Company Registration No. 03928167 (England and Wales)

HEALTHCARE SUPPORT (ERDINGTON) HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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HEALTHCARE SUPPORT (ERDINGTON) HOLDINGS LIMITED

COMPANY INFORMATION

Directors	J Sutcliffe J S Fyfe
Secretary	Vercity Management Services Limited
Company number	03928167
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	BDO LLP 55 Baker Street London W1U 7EU
Banker	Barclays Bank Plc Level 28 1 Churchill Place London E14 5HP

HEALTHCARE SUPPORT (ERDINGTON) HOLDINGS LIMITED

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HEALTHCARE SUPPORT (ERDINGTON) HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities
The Group's principal activity is the performance of a PFI contract with Birmingham and Solihull Mental Health NHS Foundation Trust. There have not been any significant changes in the Group's principal activities in the year under review.

Results and dividends
The results for the year are set out on page 7.

No interim dividends were paid. (2019: 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:

J Sutcliffe	
P Would	(Resigned 26 November 2020)
J S Fyfe	(Appointed 26 November 2020)

Going concern
The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. 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 the accounting policies in the notes to the financial statements.

COVID-19 risk
The group 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. Whilst the group itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the ability to continue to perform required services. The group is aware of the Government guidance for public bodies on payment to suppliers to ensure service continuity during and after the coronavirus outbreak, which provides additional assurance. Nevertheless, performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

Brexit
The group is exposed to Brexit risk as a result of the inherent uncertainty around the UK's exit from the European Union. Whilst the group itself is not considered to be significantly exposed, subcontractors which the group engages with are considered to have exposure in relation to labour and the cost of supplies. Performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees. Due to the evolving nature of the risk, the board continue to actively monitor developments.

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

Financial risk management objectives and policies

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

Interest Rate Risk
The group is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans. The group uses interest rate derivatives to manage the mix of fixed and variable rate debt so as to reduce its exposure to changes in interest rates.

Credit Risk
The group's principal financial assets are cash, finance debtor and trade and other receivables. The group'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 local government authority.

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

Auditor
The auditor, BDO LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor
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 auditor of the company is 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 auditor of the company is aware of that information.

On behalf of the board

J Sutcliffe
Director
28 June 2021

HEALTHCARE SUPPORT (ERDINGTON) HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors are responsible for preparing the annual 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 of the group and company, and of the profit or loss of the group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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 HEALTHCARE SUPPORT (ERDINGTON) HOLDINGS LIMITED

Opinion on the financial statements

In our opinion:

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

We have audited the financial statements of Healthcare Support (Erdington) Holdings Limited (the 'parent company') and its subsidiary (the 'group') for the year ended 31 December 2020 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent 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.

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report 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. 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.

Other Companies Act 2006 reporting

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

In the light of the knowledge and understanding of the group and parent 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 group's and the parent 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 group or the parent 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 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.

Extent to which the audit was 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:

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 management bias in accounting estimates and posting inappropriate journal entries to manipulate the fair value of the group's assets.

Audit procedures performed by the engagement team included:

- We considered the processes and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud and how management monitors those processes and controls;
- We challenged assumptions and judgements made by management in areas involving significant estimates, with the key sources of estimation identified as the determination of service margins and lifecycle costs;
- We performed substantive testing on account balances and transactions, which were considered to be a greater risk of susceptibility to fraud;
- We targeted journal entry testing based on identified characteristics the audit team considered could be indicative of fraud, as well as a focus on large and unusual transactions based upon our knowledge of the business;
- We made enquiries of Management, those charged with governance and those responsible for legal and compliance procedures as to whether there was any correspondence from regulators in so far as the correspondence related to financial statements; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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.

DocuSigned by:

Cassie Forman-Kotsapa

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Cassie Forman-Kotsapa (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
28 June 2021

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

HEALTHCARE SUPPORT (ERDINGTON) HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Turnover	3	6,949	6,653
Cost of sales		(6,397)	(6,131)
Gross profit		552	522
Interest receivable and similar income	7	1,185	1,190
Interest payable and similar expenses	8	(940)	(946)
Profit before taxation		797	766
Tax on profit	9	(184)	8
Profit for the financial year		613	774
Other comprehensive income			
Cash flow hedges gain arising in the year	12	232	282
Tax relating to other comprehensive income	9	(8)	(48)
Total comprehensive income for the year		837	1,008

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

HEALTHCARE SUPPORT (ERDINGTON) HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Current assets					
Debtors falling due after more than one year	13	16,181		16,763	
Debtors falling due within one year	13	2,362		1,938	
Cash at bank and in hand		898		714	
		19,441		19,415	
Creditors: amounts falling due within one year	14	(3,501)		(3,332)	
Net current assets			15,940		16,083
Creditors: amounts falling due after more than one year	15		(10,457)		(11,629)
Provisions for liabilities					
Deferred tax liability	17	250		58	
			(250)		(58)
Net assets			5,233		4,396
Capital and reserves					
Called up share capital	18		-		-
Hedging reserve	18		(1,290)		(1,514)
Profit and loss account	18		6,523		5,910
Total shareholders' funds			5,233		4,396

These financial statements have been prepared in accordance with the provisions applicable to groups and companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 28 June 2021 and are signed on its behalf by:

J Sutcliffe
Director

HEALTHCARE SUPPORT (ERDINGTON) HOLDINGS LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Current assets					
Debtors falling due after more than one year	13	2,304		2,304	
Debtors falling due within one year	13	816		485	
		3,120		2,789	
Creditors: amounts falling due within one year	14	(816)		(485)	
Net current assets			2,304		2,304
Creditors: amounts falling due after more than one year	15		(2,304)		(2,304)
Net assets			-		-
Capital and reserves					
Called up share capital	18		-		-
Total shareholders' funds			-		-

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £0 (2019 - £0 profit).

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 28 June 2021 and are signed on its behalf by:

J Sutcliffe
Director

Company Registration No. 03928167

HEALTHCARE SUPPORT (ERDINGTON) HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Hedging reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2019	-	(1,748)	5,136	3,388
Year ended 31 December 2019:				
Profit for the year	-	-	774	774
Other comprehensive income:				
Cash flow hedges gains arising in the year	-	282	-	282
Tax relating to other comprehensive income	-	(48)	-	(48)
Total comprehensive income for the year	-	234	774	1,008
Balance at 31 December 2019	-	(1,514)	5,910	4,396
Year ended 31 December 2020:				
Profit for the year	-	-	613	613
Other comprehensive income:				
Cash flow hedges gains arising in the year	-	232	-	232
Tax relating to other comprehensive income	-	(8)	-	(8)
Total comprehensive income for the year	-	224	613	837
Balance at 31 December 2020	-	(1,290)	6,523	5,233

HEALTHCARE SUPPORT (ERDINGTON) HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2019	-	-	-
Year ended 31 December 2019:			
Profit and total comprehensive income for the year	-	-	-
Balance at 31 December 2019	-	-	-
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	-	-
Balance at 31 December 2020	-	-	-

HEALTHCARE SUPPORT (ERDINGTON) HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Cash flows from operating activities					
Cash generated from operations	**21**		556		913
Income taxes paid			(198)		(238)
Net cash inflow from operating activities			358		675
Investing activities					
Interest received		1,185		1,191	
Movement in other financial assets		138		(35)	
Net cash generated from investing activities			1,323		1,156
Financing activities					
Interest paid		(625)		(684)	
Repayment of bank loans		(872)		(778)	
Net cash used in financing activities			(1,497)		(1,462)
Net increase in cash and cash equivalents			184		369
Cash and cash equivalents at beginning of year			714		345
Cash and cash equivalents at end of year			898		714

1 Accounting policies

Company information
Healthcare Support (Erdington) Holdings Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is .

The group consists of Healthcare Support (Erdington) Holdings Limited and its subsidiary.

1.1 Accounting convention

These financial statements have been prepared in accordance with Section 1A of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") as applicable to smaller entities and the requirements of the Companies Act 2006.

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

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its parent financial statements. The company is consolidated in these financial statements. Exemptions have been taken in these parent company financial statements in relation to presentation of a company statement of cashflows.

Amendments to FRS102: Interest rate reform
The group's hedged items and hedging instruments continue to be linked to Sterling LIBOR. The group has early adopted the transitional provisions set out in the amendments to FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Interest Rate Benchmark Reform, issued in December 2019, to those hedging relationships directly affected by IBOR reform. In accordance with these amendments, for the purpose of evaluating whether there is an economic relationship between the hedged items and the hedging instruments, the group assumes that the benchmark interest rate is not altered as a result of IBOR reform and can continue to apply hedge effectiveness throughout the transition period.

1.2 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking drawn up to 31 December each year. The subsidiary has a year ended of 31 December 2020.

1 Accounting policies **(Continued)**

1.3 Going concern

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 date of approval of the financial statements which indicate that the group 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 group continues to provide the assets in accordance with the contract and are available to be used. As a result the group does not believe there is any likelihood of a material impact to the unitary payment. The directors have considered the potential impact of the emergence and spread of COVID-19, which includes the group's operating cash inflows which are largely dependent on the unitary charge payments. Throughout the pandemic and to date, 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 group, even in downside scenarios, due to the underlying contractual terms. To date, there has been no adverse impact on the services provided by the group or its subcontractors arising from COVID-19. However, in the unlikely event of a subcontractor failure, the group 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 group 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.

1.4 Turnover

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

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

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

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

1.5 Fixed asset investments

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.6 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.

1 Accounting policies **(Continued)**

1.7 Financial instruments

The group 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 group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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.

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.

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.

1 Accounting policies **(Continued)**

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 group 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.

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 group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies, 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.

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 group's contractual obligations expire or are discharged or cancelled.

1.8 Equity instruments

Equity instruments issued by the group 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 group.

1.9 Derivatives

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

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

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

1 Accounting policies **(Continued)**

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

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

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

The gain or loss relating to the ineffective portion is recognised immediately in the group statement of comprehensive income, and is included in the 'other gains and losses' line in this item.

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the 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 if, and only if, there is 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.

1 Accounting policies **(Continued)**

1.11 Service Concession

The group is an operator of a Public Finance Initiative ("PFI") contract. As the group entered into the contract prior to the date of transition to FRS102, the group 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 group 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 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 FRS102 section 23. The group recognises revenue in respect of the services provided, including lifecycle services, 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.

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

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

Hedge accounting

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

The Fair Value of the swaps recorded in the accounts are based on Mark to Market estimates provided by the Bank. It is expected that changes to the hedging instrument and the loan will be materially consistent and limited to the transition from LIBOR to the new benchmark, as both the loan and the swap will be transitioned to the new benchmark at similar times in a broadly matching fashion.

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

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

Valuation of derivative financial instruments

The directors use their judgement in selecting a suitable valuation technique for derivative financial instruments. All derivative financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases, the group uses valuation techniques to assess the reasonableness of the valuation provided by the derivative counterparty. These techniques use a discounted cash flow analysis based on market observable inputs derived from similar instruments in similar and active markets. The fair value of derivative financial instruments at the balance sheet date was a liability of £1,715,000 (2019: £1,945,000 liability). The directors do not consider the impact of own credit risk to be material.

Service concession arrangement

As disclosed in Note 1, the group accounts for the project as a service concession arrangement. The directors use their judgement in selecting the appropriate financial asset rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the financial asset; and also the service margin that is used to recognise service revenue. The directors have also used their judgement in assessing the appropriateness of the future maintenance costs that are included in the group's forecasts. The directors will continue to monitor the condition of the assets and undertake a regular review of maintenance spend.

3 Turnover

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

	2020 £'000	2019 £'000
Turnover analysed by class of business		
Service fee income	5,784	5,432
Passthrough income	957	888
Variation income	208	333
	6,949	6,653

	2020 £'000	2019 £'000
Turnover analysed by geographical market		
United Kingdom	6,949	6,653

4 Auditor's remuneration

Fees payable to the company's auditor and associates:	2020 £'000	2019 £'000
For audit services		
Audit of the financial statements of the group and company	23	13

5 Employees

The group had no employees during the year (2019: nil).

6 Directors' remuneration

No directors received any remuneration for services to the group during the year (2019: nil).

7 Interest receivable and similar income

	2020 £'000	2019 £'000
Interest income		
Interest on bank deposits	6	7
Interest receivable on the finance debtor	1,179	1,183
	1,185	1,190

8 Interest payable and similar expenses

	2020 £'000	2019 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank loans	609	670
Interest payable to parent undertaking	331	276
	940	946

9 Taxation

	2020 £'000	2019 £'000
Current tax		
Adjustments in respect of prior periods	-	(4)
Deferred tax		
Other adjustments	184	(4)
Total tax charge/(credit)	184	(8)

For the year ended 31 December 2020, the UK corporation tax rate of 19% is applied.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The deferred tax asset as at 31 December 2020 has been calculated based on a rate of 19%.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

9 Taxation (Continued)

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

	2020 £'000	2019 £'000
Profit before taxation	797	766
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	151	146
Tax effect of expenses that are not deductible in determining taxable profit	(11)	(19)
Adjustments in respect of prior years	-	(4)
Effect of change in corporation tax rate	44	1
	-	(132)
Taxation charge/(credit)	184	(8)

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2020 £'000	2019 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	8	48

10 Fixed asset investments

		Group		Company	
	Notes	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Investments in subsidiaries	11	-	-	-	-

Company	**Shares in group undertakings £'000**
Cost or valuation	
Carrying amount	
At 31 December 2020	-
At 31 December 2019	-

11 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Healthcare Support (Erdington) Limited	8 White Oak Square, London Road, Swanley, BR8 7AG	Ordinary shares	100.00

12 Financial instruments

	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Other financial liabilities	1,715	1,945	-	-

Derivative financial instruments
In April 2002, as part of its interest rate management and in accordance with the terms of its credit agreement, the Group entered into an interest rate swap maturing on 1 October 2026 . Under the interest rate swap, the Group receives interest on a variable basis and pays interest at a fixed rate of 6.30%.

The fair value of the derivative financial instruments above comprise the fair value of the interest rate swap designated in an effective hedging relationship. The interest rate swap contract was designated as a cash flow hedge of variable interest rate. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swap. The hedge was highly effective in the current and prior period and 100% of the change in fair value of the interest rate swap of a gain of £232,000 (2019: gain of £282,000) was recognised in other comprehensive income in the period.

13 Debtors

	Group 2020	2019	Company 2020	2019
Amounts falling due within one year:	**£'000**	**£'000**	**£'000**	**£'000**
Trade debtors	64	253	-	-
Amounts owed from subsidiary undertakings	-	-	816	485
Finance debtor	837	199	-	-
Other financial asset	1,001	1,139	-	-
Prepayments and accrued income	460	347	-	-
	2,362	1,938	816	485
Amounts falling due after more than one year:				
Corporation tax recoverable	348	150	-	-
Amounts owed from subsidiary undertakings	-	-	2,304	2,304
Finance debtor	15,833	16,613	-	-
	16,181	16,763	2,304	2,304
Total debtors	18,543	18,701	3,120	2,789

Amounts due from subsidiary undertakings

At the year end, the Company was owed £2,304,000 (2019: £2,304,000) in subordinated debt loans from its subsidiary, Healthcare Support (Erdington) Limited. The subordinated debt is unsecured and is subject to interest at 12.00%. The debt is repayable as a bullet payment in 2037. The subordinated debt loan notes have accrued interest of £816,000 (2019: £485,000).

Other financial assets include amounts held within deposit accounts with a maturity of greater than three months but less than six months from the initial deposit date.

14 Creditors: amounts falling due within one year

	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Bank loans	16	975	872	-	-
Trade creditors		59	391	-	-
Amounts owed to parent undertaking	16	816	485	816	485
Other taxation		59	68	-	-
Derivative financial instruments	12	435	468	-	-
Bank loan accrued interest		22	38	-	-
Accruals and deferred income		1,135	1,010	-	-
		3,501	3,332	816	485

15 Creditors: amounts falling due after more than one year

	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Bank loans and overdrafts	16	6,873	7,848	-	-
Amounts owed to parent undertaking	16	2,304	2,304	2,304	2,304
Derivative financial instruments		1,280	1,477	-	-
		10,457	11,629	2,304	2,304

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

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Payable by instalments	1,553	3,083	-	-
Payable other than by instalments	2,304	2,304	2,304	2,304
	3,857	5,387	2,304	2,304

16 Loans and overdrafts

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Bank loans	7,848	8,720	-	-
Loans from parent undertakings	2,304	2,304	2,304	2,304
	10,152	11,024	2,304	2,304
Payable within one year	975	872	-	-
Payable after one year	9,177	10,152	2,304	2,304
	10,152	11,024	2,304	2,304

The loans are secured by a fixed and floating charge over all the assets of the group and a charge over the shares of the group.

Bank loans
The group has a long term facility of £14,500,000 which is repayable in instalments by 2026 based on an agreed percentage amount of the total facilities per annum over a certain number of years.

Interest on the facility is charged at rates linked to LIBOR. The Group has entered into fixed interest rate swaps to mitigate its interest rate exposure. The fixed interest rate on the facility, after taking into consideration the swap, is 6.30%. Accrued interest on the loan is £22,000.

Subordinated debt
The company has a £2,304,000 unsecured subordinated debt fixed rate loan facility with its immediate parent company, bearing an interest rate of 12.0% per annum. The shareholder has no intention of calling this debt until such time as the company has sufficient funds to repay this loan. The unsecured subordinated debt has accrued interest of £816,000 (2019: £485,000).

17 Deferred taxation

Deferred tax assets and liabilities are offset where the group or 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:

Group	Liabilities 2020 £'000	Liabilities 2019 £'000
Accelerated capital allowances	552	368
Deferred tax charged on swap fair value	(302)	(310)
	250	58

17 Deferred taxation (Continued)

Movements in the year:	Group 2020 £'000	Company 2020 £'000
Liability at 1 January 2020	(58)	-
Charge to profit or loss	(227)	-
Charge to other comprehensive income	(44)	-
Effect of change in tax rate - profit or loss	43	-
Effect of change in tax rate - other comprehensive income	36	-
Liability at 31 December 2020	(250)	-

The deferred tax liability in relation to the interest rate and RPI swap liability is expected to affect profit or loss over the period to maturity of the interest rate and RPI swap.

18 Share capital and reserves

Ordinary share capital	2020 Number	2019 Number	2020 £'000	2019 £'000
Ordinary Shares of £1 each	229	229	-	-

Other reserves
The group's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses net of dividends.

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

19 Related party transactions

As a wholly owned subsidiary of Jura Acquisition Limited, the Company has taken advantage of the exemption under FRS 102 Section 33 not to provide information on related party transactions with other undertakings in the Jura Acquisition group. A copy of the financial statements of Jura Acquisition Limited can be obtained from its registered office at 1st Floor, Albert House, South Esplanade, St Peter Port, Guernsey, GY1 1AJ.

20 Controlling party

The company's immediate parent company is Fenton UK 3 Ltd. The smallest and largest group in which the Company's results are consolidated is Healthcare Support (Erdington) Holdings Limited.

The company's ultimate parent and controlling entity is Fenton Holdco Limited (registered address: 3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD). Copies of the the financial statements of Fenton Holdco Limited are available from Companies House.

21 Cash generated from group operations

	2020 £'000	2019 £'000
Profit for the year after tax	613	774
Adjustments for:		
Taxation charged/(credited)	184	(8)
Finance costs	940	946
Investment income	(1,185)	(1,190)
Movements in working capital:		
Decrease in debtors	218	241
(Decrease)/increase in creditors	(214)	150
Cash generated from operations	556	913

22 Analysis of changes in net debt - group

	1 January 2020 £'000	Cash flows £'000	Other non-cash changes £'000	31 December 2020 £'000
Cash at bank and in hand	714	184	-	898
Borrowings excluding overdrafts	(11,024)	872	-	(10,152)
Interest rate swap	(1,945)	-	230	(1,715)
	(12,255)	1,056	230	(10,969)