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Commercial in confidence

Company Registration No. 03854193

KMC (PEMBROKE) LIMITED

Annual Report and Financial Statements

For the Year ended 31 December 2021

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

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2-3
Directors' responsibilities statement	4
Independent auditor's report	5-7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Cashflow Statement	11
Notes to the financial statements	12-21

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D J Harding	-	resigned 12.05.21	
P A Would			
A Thakrar	-	appointed 12.05.21	resigned 15.10.21
P J Harding	-	appointed 15.10.21	

COMPANY SECRETARY

Asset Management Solutions Limited

REGISTERED OFFICE

Second Floor
46 Charles Street
Cardiff
CF10 2GE

BANKERS

Barclays Bank Plc
Blackwood
Leicester
LE87 2BB

AUDITOR

Ryecroft Glenton
Chartered Accountants and Statutory Auditors
32 Portland Terrace
Newcastle upon Tyne
NE2 1QP

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of KMC (Pembroke) Limited for the year ended 31 December 2021.

Principal activity

The company's principal activity was that of operating and maintaining a school under a Private Finance Initiative contract with Pembrokeshire County Council ('the Authority').

Key performance indicators (KPIs)

1. Performance deductions under the service contract

Financial penalties are levied by the Authority 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 provider but the quantum is an indication of unsatisfactory performance. In the year ended 31 December 2021 there were no deductions (2020: £nil).

2. Financial Performance

The Directors have modelled the anticipated financial outcome of the concession across its full term. The Directors monitor actual performance against this anticipated performance. As at 31 December 2021 the Company's performance against the measure was satisfactory.

Going Concern

On 23 July 2020, the Company was issued with a notice of Voluntary Termination of the Project Agreement ("the contract") by Pembrokeshire County Council ("the council"), this contract representing 100% of the Company's operations for the current and previous year. This notice was issued in line with the provisions of the Contract and provide the Company with a 365 day notice period in which the Contract will end at the end of the period. The termination date was 27 July 2021. Following the issue of the Voluntary Termination Notice, the directors believe the Company will not continue into the foreseeable future, as a result the accounts have been prepared on a break up basis. See Note 1 for further details.

Financial Risk Management

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

Interest rate risk

The Company aims to manage exposure to interest rate fluctuations through a balance of fixed rate borrowings along with floating rate borrowings. The Company has also entered into swap contracts covering the debt projected to be drawn down which hedges the Company's interest rate exposure on bank loans. The subordinated debt interest rate has been fixed.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's financial obligations, including the repayment of its borrowings which are provided on a long-term basis, have been structured to be met from the income which, under normal operating conditions, will be earned from its long-term concession contract with the Authority.

DIRECTORS' REPORT *(continued)*

Credit Risk

Although the Authority is the sole client of the Company, the directors are satisfied that the Authority will be able to fulfil its obligations under the Project Agreement as it is underwritten by the Secretary of State for Education.

COVID-19 risk

The Company is exposed to the COVID-19 risk as a result of the inherent uncertainty around the impact of the pandemic on UK society and economy. The Board have assessed the risk to the Company and concluded that it is not significantly exposed and it is well placed to continue to operate and manage the situation. Due to the evolving nature of the risk, the Board continue to actively monitor developments. For further information, please refer to the basis of preparation note 1.2, p12

Results and dividends

The results for the year are shown in the statement of comprehensive income on page 7.

Dividends paid during the year were £1,595,056 (2020 - £60,000).

Directors

The Directors of the Company, who served throughout the financial year and subsequently, are as shown on page 1.

Strategic Report exemption

No Strategic Report has been prepared, on the basis that the Company is entitled to the small company exemption.

Employees

The Company has no employees (2020: Nil)

Political and charitable contributions

The Company made no political or charitable contributions during the year (2020: £nil).

Disclosure of information to auditors

The directors confirm that:

- so far as each of the directors is 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 a director 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 confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

The auditor Ryecroft Glenton, will be proposed for reappointment in accordance with section 486 of the Companies Act 2006.

Approved by the Board of Directors
and signed on behalf of the Board

DocuSigned by:

PJH

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P J Harding
Director

Date: 29 September 2022

Statement of Directors' Responsibilities in Respect of the Directors' Report and the financial statements

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

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

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

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

Independent auditor's report to the members of KMC (Pembroke) Limited

Opinion

We have audited the financial statements of KMC (Pembroke) Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, cash flow statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – financial statements prepared on a basis other than going concern

We draw attention to Note 1.2 to the financial statements which explain that the Local Authority issued the company with a notice of Voluntary Termination which by 27 July 2021 will terminate the project. The directors therefore do not consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly the financial statements have been prepared on a basis other than going concern as described in Note 1.1. Our opinion is not modified in this respect of this matter.

Other information

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

Independent auditor's report to the members of KMC (Pembroke) Limited (continued)

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 Directors' Responsibilities Statement set out on page 4, 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.

Auditors' responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities including fraud

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.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the infrastructure sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, such as the Companies Act 2006, taxation legislation, data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

Independent auditor's report to the members of KMC (Pembroke) Limited (continued)

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 17 were indicative of potential bias.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

DocuSigned by:
Grahame Maughan
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Grahame Maughan (Senior Statutory Auditor)
for and on behalf of
Ryecroft Glenton
Chartered Accountants and Statutory Auditors

32 Portland Terrace
Jesmond
Newcastle upon Tyne
NE2 1QP
Date: 29 September 2022

Statement of Comprehensive Income
Year ended 31 December 2021

	Note	2021 £	As Restated 2020 £
TURNOVER	2	702,427	1,153,337
Cost of sales		(314,277)	(425,962)
GROSS PROFIT		388,150	727,375
Administrative expenses		(166,223)	(251,354)
Exceptional items	6	-	(1,109,679)
OPERATING PROFIT		221,927	(633,658)
Interest receivable	4	14	1,700
Interest payable	5	(669,563)	(248,196)
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		(447,622)	(880,154)
Tax on (loss)/profit on ordinary activities	7	(31,251)	31,251
(LOSS) FOR THE FINANCIAL YEAR		(478,873)	(848,903)
Other comprehensive income			
Fair value changes in cash flow hedges	14	606,021	49,835
Tax recognised in relation to change in fair value cash flow hedges		-	8,115
Other comprehensive income for the year		606,021	57,950
Total comprehensive income/(loss) for the year		127,148	(790,953)

All activities derive from discontinued operations in line with the comments in Note 1.2.

The notes on pages 12 to 21 form an integral part of these financial statements

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Statement of Financial Position
As at 31 December 2021

	Note	2021 £	As Restated 2020 £
Non Current Assets			
Debtors – due after more than one year	9	-	-
Current Assets			
Debtors – due within one year	9	67,683	5,183,822
Cash at bank and in hand	10	1,049,347	1,230,017
		1,117,030	6,413,839
CREDITORS: amounts falling due within one year	11	(870,944)	(4,699,845)
NET CURRENT ASSETS		246,086	1,713,994
TOTAL ASSETS LESS CURRENT LIABILITIES		246,086	1,713,994
CREDITORS: amounts falling due after more than one year	12	-	-
NET ASSETS		246,086	1,713,994
CAPITAL AND RESERVES			
Called-up share capital	13	13,357	13,357
Profit and loss account		232,729	2,306,658
Cash flow hedge reserve		-	(606,021)
SHAREHOLDER'S FUNDS		246,086	1,713,994

The financial statements of KMC (Pembroke) Limited, registration number 03854193, were approved by the Board of Directors and authorised for issue on 29 September 2022.

Signed on behalf of the Board of Directors

DocuSigned by:

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P J Harding
Director

The notes on pages 12 – 21 form part of these financial statements.

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Statement of Changes in Equity
Year ended 31 December 2021

	Called up share capital £	Cash flow hedge reserve £	Profit and loss account £	Total Equity £
Balance at 1 January 2020	13,357	(663,971)	3,215,561	2,564,947
Total comprehensive income for the year				
Profit for the year	-	-	(133,228)	(133,228)
Other comprehensive income	-	57,950	-	57,950
Total comprehensive income for the year	-	57,950	(133,228)	(75,278)
Dividend Paid	-	-	(60,000)	(60,000)
Balance at 31 December 2020	13,357	(606,021)	3,022,333	2,429,669

	Called up share capital £	Cash flow hedge reserve £	Profit and loss account £	Total Equity £
Balance at 1 January 2021(as previously stated)	13,357	(606,021)	3,022,333	2,429,669
Prior year adjustments	-	-	(715,675)	(715,675)
Balance at 1 January 2021 (as restated)	13,357	(606,021)	2,306,658	1,713,994
Total comprehensive income for the year				
Loss for the year	-	-	(478,873)	(478,873)
Other comprehensive income	-	606,021	-	606,021
Total comprehensive income/(loss) for the year	-	606,021	(478,873)	127,148
Dividend Paid			(1,595,056)	(1,595,056)
Balance at 31 December 2021	13,357	-	232,729	246,086

The notes on pages 12 – 21 form part of these financial statements.

DocuSign Envelope ID: 8CA77CF3-D564-4072-8E6C-EDC6343AC32C

Cashflow Statement
Year ended 31 December 2021

	2021	As Restated 2020
Cash flows from operating activities		
(Loss) for the financial year	(478,873)	(848,903)
Interest received	(14)	(1,700)
Taxation	(31,251)	31,251
Interest payable and similar charges	669,563	248,196
Decrease in Debtors	4,793,986	996,171
(Decrease)/increase in Creditors	(427,508)	493,280
Income tax paid	(102,593)	(95,089)
Net Cash Flow from operating activities	**4,603,310**	**823,206**
Cash flows from investing activities		
Interest received	14	1,700
Net cash from investing activities	**14**	**1,700**
Cash flows from financing activities		
Interest and fees paid	(746,457)	(256,160)
Repayment of bank loan	(2,203,564)	(354,978)
Repayment of Shareholder Loan	(238,971)	(17,696)
Dividends paid	(1,595,056)	(60,000)
Net cash from financing activities	**(4,783,993)**	**(688,834)**
(Decrease) in cash and cash equivalents	**(180,670)**	**(136,072)**
Cash and cash equivalents at 1 January	**1,230,017**	**1,093,945**
Cash and cash equivalents at 31 December	**1,049,347**	**1,230,017**

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Notes to the Financial Statements

1 Accounting policies

KMC (Pembroke) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The registered office of the Company is Second Floor, 46 Charles Street, Cardiff, CF10 2GE and is registered in England and Wales. The company registration number is 03854193.

1.1 Basis of preparation

The financial statements are prepared on a break up basis, under the historical cost basis except the derivative financial liabilities which are stated at their fair value. Break up basis means that all the balances in the balance sheet have been classified as due within one year as they are expected to be settled in the time frame.

These financial statements have been prepared accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")*. The presentation currency of these financial statements is sterling.

The accounting policies set out below have, unless otherwise stated been applied consistently to all periods presented in these financial statements.

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 17.

All amounts are shown in £ sterling unless otherwise stated.

1.2 Going concern

On 23 July 2020, the Company was issued with a notice of Voluntary Termination of the Project Agreement ("the contract") by Pembrokeshire County Council ("the council"), this contract representing 100% of the Company's operations for the current and previous year. This notice was issued in line with the provisions of the Contract and provide the Company with a 365 day notice period in which the Contract will end at the end of the period. The termination date was 27 July 2021. Following the issue of the Voluntary Termination Notice, the directors believe the Company will not continue into the foreseeable future, as a result the accounts have been prepared on a break up basis.

1.3 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. 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 less any impairment losses in the case of trade debtors. 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.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

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Notes to the Financial Statements (continued)

1. Accounting policies *(continued)*

Restricted cash

The Company is obliged to keep a separate cash reserve in respect of future major maintenance costs and financing cost. This restricted cash balance, which is shown on the statement of financial position within the "cash at bank and in hand" balance amounts to £0 at the year end (2020: £686,701) due to the termination of the project and there being no future maintenance costs..

1.4 Non-basic financial instruments

Derivatives

Financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in the Statement of Comprehensive Income except as follows:

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Cash flow hedges

The Company has entered into interest rate swaps and designated this hedge as a highly probable forecast transaction. The effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in the Statement of Comprehensive Income.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative gain or loss recognised in equity is recognised in the statement of comprehensive income immediately.

During the year, these swaps were settled in full.

1.5 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying value and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying value and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continued to be recognised through the unwinding of the discount. Impairment losses are recognised in the Statement of Comprehensive Income. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment is reversed through the Statement of Comprehensive Income.

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Notes to the Financial Statements (continued)

1. Accounting policies *(continued)*

1.6 Finance debtor and services income

The Company is an operator of a PFI contract. The underlying asset is not deemed to be a tangible asset of the Company under FRS102 section 34C because the risks and rewards of ownership as set out in the standard are deemed to lie principally with Pembrokeshire County Council.

During the construction phase of the project, all attributable expenditure, excluding interest, was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the financial debtor. During the operational phase 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 included within turnover in accordance with FRS 102 section 23. The Company recognises income in respect of the services provided 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.

Major maintenance costs are recognised on an incurred basis and the revenue receivable in respect of these services is recognised when the services are performed.

1.7 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable on borrowings and associated ongoing financing fees.

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.

Interest income and interest payable are recognised in the Statement of Comprehensive Income as they accrue, using the effective interest method.

1.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences, which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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Notes to the Financial Statements *(continued)*

2 Analysis of turnover

	2021 £	2020 £
Services income	702,427	1,153,337

All income is derived from UK activities.

3 Staff costs and Directors' remuneration

The company had no employees during the current and the prior financial year. The directors are remunerated by other group companies for their services to the group as a whole and are not remunerated from this company. The company paid fees of £3,770 (2020 - £22,515) to Equitix Healthcare Limited for the services of the directors to KMC (Pembroke) Limited during the financial year.

4 Interest receivable

	2021 £	2020 £
Bank interest	14	1,700

5 Interest Payable

	2021 £	2020 £
Bank loan interest	663,701	229,392
Loan note interest	5,862	18,804
	669,563	248,196

6 Exceptional items

As a result of the termination notes in the directors report, costs in relation to the settlement and irrecoverable amounts on the Finance Debtor of £0 (2020: £1,109,679 as restated) have been recognised as exceptional items. In addition, costs of £0 (2020: £446,269) have been accrued for costs in relation to the termination.

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Notes to the Financial Statements *(continued)*

7 Taxation

	2021 £	2020 £
UK corporation tax		
Current tax on (loss)/income for the year	-	31,251
Prior year adjustment	(31,251)	-
Tax on settlement	-	
Total tax charge	(31,251)	31,251

Factors affecting the tax charge for the current period

The total tax charge for the period is less than (2020: less than to) the standard rate of corporation tax in the UK of 19% (2020: 19%)

	2021 £	As Restated 2020 £
(Loss)/Profit on ordinary activities before taxation	(478,873)	(986,423)
Current tax at 19% (2020: 19%)	(90,986)	187,420
Adjustment to tax charge in respect to prior years	59,735	(156,169)
Total tax charge (see above)	(31,251)	31,251

Deferred tax

Deferred tax is recognised on the revaluation of the interest rate swap held by the company. These are accounted for under cash flow hedges (see note 14).

Tax is provided at 19% (2020: 19%) in the financial statements as follows:

	2021 £	2020 £
Deferred tax on revaluation of fair value of derivatives	-	142,153

Movement in deferred tax asset	2021 £	2020 £
At beginning of the year	142,153	134,038
Charged to other comprehensive income	(142,153)	8,115
At end of the year	-	142,153

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Notes to the Financial Statements *(continued)*

7 Taxation *(continued)*

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 2 July 2013. Planned increases announced in the March 2021 budget by the Chancellor to 25% by April 2023, were not enacted until after the year end, as such the corporation tax rate remains at 19%.

8 Dividends

	2021 £	2020 £
Dividend for the year ended 31 December 2021 of £119.42 (2020: £4.49) per ordinary share	1,595,056	60,000

9 Debtors

	2021 £	As restated 2020 £
Prepayments and other debtors	67,683	336,320
Amounts receivable under PFI contracts	-	4,705,349
Deferred tax on cash flow hedge (note 7)	-	142,153
	67,683	5,183,822

As a result of the Voluntary Termination Notice being served on the company in the prior year, all the balances were categorised as being due within one year as the balances were all settled at the end of the notice period of Voluntary Termination on 27 July 2021.

10 Cash At Bank And In Hand

Included in cash at bank and in hand is cash of £- (2020 - £686,701) which is restricted for use in pre-defined circumstances.

11 Creditors: amounts falling due within one year

	2021 £	2020 £
Bank loans (note 12)	-	3,025,508
Trade creditors	-	100,888
Amounts owed to group undertakings – loan notes (note 12)	-	244,890
Other taxation and social security	-	20,313
Accruals and deferred income	49,000	560,072
Fair value of swap	-	748,174
Other creditors	821,944	-
	870,944	4,699,845

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Notes to the Financial Statements *(continued)*

12 Creditors: amounts falling due after more than one year

	2021 £	2020 £
Bank loans	-	-
Amount owed to group undertakings – Loan notes	-	-
Fair Value of swap	-	-
	-	-

	£	£
Bank loans are repayable as follows:		
On one year or less, or on demand	-	3,025,508
Between one and two years	-	-
Between two and five years	-	-
After more than five years	-	-
	-	3,025,508

The amount owed to group undertakings related to subordinated debt. Interest on subordinated loan was charged at 7.5%. As a result of the Voluntary Termination Notice being served on the company, the repayment of capital was made 31 August 2021.

The interest on the bank loan were at variable rates and were repaid in six-monthly intervals commencing 28 February 2002. As a result of the Voluntary Termination Notice being served on the company, the repayment of capital was made 27 July 2021.

The bank loans were secured by a fixed and floating charge over all of the company's assets.

To mitigate exposure to interest rate fluctuations, the company entered into interest rate swap agreements for the duration that the loans remain outstanding.

The company had two interest rate swap contracts to hedge the Bank loan. The first swap was entered into at the same time as the original loan. The loan was later restated and so an additional swap was entered into, to hedge the additional loan amount. Both swaps fixed interest at LIBOR plus 6.27%.

As a result of the Voluntary Termination Notice being served on the company, all swaps and loans were settled on 27 July 2021.

13 Called up share capital

	2021 £	2020 £
Allotted, called up and fully paid		
13,357 ordinary shares of £1 each	13,357	13,357

All shares rank pari pasu

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Notes to the Financial Statements *(continued)*

14 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include;

	2021 £	As Restated 2020 £
Assets measured at amortised cost		
- Finance debtor	-	4,599,080
		4,599,080
Liabilities measured at amortised cost		
- Trade and other payables	-	(100,888)
- Bank loan	-	(3,025,508)
- Subordinated debt	-	(238,917)
	-	(3,365,313)
Liabilities measured at fair value through profit and loss		
Interest rate swaps	-	(748,174)

(b) Financial instruments measured at fair value

Derivative financial instruments

The fair value of the interest rate swap is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

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Notes to the Financial Statements *(continued)*

14 Financial instruments *(continued)*

(c) Hedge accounting

The following table indicates the periods in which the cash flows associated with the cash flow hedging instrument are expected to occur as required by FRS 102 12.29(a) for the cash flow hedge accounting models and also the associated cash flow hedging instruments are expected to affect the statement of comprehensive income.

2021

	Carrying Amount	Within 1 year	Between 1-2 years	Between 2-5 years	5 years and over
Interest Rate Swap	-	-	-	-	-

2020

	Carrying Amount	Within 1 year	Between 1-2 years	Between 2-5 years	5 years and over
Interest Rate Swap	748,174	748,174	-	-	-

(d) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	2021 £	2020 £
Interest rate swap contract (Note 11).	-	(748,174)

15 Ultimate Parent Undertaking And Controlling Party

The Company's immediate parent company is Equitix Healthcare Limited, a company incorporated in Great Britain and registered in England and Wales. The company's ultimate parent and controlling entity is Equitix Fund I LP, a limited partnership registered in England and Wales. It is the directors opinion that there is no single controlling party beyond this.

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Notes to the Financial Statements *(continued)*

16 Related Party Transactions

The Company has taken advantage of the exemption in FRS 102 and has not disclosed transactions with group undertakings where 100% of the equity interest is held.

17 Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 102 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 on 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:

- Accounting for the service concession contract and finance debtors requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the PFI contract.
- Fair value of the SWAPs are based on Mark to Market estimates provided by Barclays. Please see note 1.4 for further details of the treatment.

18 Prior year adjustment

During the year there was a prior period adjustment posted in respect of the exceptional items in 2020. Specifically relating to the settlement and irrecoverable amounts on the Finance Debtor. This has resulted in additional exceptional costs of £715,175 being included in the results for 2020, which decreased retained earnings brought forward by the same amount.