses	50	43
Restructuring costs	-	623
	(2,197)	921
Loss on revaluation of interest rate swap	245	787
Loss on debt modification	-	711
Interest payable and similar charges	1,066	1,163
Total expenses	(886)	3,582

There were no employees of the Company in either period.

Prior to the MPT Transaction, certain Directors received remuneration for their activities as directors of all the Propcos. The Company's share of that remuneration during the year was £4,025 (2019: £6,441).

The audit fee for the audit of the Company's annual accounts was £4,320 (2019: £2,827). The auditor received no non-audit fees during the year (2019: £Nil).

6 Tax on ordinary activities

	Year 01.04.19 - 31.03.20 £000	Period 17.04.18 - 31.03.19 £000
Current tax expense	101	4
Deferred tax (see Note 14)		
Movements the profit and loss account	(208)	(519)
Tax on ordinary activities	(107)	(515)

MPT Worthing Ltd

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

6 Tax on ordinary activities (continued)

Factors affecting tax charge for the period

The difference between the current tax expense shown above and the amounts calculated by applying the standard rate of corporation tax to the profit before tax is as follows:

	Year 01.04.19 - 31.03.20 £000	Period 17.04.18 - 31.03.19 £000
<u>UK corporation tax</u>		
Operating profit / (loss) on ordinary activities before tax	2,578	(3,190)
Operating profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (April 2019: 19%)	490	(606)
Effects of:		
Adjustment to carried forward loss for prior year	213	83
Other	(810)	8
Total	(107)	(515)

The Directors estimate that the Company has tax losses available for offset against future taxable profits of £3.579 million (2019: £ 3.484 million). Those losses arose principally from the provisions made to state the value of the Company's Interest Rate Swaps.

7 Investment property

	31 March 2020 £000
Valuation as at 31 March 2019	27,930
Deficit on revaluation	(475)
Valuation as at 31 March 2020	<u>27,455</u>

The valuation was carried out by an independent valuation expert, on an open market value for existing use basis.

The valuation was prepared on a fixed fee basis, independent of the property value, and was undertaken in accordance with the RICS Valuation – Global Standards 2017, supported by reference to market evidence for similar properties.

The historical cost of the property was £25.925 million (2019: £25.925 million).

MPT Worthing Ltd

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

8 Debtors: due within one year

	31 March 2020 £000	31 March 2019 £000
Rent due from Tenant	421	71
Amounts owed from other Propcos	2,430	2,272
Less provision	-	(2,272)
Amounts owed from Hospital Topco Limited	-	22
Less Provision	-	(22)
Corporation Tax	-	18
Lease incentives	2	-
Prepayments and accrued income	3	1
Cash held by MPT Limited on behalf of the Company	648	-
	<u>3,504</u>	<u>90</u>

Amount owed from Hospital Topco Limited

The loan receivable from Hospital Topco Limited, was unsecured, non-interest bearing and repayable on demand. As at 8 January 2020, the Company wrote off the balance outstanding as part of the MPT Transaction.

Amounts owed from other Propcos

These amounts arose from payments made by the Company on behalf of other Propcos to repay and/or service the Propcos' Debt allocated to those companies, where their own rental income is insufficient to cover their obligations. These loans are deemed to be interest free and repayable on demand.

9 Debtors: due more than one year

	31 March 2020 £000	31 March 2019 £000
Lease incentives	20	22
	<u>20</u>	<u>22</u>

10 Creditors: amounts due within one year

	31 March 2020 £000	31 March 2019 £000
Bank loans (note 12)	-	589
Capitalised loan arrangement fee	-	(24)
Amounts owed to GHG Holdco 2 Limited	-	523
Amounts owed to MPT Operating Partnership, L.P.	32	-
Corporation Tax	81	-
Lease incentives	-	13
Accruals and deferred income	682	334
Financial liabilities - Interest rate swaps	-	369
	<u>795</u>	<u>1,804</u>

Accruals and deferred income

Accruals represent costs incurred not invoiced and loan interest. Deferred income represents rent received in advance.

MPT Worthing Ltd

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

10 Creditors: amounts due within one year (continued)

Amounts owed to GHG Holdco 2 Limited

The loan Payable to GHG Holdco 2 Limited, was unsecured, non-interest bearing and repayable on demand. As at 8 January 2020, the balance outstanding was written off as part of the MPT Transaction which resulted in a "gain on write off of debt".

Amounts owed to MPT Operating Partnership, L.P.

The amounts due result from payments made on behalf of the Company by MPT Operating Partnership, L.P. The payable was settled subsequent to year-end.

11 Creditors: due more than one year

	31 March 2020 £000	31 March 2019 £000
Bank loans (Note 12)	9,824	27,432
Intercompany loans (Note 12)	9,818	-
Capitalised loan arrangement fee	-	(74)
Financial liabilities - Interest rate swaps	122	1,828
	<u>19,764</u>	<u>29,186</u>

12 Loan schedule

The below includes the maturity analysis for the bank and intercompany loans

	31 March 2020 £000	31 March 2019 £000
Due within one year	-	589
Due greater than one year, less than 5 years	9,824	2,468
Due greater than 5 years	9,818	24,964
Total loans due	<u>19,642</u>	<u>28,021</u>

The principal terms of the bank and intercompany loans are set out below:

	Interest rate** %	2020 £000	Interest rate* %	2019 £000
Bank loan - Repayable in quarterly instalments with a lump sum payment on 15 April 2019	-	-	2.99% - 6.70%	13,802
Bank loan - Repayable in a lump sum on 15 April 2019	-	-	0% - 7.25%	14,219
Bank loan - Repayable in a lump sum in January 2025	1.95%	9,824	-	-
Intercompany loan - Repayable in a lump sum in January 2040	4%	9,818	-	-
Total due		<u>19,642</u>		<u>28,021</u>

* Where not fixed, the interest rate disclosed is the floating rate at period end, excluding the effect of the Interest Rate Swaps.

** Where not fixed, the interest rate disclosed is the floating rate at period end, including the effect of the Interest Rate Swaps.

Originally, debt funding for the acquisition of the properties was provided to the Propcos under a single set of finance agreements by multiple banks on a medium-term basis, with final repayment due in October 2013.

MPT Worthing Ltd

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

12 Loan schedule (continued)

Each Propco received an allocated amount of the debt and became a joint guarantor under those financing arrangements; the assets of each Propco being pledged to guarantee and secure the entire debt which was £1.65 billion at the outset, together with related interest rate swaps. The finance agreement was subsequently renewed, and maturity was extended to 15 April 2019 and was further extended to 15 October 2024 during the prior period. As part of this extension, the net present value of the loans and the difference between the initial amount and the maturity amount was calculated. This was deemed not to be a substantive modification and, therefore, was charged through profit and loss.

As part of the MPT Transaction discussed in the Report of the Directors, the original debt was settled and a new facility agreement with Bank of America was executed. The applicable margin under the agreement is adjustable based on a pricing grid from 0.85% to 1.65%. As a party to the facility agreement, the Company entered into an interest rate swap transaction (effective 6 March 2020) to fix the interest rate to approximately 1.95% for the duration of the loan. The total amount of the facility is £700 million and is guaranteed by Medical Properties Trust, Inc. The amount attributable to the Company is £ 9.824 million.

13 Provision

	31 March 2020 £000	31 March 2019 £000
Deferred taxation	1,605	1,812
	<u>1,605</u>	<u>1,812</u>

14 Deferred taxation

	Tax on property gains 31.03.20 £'000	Tax losses available 31.03.20 £'000	Total 31.03.20 £'000
Opening deferred tax liability / (asset)	2,399	(587)	1,812
Movement in property valuation	(90)	-	(90)
Changes in tax attributes	-	(117)	(117)
Closing deferred tax liability / (asset)	<u>2,309</u>	<u>(704)</u>	<u>1,605</u>

As set out in Note 6 to the financial statements, the Company has tax losses of £3.579 million (2019: £ 3.484 million) available to be used against taxable profits in future periods.

The recognition of the deferred tax asset in relation to those tax losses is determined by United Kingdom Generally Accepted Accounting Practice, with which the Company's accounting policies conform. This requires that a deferred tax asset is recognised only to the extent that it is probable that it will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

As at 31 March 2020, the Directors concluded that the Company's tax losses will be partially recovered against the potential gain on sale of the investment property, based on tax legislation in force at the date until the financial statements were approved.

MPT Worthing Ltd

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

15 Share capital

	31 March 2020 £000	31 March 2019 £000
Allotted, called up and fully paid		
103 Ordinary shares of £1 each (2019: 101)	-	-

On 18 April 2006, the Company was incorporated with 101 £1 shares issued at par. All shares issued during the period were ordinary share capital carrying equal voting rights.

On 8 January 2020, the Company issued 1 share at a premium of £0.777 million to its shareholder as part of the MPT Transaction detailed in the Report of the Directors.

On 8 January 2020, the Company issued 1 share at a premium of £ 9.651 million to its shareholder as part of the MPT Transaction detailed in the Report of the Directors.

	31 March 2020 £000	31 March 2019 £000
Share premium		
At the beginning of the year / period	-	-
Issued during the year / period	10,428	-
At the end of the year / period	10,428	-

Capital contribution

On 8 January 2020, the Company received a capital contribution of £0.584 million from MPT Propco Holdco Limited as part of the MPT Transaction detailed in the Report of the Directors.

16 Reserves

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

Cash flow hedging reserve includes gains/losses arising on the effective portion of hedging instruments carried at fair value in a qualifying cash flow hedge.

17 Operating lease

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2020 £000	2019 £000
Future rentals under operating leases		
No later than one year	1,685	1,630
Later than one year and no later than five years	6,742	6,568
Later than 5 years	43,118	43,652
	<u>51,545</u>	<u>51,850</u>

MPT Worthing Ltd

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

18 Transactions with related parties

The Company is a wholly owned subsidiary of MPT Propco Holdco Limited and has taken advantage of the exemption in FRS 102 1A not to disclose transactions with MPT Propco Holdco Limited or other wholly owned subsidiaries within the Group.

GHG Holdco 2 Limited was a related party due to the common ownership in Hospital Topco Limited until 8 January 2020. During the year, the Company had interest free loans repayable on demand with GHG Holdco 2 Limited which was written off as part of the MPT transaction. See note 10 for the balance at year-end.

Medical Properties Trust Limited and MPT Operating Partnership, L.P. are related parties due to the common ownership of the ultimate parent company, Medical Properties Trust, Inc. As discussed in note 2, the Company's cash is held by Medical Properties Trust Limited at 31 March 2020. During the year, MPT Operating Partnership, L.P. made payments on behalf of the Company. See note 10 for the balance at year-end.

19 Subsequent events

There were no material events identified between 31 March 2020 and the date the financial statements were signed.

20 Controlling party

Until 31 March 2020, the Company's immediate parent company was Hospital Midco Sarl, a company incorporated in Luxembourg at which time it changed to MPT Propco Holdco Limited, a company incorporated in Jersey.

Until 8 January 2020, the ultimate parent and controlling party was Hospital Topco Limited, a company incorporated in the United Kingdom. Following the transaction on 8 January 2020 discussed above, the ultimate parent and controlling party is Medical Properties Trust, Inc., a company incorporated in the United States of America.