Company Registration No. 04129835 (England and Wales)

THE COVENTRY AND RUGBY HOSPITAL COMPANY (HOLDINGS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

THE COVENTRY AND RUGBY HOSPITAL COMPANY (HOLDINGS) LIMITED

COMPANY INFORMATION

Directors	Mr B Dean	
	Mr D Brooking	
	Mrs S Clark	(Appointed 15 October 2018)
Secretary	HCP Social Infrastructure (UK) Limited	
Company number	04129835	
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG	
Auditor's	KPMG LLP 66 Queen Square Bristol BS1 4BE	

THE COVENTRY AND RUGBY HOSPITAL COMPANY (HOLDINGS) LIMITED

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THE COVENTRY AND RUGBY HOSPITAL COMPANY (HOLDINGS) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

The Coventry and Rugby Hospital Company (Holdings) Limited is the owner of The Coventry and Rugby Hospital Company Plc and The Coventry and Rugby Hospital Company Nominee Limited. These three companies constitute The Coventry and Rugby Hospital Company group of companies ('the group').

Fair review of the business

The principal activity of the group is to design, build, finance and operate the new Coventry and Rugby University Hospital in accordance with a 40 year contract (the "Project Agreement") with the University Hospitals Coventry and Warwickshire NHS Trust and the Coventry and Warwickshire Partnership Trust (together the "Trusts"). Contract negotiations were successfully completed in December 2002 and construction commenced immediately. The project has been operational since 2006.

The directors do not foresee any change in the activities of the group.

Principal risks and uncertainties

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

Major maintenance

The principal risk borne by the group is that maintenance costs exceed those forecast in the financial model agreed at financial close. This risk is mitigated by regular management review of actual expenditure against budget and periodic technical evaluations of the physical condition of the facilities.

Availability

Investment in the project is funded primarily by the bonds and subordinated unsecured loan stock. During the operational phase the principal source of funds available to the group to meet its liabilities under the bonds will be unitary charge received from the Trusts under the Project Agreement. Failure to achieve the forecast levels of availability would result in lower than forecast unitary charge receipts and this may adversely affect the group's ability to make payments to bondholders. Deductions incurred in the year were £98,000 (2018: £160,000), which were recovered from the service providers, resulting in net deductions of £nil (2018: £nil).

Service performance

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

Service Provider failure

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

Brexit

The risks from Brexit are a result of the risk it poses to the service providers, rather than the company itself. Therefore, this is linked to the service performance and service provider failure risks referred to above. The company is substantively insulated from these risks because non-performance will result in deductions being passed down to the service providers. However, there remains a risk that in extreme circumstances non-performance may result in the Trusts having the right to terminate the Project Agreement.

The service providers have performed a review of their respective exposure to Brexit. The relevant concerns relate to availability of spare parts, materials and EU labour, with primary concerns revolving around delays in delivery and increased transportation costs of those supplies which come from the EU.

While there will likely be some disruption, each service provider has a strategy in place to keep this to a minimum. This will result in higher costs to the service providers but not impact the company itself. The directors are comfortable that the increased costs and disruption will not threaten the services providers to such an extent as to put the project at risk.

COVID-19 Pandemic

The risks posed by the current COVID-19 pandemic include the Trusts not paying the Unitary Charge, a risk of the service provider falling behind on fulfilling their contractual requirements due to staff sickness, resulting in a high level of deductions and the risk of service provider failure.

The Cabinet Office released a Procurement Policy Note (Action Note PPN 02/20) on 20 March 2020 that states contracting authorities (i.e. NHS Trusts) should put in place the most appropriate payment measures to support supplier cash flow. On 02 April 2020 a further guidance note was issued relating to PFI projects. This note stated that PFI contractors should consider themselves part of the public sector response to the COVID-19 emergency and asked that contracting authorities maintain unitary charge payments and moderate payment and performance regimes as appropriate. In addition to this, the Trust have written to the company expressing that they wish to work together and support one another at this time and that they are not looking to apply contractual deductions. Any deductions would however be passed down to the service providers.

The service providers are continually updating their Business Continuity Plans to show how services will be covered in the event of certain levels of staff sickness. These have been reviewed by the Board. In addition, the service providers have brought in additional staff from mothballed sites around the Midlands region and are prioritising works in the clinical areas of the hospital.

The Board have assessed the financial stability of the service providers and continue to assess new information. As the service providers have a large number of public sector customers, in particular hospitals, they are supported by the Payment Policy Note for the public sector to ensure cashflow is maintained and therefore the board consider the risk of failure to be low.

The board have considered the additional risks posed by the COVID-19 pandemic and have concluded that the group can mitigate these risks and continue to operate as a going concern for the foreseeable future.

Development and performance

Financial performance

Turnover in the year increased to £73,568,000 (2018 restated: £68,496,000) mainly due to the cost of the services provided, to which the service margin is applied, costs have increased. Although lifecycle costs have reduced, other income has increased to £3,574,000 (2018: £1,511,000), mainly due to an increase in variation activity on which turnover is generated.

Interest receivable reduced to £21,018,000 (2018: £22,263,000) mainly due to reduced interest receivable on the finance debtor. Interest receivable on the finance debtor has reduced partly due to the reduction in the finance debtor balance and also due to the indexation factor being lower than in the prior year.

Bond interest payable, which is also index-linked, reduced to £26,581,000 (2018: £28,020,000), due to the lower indexation. Interest on subordinated debt increased slightly to £5,452,000 (2018: £5,319,000) which is due to not all of the subordinated debt interest being paid in 2019. In accordance with the unsecured subordinated loan notes 2042, the unpaid interest was added to the outstanding balance and hence the average amount outstanding was higher for 2019 than for 2018, resulting in the increased interest payable. The subordinated debt balance as at 31 December 2019 was £37,912,000 (31st December 2018: £36,659,000). The above has led to a net interest cost of £11,866,000 (2018: £11,936,000).

The impact of these movements has resulted in a loss of £973,000 (2018 restated: loss of £1,309,000) for the year on a turnover of £73,568,000 (2018 restated: £68,496,000).

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

Financial position

At 31 December 2019 the group had net liabilities of £43,756,000 (2018 restated: net liabilities of £42,783,000).

During the year, the group has repaid £16,345,000 of the Index Linked Secured Guaranteed Bonds (the "Bonds"). In the previous financial year, the group repaid a total of £23,153,000. Scheduled loan repayment dates are 30 June and 31 December each year. As 31 December 2017 fell on a non-working day, payment of £7,590,000 was made on 2 January 2018 in line with the terms and conditions of the bond.

The finance debtor amortisation during the year was £6,480,000 (2018: £6,108,000). This is being amortised over the life of the concession and the carrying value at the reporting date is £308,050,000 (2018: £314,158,000). The directors believe the finance debtor to be recoverable over the term of the Project Agreement.

Key performance indicators
Financial penalties are levied by the Trusts in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are substantially passed on to the service providers but the quantum is an indication of unsatisfactory performance. During the financial year deductions of £98,000 (2018: £160,000) were levied by the Trusts. The total deductions amount to 0.16% (2018 restated: 0.28%) of the service revenue earned from the Trusts in the year. The directors consider the low levels of deductions to be satisfactory.

The directors have modelled the anticipated financial outcome of the project across the term of the contract up to the end of the concession. The directors monitor actual performance against this anticipated performance. As discussed above the group's performance as at 31 December 2019 against this measure was considered satisfactory.

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

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

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

i. The group's shareholders, bondholders and Credit Provider
Principal considerations of the board are whether the investment objective of the group is meeting shareholder and bondholder expectations and the how the manager implements the objective. These are discussed at all board meetings, which are held regularly throughout the year. The board also attends regular shareholder and bondholder briefing meetings to ensure that shareholder and bondholder engagement is optimized.

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

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

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

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

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

(a) The likely consequences of any decision in the long term
The group has made no decisions during the year that have a material long term consequences

(b) The interests of the group's employees
As an externally managed group, the group's activities are all outsourced and therefore it does not have any employees. The group does however, pay due regard to the interests and safety of all those engaged by contractors to the company to perform services on its behalf.

(c) *The need to foster the group's business relationships with suppliers, customers and others*
The group is committed to upholding the underlying principle of PFI of working in partnerships with all parties to the arrangement. As noted above, the group has policies and procedures to ensure regular communication is maintained between the parties and ensure that the supply chain is managed effectively in order that group obligations to it public sector client and service providers can be upheld.

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

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

(e) The desirability of the group maintaining a reputation for high standards of business conduct
The group is committed, in its day to day operations and dealings with all affiliates to uphold the highest standard of business conduct and integrity. The directors are not responsible for setting a "business culture" in the traditional sense, but are committed to understanding the culture of the manager and service providers and raise any concerns in this regard if necessary.

(f) The need to act fairly between members of the group
The group is solely owned by one member and therefore has no fairness considerations needed to made during decision making.

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

On behalf of the board

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Mr B Dean

Director

12 May 2020

The directors present their annual report and financial statements for the year ended 31 December 2019.

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

Mrs S Clark	
Mr B Dean	
Mr N Crowther	(Resigned 18 September 2019)
Mr D Brooking	(Appointed 18 September 2019)

Results and dividends
The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Supplier payment policy
The group's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the group's contractual and other legal obligations.

Trade creditors of the group at the year end were equivalent to 16 (2018: 17) days purchases, based on the average daily amount invoiced by suppliers during the year.

Financial instruments

Treasury operations and financial instruments
The group's financial instruments result in the group's exposure to liquidity, credit rate and interest rate risks. Further information on the financial instruments employed by the group can be seen in the notes to these financial statements.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The group aims to mitigate liquidity risk by closely monitoring the timing of cash flows within the group.

Interest rate risk
The group is exposed to interest rate risk on bank balances with floating interest rates, however the directors do not consider this exposure to be significant.

The guaranteed secured bonds and the unsecured subordinated loan notes both have fixed rates until 2040 and 2042 respectively, thus there is no interest rate risk associated with these financial liabilities. (senior debt is indexed linked)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. The Trusts are the only clients of the group. The directors consider that no significant risk arises from such a small client base since there are no indications that the Trusts will not be able to fulfil their obligations. In addition the Secretary of State for Health has underwritten the Trusts' obligations. The carrying value of the finance debtor of £308,050,000 (2018: £314,158,000) is the the maximum credit exposure..

Financial risk management policies and objectives

The group has outsourced the financial reporting function to HCP Social Infrastructure (UK) Limited ("HCP"). Authorities remain vested in the board members of the group. HCP reports regularly to the board of the group. The board receives monthly reports from HCP which specifically summarise and address the financial, contractual and commercial risks that the group is exposed to, and are pertinent to the industry in which the group operates. The board also receives monthly management accounts with explanations of variances from annual budgets and forecasts, which are in turn compared to the financial model, which represents the long term business plan of the group and outlines its ability to comply with its debt obligations and covenants. Material deviations from the business plan are investigated and reported on. Supporting this process, HCP evaluates its performance under the framework of an Internal Audit and Assessment programme which sits within its own Corporate Governance framework. This process ensures that the project remains robust and viable throughout the life of the contract.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Statement of disclosure to the 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 group's auditor 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 group's auditor is aware of that information.

Going concern

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity, cash flow risk and the risk posed by COVID-19 are described in the Strategic Report.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Significant shareholdings and special rights

The company is 100% owned by Innisfree PFI Continuation Fund through its nominee Innisfree Nominees Limited. The shareholder holds its shareholdings as a long term investment.

None of the company's ordinary shares carry any special rights with regard to the control of the company. There are no known arrangements under which financial rights are held by a person other than the beneficial owner of the shares and no known agreements on restrictions on share transfers or on voting rights.

Directors appointment and replacement, allotments of shares and control provisions

The rules about the appointment and replacement of directors are contained in the company's Articles of Association. Changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force at the time. The powers of the directors and authority to issue and allot ordinary shares are determined by UK legislation and the Memorandum and Articles of Association of the company in force from time to time. Subject to UK legislation the directors are empowered by the Articles to authorise the company to purchase its own shares.

The company does not have agreements with any director that would provide compensation for loss of office or employment following a takeover.

On behalf of the board

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Mr B Dean
Director
12 May 2020

THE COVENTRY AND RUGBY HOSPITAL COMPANY (HOLDINGS) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 parent company and of the Group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

THE COVENTRY AND RUGBY HOSPITAL COMPANY (HOLDINGS) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE COVENTRY AND RUGBY HOSPITAL COMPANY (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of The Coventry and Rugby Hospital Company (Holdings) Limited (the 'company') for the year ended 31 December 2019 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

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 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operartions over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they 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
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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities
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.

R Fitzpatrick

Robert Fitzpatrick (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

14 May 2020
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THE COVENTRY AND RUGBY HOSPITAL COMPANY (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	*2019* £'000	*2018* as restated £'000
Turnover	**3**	73,568	68,496
Operating Costs		(62,557)	(57,916)
Operating profit		11,011	10,580
Interest receivable and similar income	**7**	21,018	22,263
Interest payable and similar expenses	**8**	(32,884)	(34,199)
Loss before taxation		(855)	(1,356)
Taxation	**9**	(118)	47
Loss for the financial year		(973)	(1,309)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(973)	(1,309)

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

THE COVENTRY AND RUGBY HOSPITAL COMPANY (HOLDINGS) LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2019 £'000	2018 as restated £'000	2018 as restated £'000
Current assets					
Debtors falling due after one year	11	309,295		315,893	
Debtors falling due within one year	11	27,712		30,534	
Cash at bank and in hand		70,351		68,144	
		407,358		414,571	
Creditors: amounts falling due within one year	12	(22,647)		(27,635)	
Net current assets			384,711		386,936
Creditors: amounts falling due after more than one year	13		(428,467)		(429,525)
Provisions for liabilities	15		-		(194)
Net liabilities			(43,756)		(42,783)
Capital and reserves					
Called up share capital	17		50		50
Profit and loss reserves			(43,806)		(42,833)
Total equity			(43,756)		(42,783)

See notes 1.11 and 25 in respect of the restatements

The financial statements were approved by the board of directors and authorised for issue on 12 May 2020 and are signed on its behalf by:

Mr B Dean
Director

THE COVENTRY AND RUGBY HOSPITAL COMPANY (HOLDINGS) LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019

		2019		2018	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Fixed assets					
Investments	**10**		50		50
Current assets					
Debtors falling due after one year	**11**	37,912		36,659	
Debtors falling due within one year	**11**	2,100		2,100	
		40,012		38,759	
Creditors: amounts falling due within one year	**12**	(2,183)		(2,183)	
Net current assets			37,829		36,576
Total assets less current liabilities			37,879		36,626
Creditors: amounts falling due after more than one year	**13**		(37,912)		(36,659)
Net liabilities			(33)		(33)
Capital and reserves					
Called up share capital	**17**		50		50
Profit and loss reserves			(83)		(83)
Total equity			(33)		(33)

The financial statements were approved by the board of directors and authorised for issue on 12 May 2020 and are signed on its behalf by:

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Mr B Dean
Director

Company Registration No. 04129835

THE COVENTRY AND RUGBY HOSPITAL COMPANY (HOLDINGS) LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Profit and loss reserves	Total
	£'000	£'000	£'000
Balance at 1 January 2018	50	(48,734)	(48,684)
Effect of prior year adjustment	-	7,210	7,210
Balance at 1 January 2018 (restated)	50	(41,524)	(41,474)
Year ended 31 December 2018:			
Loss and total comprehensive income for the year (restated)	-	(1,309)	(1,309)
Balance at 31 December 2018 (restated)	50	(42,833)	(42,783)
Year ended 31 December 2019:			
Loss and total comprehensive income for the year	-	(973)	(973)
Balance at 31 December 2019	50	(43,806)	(43,756)

See notes 1.11 and 25 in respect of restatements

THE COVENTRY AND RUGBY HOSPITAL COMPANY (HOLDINGS) LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Profit and loss reserves	Total
	£'000	£'000	£'000
Balance at 1 January 2018	50	(83)	(33)
Year ended 31 December 2018:			
Profit and total comprehensive income for the year	-	-	-
Balance at 31 December 2018	50	(83)	(33)
Year ended 31 December 2019:			
Profit and total comprehensive income for the year	-	-	-
Balance at 31 December 2019	50	(83)	(33)

THE COVENTRY AND RUGBY HOSPITAL COMPANY (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Cash flows from operating activities					
Cash generated from operations	**22**		15,615		21,023
Financing activities					
Repayment of borrowings		(16,345)		(23,153)	
Interest paid		(18,081)		(25,152)	
Interest received		21,018		22,263	
Net cash used in financing activities			(13,408)		(26,042)
Net increase/(decrease) in cash and cash equivalents			2,207		(5,019)
Cash and cash equivalents at beginning of year			68,144		73,163
Cash and cash equivalents at end of year			70,351		68,144

1 Accounting policies

Company information

The Coventry and Rugby Hospital Company (Holdings) Limited ("the company") is a private company domiciled and incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

1.1 Accounting convention

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

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

In these financial statements, the company is considered a qualifying entity (for the purpose of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of number of shares outstanding from the beginning to the end of the period; and
- Cash flow statement and related notes; and
- Key management personnel compensation.

Under section 408 of the companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

1.2 Going concern

Notwithstanding net liabilities of £43,673,000 as at 31 December 2019, a loss for the year then ended of £973,000 and operating cash inflows for the year of £2,207,000, 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 these financial statements which indicate that, taking account of severe but plausible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement which are underwritten by the Secretary of State for Health.

In making this assessment the directors have considered the potential impact of the emergence and spread of COVID-19.

The company's operating cash inflows are largely dependent on unitary charge receipts receivable from the local NHS Trust and the directors expect these amounts to be received even in severe but plausible downside scenarios. This is in line with the announcement made by the Government in "Procurement Policy Note 02/20: Supplier Relief due to COVID-19" which states it is vital that contracting authorities pay all suppliers as quickly as possible to maintain cash flow and protect jobs.

The company continues to provide the asset in accordance with the contract and is available to be used. As a result, the company does not believe there is any likelihood of a material impact to the unitary payment.

1 Accounting policies **(Continued)**

The directors have assessed the viability of its main sub-contractors and reviewed the contingency plans of the sub-contractors and are satisfied in their ability to provide the services in line with the contract without significant additional costs to the company, even in downside scenarios, due to the underlying contractual terms. To date, there has been no adverse impact on the services provided by the company or its sub-contractors arising from COVID-19. However, in the unlikely event of a subcontractor failure, the company has its own business continuity plans to ensure that service provision will continue.

The directors believe the company has sufficient funding in place and expect the company to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Turnover

Turnover in relation to service revenue is recognised in accordance with the service concession contract accounting policy. Turnover in relation to pass-through revenue is recognised when the services are performed and does not attract a margin.

1.4 Investments in subsidiaries

In the separate financial statements of the company, investments in subsidiaries are carried at cost less impairment.

1.5 Financial instruments

The group and company have 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 statement of financial position 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 trade and other receivables 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.

1 Accounting policies **(Continued)**

Trade and other debtors

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Restricted cash

The group is obligated to keep separate cash reserves in respect of requirements in the group's funding agreements. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £70,351,000 at the year end (2018: £64,307,000).

Impairment of financial assets

Financial assets, other than those held at fair value through profit and 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 intial 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 flow discounted at the asset's orginal effective interest rate. The impairment loss is recognised in the 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 profir or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of the ownerships to another entity, or if some significant risks and rewards or ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirely 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, including trade and other creditors, bonds and subordinated loans, 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 receipts discounted at a market rate of interest.

1 Accounting policies **(Continued)**

Trade and other creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

Derecognition of financial liabilities

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

1.6 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.

1.7 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset 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)**

1.8 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

1.9 Service concession accounting

The group is an operator of a Public Finance Initiative ("PFI") contract. The group entered into a project agreement (the "contract") with the University Hospital Coventry and Warwickshire NHS Trust and the Coventry and Warwickshire Partnership Trust (together the "Trusts") to design, build, finance, operate and maintain the new Coventry and Rugby University Hospital. The contract negotiations were successfully completed in December 2002 and construction commenced immediately. The project has been fully operational since 2006. The concession period is for 40 years, during this period the group has contracted to provide hard, soft and equipment services to the Trusts. The group has passed these obligations down to Vinci Construction UK Plc, ISS Mediclean Limited and GE Healthcare Limited respectively via subcontracts. The obligation to provide major maintenance works (lifecycle) is undertaken by Vinci Construction UK Plc, however, as discussed in the strategic report, the risk that the costs exceed those forecast in the financial model is borne by the group. The timing and extent of the major maintenance works is a key assumption that will affect the cashflows of the group, further information is shown in note 2. The contract does not entitle the Trusts to any share of the profits of the group. The Trusts are entitled to terminate the Contract at anytime by giving 3 months written notice. If the Trusts exercise this right they are liable to pay the group compensation as set out in the Contract, which would include the senior debt, redundancy costs and other FM provider losses and the market value of the subordinated debt.

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 permits 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 Trusts.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase the Trusts pay Project Co. a fixed Unitary Charge payment, as determined in the Contract, that is inflated by RPI each year. Income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is 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.

1 Accounting policies **(Continued)**

1.10 Interest receivable and 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.

1.11 Prior period adjustment

During the year management identified mathematical issues with the long term contracting model which affected revenue recognised between 2008 and 2018 inclusively. The issues resulted in a reduced margin being applied to service revenue in each of those years and, conversely, the margin being applied to certain costs to which it was not applicable. As a consequence of the higher revenue now recognised an increased amount of the deferred tax asset would have been utilised in those years. The net effect of the above has been to increase revenue and accrued income and reduce the deferred tax asset. This has no impact on cash recognition or amounts invoiced to the underlying customer.

Further details are given in note 25.

2 Judgements and key sources of estimation uncertainty

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

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

Service concession accounting
Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the service concession contract. Lifecycle costs are a significant proportion of future expenditure. Given the length of the group's service concession contract, the forecast of lifecycle costs is subject to significant estimation uncertainty and changes in the amount and timing of expenditure could have material impacts. As a result, there is a significant level of judgement applied in estimating future lifecycle costs. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis and periodic technical evaluations of the physical condition of the facilities are undertaken. In addition, comparisons of actual expenditure are compared to the lifecycle forecast. if lifecycle costs cumulatively over the remainder of the concession increase by 5% the impact on revenue and loss in the year would be a decrease in revenue of £762,000 and an increase in the loss of £762,000.

Debtors
The recoverability of the group's debtors has been assessed by the directors and, where any uncertainty has been identified, impairment losses have been recognised to reflect this uncertainty. Impairment losses are recognised to the extent that the future cash flows are considered to be affected.

Provisions
The provision requires an estimate of the construction and ancillary costs required to correct certain defects in the project. The estimate is based on the experience of costs incurred and the agreed nature and timescales of the programme of works agreed with the Trust.

3 Turnover and other revenue

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

	2019 £'000	2018 £'000 (restated)
Turnover		
Services income	60,357	56,771
Pass through income	9,637	10,214
Other income	3,574	1,511
	73,568	68,496

4 Auditor's remuneration

Fees payable to the company's auditor and associates:	2019 £'000	2018 £'000
For audit services		
Audit of the financial statements of the group and company	35	24

5 Employees

The company had no employees during the year (2018: nil).

6 Directors' remuneration

	2019 £'000	2018 £'000
Sums paid to third parties for directors' services	32	38

7 Interest receivable and similar income

	2019 £'000	2018 £'000
Interest income		
Interest on bank deposits	589	442
Interest on finance debtor	20,429	21,821
Total Interest income	21,018	22,263

8 Interest payable and similar expenses

	2019	2018
	£'000	£'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	26,581	28,020
Interest on subordinated loans	5,452	5,319
Amortisation of finance arrangement costs	851	860
	32,884	34,199

9 Taxation

	2019	2018
	£'000	£'000
		(restated)
Deferred tax		
Group tax relief	192	185
Changes in tax rates	88	25
Tax losses carried forward	(162)	(257)
Total tax charge/(credit)	118	(47)

All tax has been charged to the Profit and Loss Account with none charged through other comprehensive income.

The charge for the year can be reconciled to the (loss)/profit per the profit and loss account as follows:

	2019	2018
	£'000	£'000
		(restated)
Loss before taxation	(855)	(1,356)
Expected tax charge based on a corporation tax rate of 19% (2018: 19%)	(162)	(257)
Effect of change in corporation tax rate	88	25
Deferred tax adjustments in respect of prior year	192	185
Total tax (credit)/charge	118	(47)

9 Taxation **(Continued)**

The group has tax losses of £45,441,000 (2018 restated: £44,585,000) which have been carried forward and will be offset against future trading profits. A deferred tax asset in respect of tax losses has been recognised as the directors consider the balance to be recoverable over the life of the PFI contract.

A reduction in the UK corporation tax rate from 19% (effective from 1 April 2017) to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax asset at 31 December 2019 has been calculated on that rate. Since then it was substantively enacted on 17 March 2020 that the rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. This will increase the company's tax charge accordingly.

10 Fixed asset investments

		Group		Company	
		2019	2018	2019	2018
	Notes	£'000	£'000	£'000	£'000
Investments in subsidiaries	21	-	-	50	50

Movements in fixed asset investments
Company

	Shares
	£'000
Cost	
At 1 January 2019 & 31 December 2019	50
Carrying amount	
At 31 December 2019	50
At 31 December 2018	50

11 Debtors

	Group		Company	
	2019	2018	2019	2018
Amounts falling due within one year:	£'000	£'000 restated	£'000	£'000
Trade debtors	2,299	1,418	-	-
Amounts due from subsidiary undertakings	-	-	2,100	2,100
Other debtors	42	100	-	-
Finance debtor	6,480	6,108	-	-
Prepayments and accrued income	18,891	22,908	-	-
	27,712	30,534	2,100	2,100
Amounts falling due after one year:				
Amounts due from subsidiary undertakings	-	-	37,912	36,659
Finance debtor	301,570	308,050	-	-
	301,570	308,050	37,912	36,659
Deferred tax asset (note 16)	7,725	7,843	-	-
	309,295	315,893	37,912	36,659
Total debtors	337,007	346,427	40,012	38,759

All financial assets included above are held at amortised cost.

12 Creditors: amounts falling due within one year

		Group		Company	
		2019	2018	2019	2018
	Notes	£'000	£'000	£'000	£'000
Loans and overdrafts	14	9,880	10,363	-	-
Other taxation and social security		1,386	1,703	-	-
Trade creditors		2,815	2,631	-	-
Amounts due to fellow group undertakings		-	-	83	83
Other creditors		-	103	-	-
Accruals and deferred income		8,566	12,835	2,100	2,100
		22,647	27,635	2,183	2,183

13 *Creditors: amounts falling due after more than one year*

		Group		Company	
		2019	**2018**	**2019**	**2018**
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Loans and overdrafts	**14**	428,467	429,525	37,912	36,659

All of the above items are held at amortised cost

14 *Loans and overdrafts*

	Group		Company	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Bonds	400,435	403,229	-	-
Subordinated Loans	37,912	36,659	37,912	36,659
	438,347	439,888	37,912	36,659
Payable within one year	9,880	10,363	-	-
Payable after one year	428,467	429,525	37,912	36,659
Amounts included above which fall due after five years:				
Payable by instalments	392,594	391,595	37,912	36,659

The bond is secured by an irrecoverable financial guarantee policy issued by MBIA Assurance S.A. (succeeded by Assured Guaranty (London) Limited), in favour of Mourant & Co. Capital Trustees Limited (subsequently replaced by Link Asset Services) as security trustee over all of the undertakings and assets of the group. The bond is repayable in bi-annual instalments ending in 2040 and is subject to an interest rate of 3.246% index linked.

The shareholders' subordinated debt is unsecured and repayable in 2042 subsequent to the repayment of the bond. Interest is payable bi-annually at a rate of 14.52% per annum.

15 Provisions for liabilities

	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
Remediation costs	-	194	-	-

At 1 January 2019	194
Utilisation of provision	(194)
At 31 December 2019	-

The provision brought forward related to the directors' best estimate of the construction and ancillary costs required to correct certain defects in the project. During the year costs totalling £194,000 have been recognised in relation to this work, utilising the provision.

16 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	**Assets 2019 £'000**	**Assets 2018 £'000 restated**
Tax losses	7,725	7,843

Movements in the year:	**Group 2019 £'000**	**Company 2019 £'000**
Asset at 1 January 2019 (restated)	(7,843)	-
Loss for the year carried forward	(162)	-
Effect of change in tax rate	88	-
Group relief	192	-
Asset at 31 December 2019	(7,725)	-

17 Share capital

	Group and company	
	2019	**2018**
Ordinary share capital	**£'000**	**£'000**
Issued and fully paid		
50,000 Ordinary shares of £1 each	50	50

18 Related party transactions

	Management services	
	2019	**2018**
	£'000	**£'000**
Group		
HCP Social Infrastructure (UK) Ltd	813	782
	813	782

In December 2002, the group entered into transactions in the ordinary course of business for the duration of the project agreement with its management service provider HCP Social Infrastructure (UK) Limited. HCP Holdings Limited, the parent company of HCP Social Infrastructure (UK) Limited, is invested with funds under the management of Innisfree Limited, who also manage the funds invested in the group.

No guarantees have been given or received.

19 Financial commitments, guarantees and contingent liabilities

As stated above a provision has been recorded relating to construction and ancillary costs to correct certain defects in the project. Rectification works are still ongoing. It is therefore possible that further costs are incurred in relation to these works. However, the directors consider that the risk of a net outflow to the company is not probable under the relevant contractual agreements in place.

20 Controlling party

The company's voting share capital is held by Innisfree PFI Continuation Fund through its nominee Innisfree Nominees Limited, managed by Innisfree Limited. All of these entities are registered in England and Wales.

In the directors' opinion, the company's ultimate parent undertaking and controlling party is Innisfree PFI Continuation Fund, registered at 1st Floor Boundary House, 91 - 93 Charterhouse Street, London, EC1M 6HR.

21 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking and country of incorporation or residency		**Nature of business**	**Class of shareholding**	**% Held Direct**	**Indirect**
The Coventry and Rugby Hospital Company Nominee Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.	Holding of investments	Ordinary	100.00	-
The Coventry and Rugby Hospital Company Plc	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.	PFI Special Purpose Vehicle	Ordinary	99.99	0.01

The aggregate capital and reserves and the profit for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/ (Loss)	Capital and Reserves
	£'000	£'000
The Coventry and Rugby Hospital Company Plc	(973)	(42,700)
The Coventry and Rugby Hospital Nominee Limited	-	-

22 Cash generated from group operations

	2019 £'000	**2018 £'000 restated**
Loss for the year after tax	(973)	(1,309)
Adjustments for:		
Taxation charged/(credited)	118	(47)
Finance costs	32,884	34,200
Investment income	(21,018)	(22,263)
Decrease in provisions	(194)	(260)
Movements in working capital:		
Decrease in debtors	9,346	11,441
Decrease in creditors	(4,548)	(739)
Cash generated from operations	15,615	21,023

23 Analysis of changes in net debt

	2019 £'000
Opening net funds/(debt)	
Cash and cash equivalents	68,144
Loans	(439,888)
	(371,744)
Changes in net debt arising from:	
Cash flows of the entity	18,552
Other non-cash changes	(14,804)
Closing net funds/(debt) as analysed below	(367,996)
Closing net funds/(debt)	
Cash and cash equivalents	70,351
Loans	(438,347)
	(367,996)

24 Non-adjusting balance sheet event

These financial statements are for the year ended 31 December 2019 and therefore the impact of COVID-19 on these accounts is considered to be a non-adjusting post-balance sheet event. For the reasons discussed in the Strategic Report and in note 1.2 we do not expect COVID-19 to have a material impact on the year ended 31 December 2019 numbers.

25 Prior period adjustment

As stated in note 1, these financial statements have been amended for the effects of the prior period adjustment on revenue.

Reconciliation of equity

		31 December 2018		
	Note	Original £'000	Effect of error £'000	Restated £'000
Current assets				
Prepayments and accrued income included in debtors (due within one year)	10	9,859	13,049	22,908
Deferred tax asset included in debtors (due after more than one year)	10	10,082	(2,239)	7,843
Net liabilities		(53,593)	10,810	(42,783)

25 Prior period adjustment **(Continued)**

	31 December 2018			1 January 2018		
	Original	Effect of error	Restated	Original	Effect of error	Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Profit and loss account	(53,643)	10,810	(42,833)	(48,734)	7,210	(41,524)
Shareholders' equity	(53,693)	(10,810)	(42,783)	(48,684)	7,210	(41,474)

Reconciliation of comprehensive income

		2018		
	Note	Original	Effect of error	Restated
Turnover		£'000	£'000	£'000
Turnover	3	64,150	4,346	68,496
Profit/(loss) before taxation		(5,702)	4,346	(1,356)
Tax on profit/(loss)		793	(746)	47
Profit for the year		(4,909)	3,600	(1,309)