

Healthcare Providers (Gloucester) Limited
Financial Statements
31 December 2019



Healthcare Providers (Gloucester) Limited

Financial Statements

Year ended 31 December 2019

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Healthcare Providers (Gloucester) Limited

Directors' Report

Year ended 31 December 2019

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

Principal activities and business review

The principal activity of the company is that of a holding company with a single subsidiary, Gloucester Healthcare Partnership Limited.

The principal activity of the group is the provision of operational and maintenance services for the Gloucestershire Royal Hospital, in accordance with a Project Agreement entered into with Gloucestershire Hospitals National Health Service Trust.

The hospital became fully operational in 2004. The group is currently running the operation and maintenance services for the period to 22 February 2034, providing a full range of facilities management services under a contractual agreement that provides a regular income stream which is subject to deductions for service shortfalls and the unavailability of the facility.

On 31 January 2020, the United Kingdom left the European Union. The terms on which the United Kingdom may trade with the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy. However, the group is not affected by the United Kingdom's withdrawal from the European Union, as the cash flows generated from the PFI concession asset are secured under contract with Gloucestershire Hospitals National Health Service Trust, a government body.

The result for the group for the year is shown in the Consolidated Profit and Loss Account and Statement of Comprehensive Income on page 7.

Directors

The directors who served the company during the year and up to the date of this report are shown below:

A Naafs
I Tayler
N Rae
R Little
F Schramm

(Resigned 17 January 2019)

Dividends

The directors approved and paid dividends of £384,000 (2018: £545,000) during the year.

Future developments

The updated forecast for the project confirms that it is performing satisfactorily and management of the scheme both logistically and financially remains under control. The directors remain confident that the group will maintain the current level of performance and keep meeting the obligations under the contract.

Subsequent event

On 23 March 2020, due to the Covid-19 virus outbreak, the United Kingdom Government issued guidance that only essential business activities should continue. The group's Business Continuity Plan was reviewed and updated, and the FM contractor continues to provide essential services. The directors have no current concerns regarding the prompt payment of the Unitary Charge, secured under contract with the Gloucestershire Hospitals National Health Service Trust, a government body.

Healthcare Providers (Gloucester) Limited

Directors' Report *(continued)*

Year ended 31 December 2019

Donations

The group and company made no political donations during the year (2018: £nil).

Small company exemption

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. The directors have taken advantage of the small companies exemptions provided by Sections 415A and 415B of the Companies Act 2006, which includes those in relation to the exemption from certain requirements of the Directors' report and the available exemption to not prepare a Strategic report.

Disclosure of information to the auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

Going concern

The directors have reviewed the group's projected cash flows by reference to a financial model covering accounting periods up to 31 December 2034. The directors have also examined the current status of the group's principal contracts and likely developments in the foreseeable future. Having reviewed the available information, the directors consider that the group and company will be able to meet its financial obligations on the due dates for the foreseeable future.

This report was approved by the Board of directors on 26 June 2020 and signed on behalf of the Board by:



A Naafs
Director

Registered office:
Part First Floor
1 Grenfell Road
Maidenhead
Berkshire
SL6 1HN

Healthcare Providers (Gloucester) Limited

Directors' Responsibilities Statement

Year ended 31 December 2019

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law 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 and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group 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.

This report was approved by the Board of directors on 26 June 2020 and signed on behalf of the Board by:



A Naafs
Director

Registered office:
Part First Floor
1 Grenfell Road
Maidenhead
Berkshire
SL6 1HN

Healthcare Providers (Gloucester) Limited

Independent Auditors' Report to the Members of Healthcare Providers (Gloucester) Limited

Year ended 31 December 2019

Report on the audit of the financial statements

Opinion

In our opinion, Healthcare Providers (Gloucester) Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 December 2019; the Consolidated Profit and Loss Account and Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Healthcare Providers (Gloucester) Limited

Independent Auditors' Report to the Members of Healthcare Providers (Gloucester) Limited *(continued)*

Year ended 31 December 2019

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Healthcare Providers (Gloucester) Limited

Independent Auditors' Report to the Members of Healthcare Providers (Gloucester) Limited *(continued)*

Year ended 31 December 2019

Responsibilities for the financial statements and the audit *(continued)*

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Jonathan Studholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

26 June 2020

Healthcare Providers (Gloucester) Limited

Consolidated Profit and Loss Account and Statement of Comprehensive Income

Year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	4	3,927	3,582
Cost of sales		(2,736)	(2,465)
Administrative expenses		(201)	(180)
Operating profit		990	937
Interest receivable and similar income	7	1,806	1,864
Interest payable and similar expenses	8	(1,537)	(1,598)
Profit before taxation		1,259	1,203
Tax on profit	9	(281)	(267)
Profit for the financial year		978	936
Fair value movements on cash flow hedging instruments		21	1,225
Tax recognised in relation to change in fair value cash flow hedges	9	(4)	(208)
Other comprehensive income for the financial year		17	1,017
Total comprehensive income for the financial year		995	1,953

The notes on pages 13 to 25 form part of these financial statements.

All the activities of the group are from continuing operations.

Healthcare Providers (Gloucester) Limited

Consolidated Balance Sheet

As at 31 December 2019

	Note	2019 £000	2018 £000
Current assets			
Debtors: amounts falling due within one year	12	1,697	1,603
Debtors: amounts falling due after more than one year	12	29,364	29,604
Cash at bank and in hand		5,029	4,990
Total current assets		36,090	36,197
Creditors: amounts falling due within one year	13	(1,339)	(1,763)
Net current assets		34,751	34,434
Total assets less current liabilities		34,751	34,434
Creditors: amounts falling due after more than one year	14	(30,659)	(31,234)
Provisions for other liabilities	16	(3,261)	(2,980)
Net assets		831	220
Capital and reserves			
Called up share capital	19	38	38
Cash flow hedge reserve	20	(6,177)	(6,194)
Profit and loss account		6,970	6,376
Total equity		831	220

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

The notes on pages 13 to 25 form part of these financial statements.

The financial statements on pages 7 to 25 were approved by the Board of directors on 26 June 2020 and signed on behalf of the Board by:


A Naafs
Director

Company registration number: 04341295

Healthcare Providers (Gloucester) Limited

Company Balance Sheet

As at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Investments	11	38	38
Current assets			
Debtors: amounts falling due within one year	12	29	29
Debtors: amounts falling due after more than one year	12	2,468	2,430
Total current assets		2,497	2,459
Creditors: amounts falling due within one year	13	(29)	(29)
Net current assets		2,468	2,430
Total assets less current liabilities		2,506	2,468
Creditors: amounts falling due after more than one year	14	(2,468)	(2,430)
Net assets		38	38
Capital and reserves			
Called up share capital	19	38	38
Profit and loss account		-	-
Total equity		38	38

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

The notes on pages 13 to 25 form part of these financial statements.

The profit for the financial year of the company was £384,000 (2018: £545,000).

The financial statements on pages 7 to 25 were approved by the Board of directors on 26 June 2020 and signed on behalf of the Board by:


A Naafs
Director

Company registration number: 04341295

Healthcare Providers (Gloucester) Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Note	Called up share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2018		38	(7,211)	5,985	(1,188)
Profit for the financial year		-	-	936	936
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments		-	1,225	-	1,225
Tax recognised in relation to change in fair value cash flow hedges	9	-	(208)	-	(208)
Total comprehensive income for the financial year		-	1,017	936	1,953
Dividends paid and payable	10	-	-	(545)	(545)
Total investments by and distributions to owners		-	-	(545)	(545)
At 31 December 2018		38	(6,194)	6,376	220
Profit for the financial year		-	-	978	978
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments		-	21	-	21
Tax recognised in relation to change in fair value cash flow hedges	9	-	(4)	-	(4)
Total comprehensive income for the financial year		-	17	978	995
Dividends paid and payable	10	-	-	(384)	(384)
Total investments by and distributions to owners		-	-	(384)	(384)
At 31 December 2019		38	(6,177)	6,970	831

The notes on pages 13 to 25 form part of these financial statements.

Healthcare Providers (Gloucester) Limited

Company Statement of Changes in Equity

Year ended 31 December 2019

	Note	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2018		38	–	38
Profit for the financial year		–	545	545
Total comprehensive income for the financial year		–	545	545
Dividends paid and payable	10	–	(545)	(545)
Total investments by and distributions to owners		–	(545)	(545)
At 31 December 2018		38	–	38
Profit for the financial year		–	384	384
Total comprehensive income for the financial year		–	384	384
Dividends paid and payable	10	–	(384)	(384)
Total investments by and distributions to owners		–	(384)	(384)
At 31 December 2019		38	–	38

The notes on pages 13 to 25 form part of these financial statements.

Healthcare Providers (Gloucester) Limited

Consolidated Cash Flow Statement

Year ended 31 December 2019

	2019 £000	2018 £000
Cash flows from operating activities		
Profit for the financial year	978	936
<i>Adjustments for:</i>		
Interest receivable and similar income	(1,806)	(1,864)
Interest payable and similar expenses	1,537	1,598
Tax on profit	281	267
<i>Changes in:</i>		
Trade and other debtors	142	262
Trade and other creditors	(251)	60
Cash generated from operations	881	1,259
Interest paid	(1,476)	(1,516)
Interest received	1,806	1,864
Net cash generated from operating activities	1,211	1,607
Cash flows from financing activities		
Repayment of bank loan	(788)	(773)
Dividends paid	(384)	(545)
Net cash used in financing activities	(1,172)	(1,318)
Net increase in cash and cash equivalents	39	289
Cash and cash equivalents at beginning of year	4,990	4,701
Cash and cash equivalents at end of year	5,029	4,990

The notes on pages 13 to 25 form part of these financial statements.

Healthcare Providers (Gloucester) Limited

Notes to the Financial Statements

Year ended 31 December 2019

1. General information

Healthcare Providers (Gloucester) Limited is a private company limited by shares incorporated in the United Kingdom, which is registered and domiciled in the United Kingdom at Part First Floor, 1 Grenfell Road, Maidenhead, Berkshire, SL6 1HN. The principal activity of the company is that of a holding company with a single subsidiary, Gloucester Healthcare Partnership Limited.

2. Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the Companies Act 2006. The presentation currency of these financial statements is sterling.

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

3. Summary of significant accounting policies

Measurement convention

The financial statements were prepared under the historical cost convention except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

Going concern

The directors have reviewed the cash flow forecast and taking into account reasonable possible changes in operations, believe that the group and company will be able to settle liabilities as they fall due for payment for the foreseeable future and therefore consider that it is appropriate to prepare these financial statements on a going concern basis.

Exemptions for qualifying entities under FRS 102

The company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemption available under FRS 102 in respect of the following disclosure:

- Cash Flow Statement and related notes.
- Basic Financial Instruments and Other Financial Instrument Issues.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. Certain critical accounting estimates in applying the group's accounting policies are described below:

Healthcare Providers (Gloucester) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Summary of significant accounting policies *(continued)*

Critical accounting estimates and judgements *(continued)*

Accounting for the service concession requires an estimation of service margins which is based on the forecasted results of the PFI contract. Quarterly management accounts are produced, which compare actual performance with a detailed financial model. Variances are investigated and consideration given to the impact of any major variances. The financial model is updated on a six-monthly basis, to reflect actual performance to date and accommodate any changes in economic assumptions such as, RPI and the UK corporation tax rate. These processes ensure that the project remains robust and viable throughout the life of the contract.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertaking, Gloucester Healthcare Partnership Limited. The acquisition method of accounting has been adopted. The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss Account.

Turnover

Turnover represents the value of services rendered, excluding sales related taxes, and is recognised to the extent that the group obtains the right to consideration in exchange for its performance. During the operational phase, turnover is recognised as contract activity progresses at a mark-up on costs related to the provision of services. In line with FRS 102 23.22(a), the mark-up is calculated based upon the forecast service revenues and costs over the concession period.

A lease premium income of £1,000,000 received from Gentian (GHP) Limited in December 2003, in respect of retail premises at the Gloucestershire Royal Hospital, is being released over the period of the lease, until February 2034, and in accordance with the underlease agreement of retail premises at the Gloucestershire Royal Hospital, the group receives an annual rental income from Gentian (GHP) Limited, for occupying a retail space within the hospital premises.

Taxation

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

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

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

Healthcare Providers (Gloucester) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Summary of significant accounting policies *(continued)*

Taxation *(continued)*

Deferred tax is recognised on trading losses carried forward and on the fair value movement of the swap derivative.

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

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Investments

Investments in subsidiary undertakings are stated at cost, less an appropriate provision to reflect any impairment in the value of the investments.

Financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses in the case of trade debtors.

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 rate method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and treasury deposits.

Restricted cash balance

The group is obligated to keep a separate cash reserve in respect of future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £4,367,000 at the year-end (2018: £4,130,000).

Healthcare Providers (Gloucester) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Summary of significant accounting policies *(continued)*

Financial instruments *(continued)*

Other financial instruments

Financial instruments not considered to be basic financial instruments (other financial instruments)

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

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

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

The group has entered into an interest rate swap and designated these as hedges for highly probable forecast transaction. The effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the Profit and Loss Account immediately.

LIBOR reform

Benchmark rates such as, LIBOR and Inter-Bank Offered Rates (IBORs) are widely used to determine a variety of payments (including interest) under many forms of financial products. These benchmark rates have been subject to increasing regulatory scrutiny, with global regulators calling for the market to transition to alternative rates such as, "risk free rates" or "Risk-Free Reference Rates" by the end of 2021. In anticipation of this growing risk to hedge accounting, the IASB issued amendments to hedging rules, to provide relief from uncertainties relating to IBOR reform. These amendments were issued to avoid hedges having to terminate due to IBOR related uncertainty. Similar to the IASB, the FRC has now issued amendments to FRS 102 which provide reliefs to hedge accounting in the period before the reform. Issues affecting financial reporting as a result of the benchmark reform will be considered in due course by the FRC.

Healthcare Providers (Gloucester) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Summary of significant accounting policies *(continued)*

Financial instruments *(continued)*

Derivative financial instruments and hedging *(continued)*

LIBOR reform (continued)

During the year the FRS 102 guidance around LIBOR rate reform has modified specific hedge accounting requirements so that entities apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of interest rate benchmark reform. These amendments replace the need for specific judgements to determine whether certain hedge accounting relationships that hedge the variability of cash flows or interest rate risk exposures for periods after the interest rate benchmarks are expected to be reformed or replaced continue to qualify for hedge accounting as at 31 December 2019. For example, in the context of cash flow hedging, the amendments require the interest rate benchmark on which the hedged cash flows are based, or on which the cash flows of the hedging instrument are based, to be assumed to be unaltered over the period of the documented hedge relationship, while uncertainty over the interest rate benchmark reform exists. Further guidance is expected to be provided on the implication for hedge accounting during the reform process and after the reform uncertainty is resolved.

Finance debtor

The group is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the group under FRS 102 section 34.12C, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

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 an asset specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS 102 section 23.22(a). The group recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Expenses

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable on borrowings and associated on-going financing fees. Interest payable is recognised in the Profit and Loss Account, using the effective interest rate method.

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.

Healthcare Providers (Gloucester) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

4. Turnover

Turnover arises from:

	2019 £000	2018 £000
Service income	3,782	3,440
Rental income	145	142
	<u>3,927</u>	<u>3,582</u>

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

5. Auditors' remuneration

	2019 £000	2018 £000
Audit of these financial statements	<u>16</u>	<u>11</u>

The audit fee in respect of the group was £16,000 (2018: £11,000) of which £3,000 (2018: £2,000) relates to the company. The group incurred tax fees of £4,000 (2018: £3,000) during the year. All of these costs have been borne by the subsidiary undertaking.

6. Staff costs and directors' remuneration

The group and company had no employees during the year (2018: nil). No key management personnel received any remuneration during the year (2018: nil). The directors have no contract of service with the group. During the year the group incurred charges of £82,000 (2018: £80,000) from BBGI Management HoldCo S.à r.l. (a direct and wholly owned subsidiary of BBGI SICAV S.A., which indirectly holds 50% of the share capital in the company) and £82,000 (2018: £80,000) from Semperian PPP Investment Partners No.2 Limited (a 50% shareholder of the company), for making available the services of the directors.

7. Interest receivable and similar income

	2019 £000	2018 £000
Bank interest receivable	30	22
Finance debtor interest receivable	1,776	1,842
	<u>1,806</u>	<u>1,864</u>

Interest is imputed on the finance debtor using an asset specific interest rate of 7%.

8. Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable on bank loan	1,379	1,431
Interest payable on subordinated debt	155	164
Other interest payable and similar expenses	3	3
	<u>1,537</u>	<u>1,598</u>

Healthcare Providers (Gloucester) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

9. Tax on profit

Tax expense

	2019 £000	2018 £000
Deferred tax:		
Origination and reversal of timing differences	281	267
Tax on profit	281	267

Tax recognised as other comprehensive income or equity

The aggregate deferred tax relating to items recognised as other comprehensive income or equity for the year was £(4,000) (2018: £(208,000)). The effect of changes in tax rates and laws is £nil (2018: £24,000).

Reconciliation of tax expense

The tax assessed on the profit before taxation for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £000	2018 £000
Profit before taxation	1,259	1,203
Profit before taxation by rate of tax	239	229
Effect of expenses not deductible for tax purposes	76	70
Effect of changes in tax rates	(34)	(32)
Tax on profit	281	267

Factors that may affect future tax expense

On 11 March 2020, the Chancellor of the Exchequer announced that the UK Corporation tax rate will remain at 19% from 1 April 2020. The impact of keeping the tax rate at 19% would be to increase deferred tax by £555,000 of which, the amount relating to capital allowances is £245,000, the amount relating to trading losses carried forward is £11,000, the amount relating to the short lease premium relief is £147,000, the amount relating to the FRS 102 transition adjustment is £3,000 and the amount relating to the swap liability is £149,000. Deferred tax at 31 December 2019 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

10. Dividends paid and payable

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2019 £000	2018 £000
Dividends on ordinary shares	384	545

Healthcare Providers (Gloucester) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

10. Dividends paid and payable *(continued)*

During the year the company made a dividend payment of £384,000 (2018: £545,000) to BBGI Investments S.C.A. (an indirect and wholly owned subsidiary of BBGI SICAV S.A.) and Semperian PPP Investment Partners No.2 Limited (a wholly owned subsidiary of Semperian PPP Investment Partners Holdings Limited), in accordance with their shareholdings.

11. Investments

Company	Shares in subsidiary undertaking £000
Cost	
At 1 January 2019 and 31 December 2019	38
Accumulated impairment	
At 1 January 2019 and 31 December 2019	—
Carrying amount	
At 31 December 2019	38
At 31 December 2018	38

As at 31 December 2019 the company owns 100% of the issued share capital (£38,000) of Gloucester Healthcare Partnership Limited, which are both registered and domiciled in the United Kingdom at Part First Floor, 1 Grenfell Road, Maidenhead, Berkshire, SL6 1HN. The principal activity of Gloucester Healthcare Partnership Limited is the provision of operational and maintenance services for the Gloucestershire Hospitals National Health Service Trust.

12. Debtors

Debtors falling due within one year are as follows:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade debtors	593	571	—	—
Amounts owed by group undertakings	—	—	29	29
Finance debtor	1,081	1,009	—	—
Prepayments and accrued income	23	23	—	—
	<u>1,697</u>	<u>1,603</u>	<u>29</u>	<u>29</u>

Debtors falling due after one year are as follows:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Amounts owed by group undertakings	—	—	2,468	2,430
Deferred tax asset	1,265	1,269	—	—
Finance debtor	24,311	25,392	—	—
Prepayments and accrued income	3,788	2,943	—	—
	<u>29,364</u>	<u>29,604</u>	<u>2,468</u>	<u>2,430</u>

Healthcare Providers (Gloucester) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

12. Debtors *(continued)*

Amounts owed by group undertakings are unsecured, repayable by 2034, and attract interest at LIBOR + 4%.

13. Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Bank loans and overdrafts	1,059	1,258	-	-
Trade creditors	62	110	-	-
Taxation and social security	99	165	-	-
Subordinated debt (including accrued interest)	29	29	29	29
Accruals and deferred income	90	201	-	-
	1,339	1,763	29	29

14. Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Bank loans and overdrafts	20,462	21,032	-	-
Subordinated debt	2,468	2,430	2,468	2,430
Swap liability	7,442	7,463	-	-
Accruals and deferred income	287	309	-	-
	30,659	31,234	2,468	2,430

Included within Bank loans and overdrafts is an amount repayable after five years of £16,226,000 (2018: £17,748,000) and included within subordinated debt are amounts repayable after five years of £2,382,000 (2018: £2,430,000).

Bank loan relates to senior secured funding granted by a consortium of banks led by Helaba (Landesbank Hessen-Thüringen Girozentrale). The senior loan facility is for a total value of £35,600,000.

The senior loan facility consists of a term loan facility of £34,500,000 which is repayable in 56, six-monthly instalments ending 21 August 2032.

Bank loans and overdrafts of £20,462,000 (2018: £21,032,000) includes an outstanding loan facility of £20,648,000 (2018: £21,250,000) and an effective interest rate adjustment of £(185,000) (2018: £(218,000)) in relation to the senior loan facility. Interest is charged on amounts drawn under the facility at LIBOR + 0.75%.

The senior loan facility is secured by a fixed charge over all leasehold interests, book debts, project accounts and intellectual property of the group and by a floating charge over the group's undertakings and assets.

Subordinated debt of £2,468,000 (2018: £2,430,000) includes an unsecured loan facility of £2,382,000 (2018: £2,382,000) due to its shareholders and an effective interest rate adjustment of £86,000 (2018: £48,000) in relation to the subordinated loan facility. The subordinated loan facility bears interest at LIBOR + 4% and is fully repayable by 2034.

Healthcare Providers (Gloucester) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

15. Deferred income

A lease premium of £1,000,000 from Gentian (GHP) Limited in respect of retail premises at the hospital is being released over the period of the lease, which expires in February 2034. During the year, an amount of £22,000 (2018: £22,000) was released to the Profit and Loss Account and recognised as income. At 31 December 2019, the balance outstanding is £309,000 (2018: £331,000) and is included within accruals and deferred income.

16. Provisions for other liabilities

Group	Deferred tax liability £000
At 1 January 2019	2,980
Additions	281
At 31 December 2019	3,261

The company does not have any provisions.

Provisions for other liabilities consists of the tax effect of timing differences in respect of:

	2019 £000	2018 £000
Difference between accumulated amortisation and capital allowances	2,082	2,145
Losses carried forward	(96)	(365)
Short lease premium relief	1,250	1,169
FRS 102 transition - effective interest rate	25	31
	3,261	2,980

Under FRS 102 29.24A, the group has presented the deferred tax asset and the deferred tax liability on a net basis as the taxes are levied by the same tax authority.

The change in tax rates and the impact on deferred tax are detailed in note 9 to the financial statements.

17. Deferred tax

The deferred tax asset included in the group balance sheet is as follows:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Included in debtors (note 12)	1,265	1,269	-	-

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Deferred tax on revaluation of fair value of derivatives	1,265	1,269	-	-

Healthcare Providers (Gloucester) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

17. Deferred tax *(continued)*

The change in tax rates and the impact on deferred tax are detailed in note 9 to the financial statements.

18. Financial instruments

(a) The carrying amount for each category of financial instrument is as follows:

Financial assets

	Group	
	2019	2018
	£000	£000
Financial assets measured at amortised cost - finance debtor, trade and other debtors	25,985	26,972
Other financial instruments - cash and cash equivalents	5,029	4,990
	<u>31,014</u>	<u>31,962</u>

Financial liabilities measured at fair value through other comprehensive income

	Group	
	2019	2018
	£000	£000
Interest rate swap	<u>(7,442)</u>	<u>(7,463)</u>

Financial liabilities

	Group	
	2019	2018
	£000	£000
Financial liabilities measured at amortised cost - trade and other payables, bank loans and overdrafts, and subordinated debt	<u>(24,080)</u>	<u>(24,859)</u>

(b) Financial instruments measured at fair value

Derivative financial instruments

Market values have been used to determine the fair value of the swap arrangement.

(c) Hedge accounting

The following table indicates the periods in which the cash flows associated with the cash flow hedging instrument are expected to occur as required by FRS102.29(a) for the cash flow hedge accounting models and also the periods in which the associated cash flow hedging instruments are expected to affect profit and loss.

	Carrying Amount £000	Within 1 year £000	Between 1-2 years £000	Between 2-5 years £000	5 years and over £000
31 December 2019					
Interest rate swap	<u>(7,442)</u>	<u>(985)</u>	<u>(875)</u>	<u>(1,811)</u>	<u>(1,562)</u>
31 December 2018					
Interest rate swap	<u>(7,463)</u>	<u>(934)</u>	<u>(807)</u>	<u>(1,565)</u>	<u>(1,922)</u>

Healthcare Providers (Gloucester) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

18. Financial Instruments *(continued)*

(c) Hedge accounting *(continued)*

The group has entered into an interest rate swap agreement under the bank loan in order to fix the base interest rate (LIBOR) at 5.595% on the facilities to 2032. At the year-end all the group's floating rate borrowings were at fixed rates after taking account of interest rate swaps.

(d) Fair values

	2019 £000	2018 £000
Interest rate swap	<u>(7,442)</u>	<u>(7,463)</u>

19. Called up share capital

Group and company

Issued, called up and fully paid

	2019		2018	
	No.	£000	No.	£000
Ordinary shares of £1 each	<u>37,884</u>	<u>38</u>	<u>37,884</u>	<u>38</u>

20. Reserves

Cash flow hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

21. Related parties

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

	Transactions with related parties		Payables to related parties	
	2019 £000	2018 £000	2019 £000	2018 £000
BBGI Management HoldCo S.à r.l.	88	91	21	38
BBGI Investments S.C.A.	78	82	1,249	1,230
Semperian PPP Investment Partners No.2 Limited	<u>165</u>	<u>173</u>	<u>1,272</u>	<u>1,299</u>

The group incurred directors' fees of £82,000 (2018: £80,000) from Semperian PPP Investment Partners No.2 Limited (a wholly owned subsidiary of Semperian PPP Investment Partners Holdings Limited). At the year-end there was £21,000 (2018: £60,000) payable to Semperian PPP Investment Partners No.2 Limited in respect of directors' fees.

Healthcare Providers (Gloucester) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

21. Related parties *(continued)*

The group incurred interest of £77,000 (2018: £82,000) on the subordinated loan facility payable to Semperian PPP Investment Partners No.2 Limited (a wholly owned subsidiary of Semperian PPP Investment Partners Holdings Limited). At the year-end there was £1,248,000 (2018: £1,230,000) payable to Semperian PPP Investment Partners No.2 Limited in respect of the subordinated loan facility.

The group incurred letter of credit fees of £6,000 (2018: £11,000) from Semperian PPP Investment Partners No.2 Limited (a wholly owned subsidiary of Semperian PPP Investment Partners Holdings Limited). At the year-end there was £3,000 (2018: £9,000) payable to Semperian PPP Investment Partners No.2 Limited in respect of letter of credit fees.

The group incurred directors' fees of £82,000 (2018: £80,000) from BBGI Management HoldCo S.à r.l. (a direct and wholly owned subsidiary of BBGI SICAV S.A.). At the year-end there was £21,000 (2018: £20,000) payable to BBGI Management HoldCo S.à r.l. in respect of directors' fees.

The group incurred letter of credit fees of £6,000 (2018: £11,000) from BBGI Management HoldCo S.à r.l. (a direct and wholly owned subsidiary of BBGI SICAV S.A.). At the year-end there was £nil (2018: £18,000) payable to BBGI Management HoldCo S.à r.l. in respect of letter of credit fees.

The group incurred interest of £78,000 (2018: £82,000) on the subordinated loan facility payable to BBGI Investments S.C.A. (an indirect and wholly owned subsidiary of BBGI SICAV S.A.). At the year-end there was £1,249,000 (2018: £1,230,000) payable to BBGI Investments S.C.A. in respect of the subordinated loan facility.

22. Parent undertaking

At 31 December 2019 and 31 December 2018, 50% of the share capital in the company was held by BBGI Investments S.C.A. (an indirect and wholly owned subsidiary of BBGI SICAV S.A.), with the remaining 50% held by Semperian PPP Investment Partners No.2 Limited (a wholly owned subsidiary of Semperian PPP Investment Partners Holdings Limited).

BBGI SICAV S.A. is a Luxembourg investment company, listed on the London Stock Exchange.

Semperian PPP Investment Partners Holdings Limited is incorporated in Jersey.

The largest and smallest group in which the results of the company are consolidated is that headed by Healthcare Providers (Gloucester) Limited, registered and domiciled in the United Kingdom at Part First Floor, 1 Grenfell Road, Maidenhead, Berkshire, SL6 1HN. Copies of Healthcare Providers (Gloucester) Limited financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.