Company Registration No. 04668140 (England and Wales)

DERBY HEALTHCARE PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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DERBY HEALTHCARE PLC

COMPANY INFORMATION

Directors	Mrs G Birley-Smith Mr R Sheehan Mr M Davis
Secretary	HCP Social Infrastructure (UK) Limited
Company number	04668140
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	KPMG LLP 66 Queen Square Bristol BS1 4BE

DERBY HEALTHCARE PLC

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STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Business Review
The principal activity of the company is to design, build, finance, operate and maintain a Hospital in accordance with a forty year contract (the "Project Agreement" or "Contract") with University Hospitals of Derby and Burton NHS Foundation Trust (the "Trust"). Contract negotiations were successfully completed in September 2003 and construction commenced immediately. The project has been fully operational since 2008.

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

Lifecycle
The principal risk borne by the company is that lifecycle costs exceed those forecast in the financial model agreed at financial close. Increased lifecycle costs are therefore the greatest risk to breaching the ratio covenants in the Collateral Deed. This risk is mitigated by future estimates of lifecycle expenditure being prepared by maintenance experts on an asset by asset basis and by the periodic technical evaluations of the physical condition of the facilities. In addition, comparisons of actual expenditure are compared to the lifecycle forecast.

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 meet its liabilities under the Bonds will be unitary charge received from the Trust under the Project Agreement. Failure to achieve the forecast levels of availability would result in lower than forecast revenues and this may adversely affect the company's ability to make payments to Bondholders. Deductions of £79,000 (2018: £41,000) were incurred in the year, these were recovered from the service provider, resulting in a net deduction 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 Trust having the right to terminate the Project Agreement. As noted in the discussion of the company's KPIs, the levels of deductions levied in the year were low and 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 through 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 sub-contracted service providers, rather than the company itself. This is therefore linked to the service performance and service provider failure risks discussed above. The company is 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 Trust 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 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; however, this will not impact the company itself. The company is comfortable that the increased costs and disruption will not threaten the services providers to such an extent as to put the project at risk.

To date the company has not experienced any significant disruption as a result of Brexit.

COVID-19 Pandemic

The risks posed by the current COVID-19 pandemic include the Trust not paying the Unitary Charge, and a risk of sub-contractors falling behind on fulfilling their contractual requirements due to staff sickness, resulting in a high level of deductions and the risk of sub-contractor 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 light of this, The Trust have agreed to suspend the contract monitoring regime until at least 30 June 2020, pending further Cabinet Office direction. Deductions will therefore not be levied during this period. However, it should be noted that the company and the sub-contractors continue to work to the terms of the Contract to every extent possible whilst supporting the Trust in additional COVID-19 requirements.

The sub-contractors 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 sub-contractors 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 sub-contractors and continue to assess new information. As the sub-contractors 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 company can mitigate these risks and continue to operate as a going concern for the foreseeable future.

Development and performance
Turnover in the year increased to £53,423,000 (2018: £50,828,000). This is primarily due to inflation uplifts on service costs resulting in higher services income, as a mark-up is applied to these service costs. The inflation uplifts to service costs are governed by the project contracts.

Operating profit has decreased very marginally to £9,274,000 (2018: £9,292,000).

Interest receivable and similar income has declined to £19,738,000 (2018: £20,039,000). Whilst interest on bank deposits have increased due to better deposit rates, interest receivable on the Finance Debtor has reduced in proportion with the reduction in the Finance Debtor balance.

Interest payable and similar expenses has increased to £29,355,000 (2018: £29,159,000). Although interest payable on the bonds has reduced in proportion with the reduction in the bond balance, interest on subordinated debt has increased to £6,410,000 (2018: £6,014,000). This is a result of compounded interest because since 2016 not all of the subordinated interest due has been paid. In accordance with the unsecured subordinated loan notes 2041, the unpaid interest has been added to the outstanding balance and hence the increased balance results in the increased interest payable. The subordinated debt balance as at 31 December 2019 was £48,047,000 (2018: £45,372,000).

The impact of these movements has resulted in a loss before taxation of £343,000 compared to the prior year profit before taxation of £172,000.

At 31 December 2019 the company had net liabilities of £35,569,000 (2018: net liabilities of £35,286,000).

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.

The Finance Debtor is being amortised over the life of the concession and the carrying value at the reporting date is £307,921,000 (2018: £313,391,000). The Finance Debtor amortisation during the year was £5,470,000 (2018: £5,094,000). The directors believe the Finance Debtor to be recoverable over the term of the Project Agreement.

During the year, the balance of the Secured Guaranteed Bonds reduced by £4,820,000 (2018: £4,071,000). Scheduled loan repayment dates are 30 June and 31 December each year.

During the year the company has not repaid any of the subordinated unsecured loan stock as scheduled repayments do not commence until 2041.

Key performance indicators
Financial penalties are levied by the Trust in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service providers, but the quantum is an indication of unsatisfactory performance. During the financial year deductions of £79,000 (2018: £41,000) were levied by the Trust and passed onto the service providers to the fullest extent possible. This deduction amounts to only 0.32% (2018: 0.18%) of the total fees charged by the service providers. The directors consider this low level of deduction 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 company's performance as at 31 December 2019 against this measure was considered satisfactory.

The company 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 company 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 company's main stakeholders as the following:

i. The company's shareholders, bondholders and Credit Provider
   Principal considerations of the board are whether the investment objective of the company is meeting shareholder and bondholder expectations and how the manager implements the objective. These are discussed at all board meetings, which are held regularly throughout the year.

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

iii. The sub-contractors
   On behalf of the company, the manager seeks to maintain a constructive relationship with the sub-contractors by meeting regularly. The sub-contractors reports provided to the company 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 sub-contractors to discuss key service delivery matters.

iv. The manager
   The company has outsourced the management of the company 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 company. 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 company has made no decisions during the year that have material long term consequences.

b. The interests of the company's employees

   As an externally managed company, the company's activities are all outsourced and therefore it does not have any employees. The company 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 company's business relationships with suppliers, customers and others

   The company is committed to upholding the underlying principle of PFI of working in partnerships with all parties to the arrangement. As noted above, the company 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 company obligations to the Trust and sub-contractors can be upheld.

d. The impact of the company's operations on the community and the environment

   The company has very limited direct impact on the environment as it has no greenhouse gas emissions. Notwithstanding that the company 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 company 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 company maintaining a reputation for high standards of business conduct

   The company 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 sub-contractors and raise any concerns in this regard if necessary.

f. The need to act fairly between members of the company

   The company is wholly owned (directly and indirectly) by Derby Healthcare (Holdings) Limited 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

Richard Sheehan

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Mr R Sheehan

Director

1 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 G Birley-Smith
Mr R Sheehan
Mr M Davis

Mr R Sheehan and Mr M Davis are members of the Audit Committee.

Results and dividends
The results for the year are set out on page 16.

No interim dividends were paid (2018: Nil). The directors do not recommend payment of a final dividend.

Supplier payment policy
The company'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 company's contractual and other legal obligations.

Trade creditors of the company at the year-end were equivalent to 30 (2018: 22) day's purchases, based on the average daily amount invoiced by suppliers during the year.

Financial instruments

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

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

Interest rate risk
The company 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 unsecured subordinated loan notes both have a fixed rate until 2041, thus there is no interest rate risk associated with these financial liabilities.

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 Trust is the sole client of the company. The directors consider that no significant risk arises from such a small client base since there are no indications that the Trust will not be able to fulfil their obligations. In addition, the Secretary of State for Health has underwritten the Trust's obligations. The carrying value of the financial asset of £307,921,000 (2018: £313,391,000) is the maximum credit exposure.

Financial reporting risk and internal control

The company has outsourced the financial reporting function to HCP Social Infrastructure (UK) Limited ("HCP"). Authorities remain vested in the board members of the company. HCP reports regularly to the Board of the company. The Board receives monthly reports from HCP which specifically summarise and address the financial, contractual and commercial risks that the company is exposed to and are pertinent to the industry in which the company 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 company 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.

The company has constituted an Audit Committee, comprising of an independent chairman (non-executive director) and a further director. The Audit Committee is responsible for satisfying itself that the financial affairs of the group's companies are conducted with openness, integrity and accountability and in accordance with statutory and regulatory requirements. The primary duties of the Audit Committee are to monitor the integrity of the financial statements of the companies in the group and to review significant judgements contained therein; to monitor the level and effectiveness of internal financial control; to assess the scope and effectiveness of systems; to identify, assess, manage and monitor financial and non-financial risk; to make recommendations concerning the appointment and terms of engagement of external auditors; to review and monitor the independence of the statutory auditor, and in particular the provision of additional services by the auditor to the company.

Auditor

KPMG LLP has indicated its willingness to continue in office and a resolution to reappoint it as auditor will be proposed at the next annual general meeting.

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 company'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 company's auditor is aware of that information.

Going concern

The company'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 and cash flow risk are described in the strategic report, as is the expected exposure to and implications of Brexit and the COVID-19 pandemic.

After making enquiries, the directors have a reasonable expectation that the company has 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 a subsidiary undertaking of Derby Healthcare (Holdings) Limited. Derby Healthcare (Holdings) Limited is owned by Innisfree PFI Continuation Fund (75%), Innisfree PFI Secondary Fund (8%) and Innisfree PFI Secondary Fund 2 LP (17%). Each of the shareholders 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 (other than pre-emption rights between existing shareholders) 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

Richard Sheehan
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Mr R Sheehan
Director
1 May 2020

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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 *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 company and of its profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 company or to cease operation, 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Richard Sheehan

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Mr R Sheehan
Director

1 May 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DERBY HEALTHCARE PLC

1 Our opinion is unmodified
We have audited the financial statements of Derby Healthcare Plc ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the 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 company's affairs as at 31 December 2019 and of its 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors for the year ended 31 December 2003. The period of total uninterrupted engagement is for the 17 financial years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement
Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Service revenue
Risks vs 2018: ◄►
Service revenue (£39.1 million; 2018: £38.1 million)
Refer to page 20 (accounting policy) and page 24(related notes).

The risk
Service revenue recognition
The amount of service revenue recognised is calculated via a mark-up being applied to costs incurred during the year. The mark-up is determined from a long term financial model which acts as a long term forecast of the revenues and costs to be incurred on the project. A significant portion of the service provision and the associated performance risk, are outsourced to subcontractors with costs contractually agreed over the life of the contract. Lifecycle replacement risk remains with the Company and is a significant estimate.

A fraud risk exists as the directors could manipulate the amount of revenue recognised either through amending the future forecast assumptions and hence changing the mark-up applied to the costs on which revenue is recognised or by applying the mark-up to costs which are not related to the provision of the services under the concession contract.

The effect of these matters is that, as part of our risk assessment, we determined that the amount of service revenue recognised has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 2) discloses the sensitivity estimated by the Directors.

Our response
Our procedures included:

- **Service revenue recalculation:** Recalculating service revenue based upon the costs incurred which relate to provision of services under the concession contract using the mark-up determined in the financial forecasts and compared this to the amounts recorded.
- **Historical comparisons:** Assessing the reasonableness of the cost forecasts by considering the historical accuracy of the previous forecasts as well as changes to forecast cost estimates relating to future years.
- **Our sector experience:** Evaluating the appropriateness of cost estimates and assessing whether or not estimates showed any evidence of management bias based on our knowledge of the Company and experience of the industry in which it operates.
- **Assessing transparency:** Assessing the adequacy of the Company's disclosures in respect of the sensitivity of the amount of service revenue recognised to changes in cost forecasts.

Our results
The results of our testing were satisfactory and we considered the amount of revenue recognised to be acceptable (2018: acceptable).

Going concern
Risk vs 2018: ▲
Refer to Note 1.2, page 20 (accounting policy).

The risk
Disclosure quality
The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Company.

That judgement is based on an evaluation of the inherent risks to the Company's business model and how those risks might affect the Company's financial resources or ability to continue operations over a period of at least 12 months from the date of approval of the financial statements.

The risk most likely to adversely affect the Company's available financial resources over this period is the impact of Covid-19 on contract performance, subcontractor failure and compliance with borrowing covenants.

Our response
Our procedures included:

- **Our sector experience:** We critically assessed the directors' going concern assessment, including the reasonableness of the key assumptions used in the cash flow forecasts and the level of severe but plausible downside sensitivities applied using our knowledge of Covid-19 scenarios being applied by other entities.
- **Evaluating directors' intent:** We evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise.
- **Assessing transparency:** We assessed the accuracy and completeness of the matters covered in the going concern disclosure.

Our results
We found the going concern disclosures without any material uncertainty to be acceptable.

3 Our application of materiality and an overview of the scope of our audit

The directors are responsible for the strategic Report and directors' Report together with the financial statements. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the strategic Report and 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 our 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.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that 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 its 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").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. 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 Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, 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.

We have nothing to report in these respects.

5 We have nothing to report on the Strategic Report and Directors' Report

The directors are responsible for the strategic Report and directors' Report together with the financial statements. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the strategic Report and 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 our 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.

6 We have nothing to report on the other 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities
Directors' responsibilities
As explained more fully in their statement set out on page 10, the Directors are responsible for: the preparation of the financial statements including 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 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 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 other irregularities (see below), 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, other irregularities 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.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.
Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related company legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety and anti-bribery legislation recognising the nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8 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

4 May 2020

DERBY HEALTHCARE PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Turnover	3	53,423	50,828
Administrative expenses		(44,149)	(41,536)
Operating profit		9,274	9,292
Interest receivable and similar income	7	19,738	20,039
Interest payable and similar expenses	8	(29,355)	(29,159)
(Loss)/profit before taxation		(343)	172
Tax on (loss)/profit	9	60	(29)
(Loss)/profit for the financial year		(283)	143
Other comprehensive income		-	-
Total comprehensive (expense)/income for the year		(283)	143

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

DERBY HEALTHCARE PLC

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £000	2019 £000	2018 £000	2018 £000
Current assets					
Debtors falling due after more than one year	10	309,258		315,159	
Debtors falling due within one year	10	62,211		57,924	
Cash at bank and in hand		33,274		32,875	
		404,743		405,958	
Creditors: amounts falling due within one year	12	(20,485)		(18,896)	
Net current assets			384,258		387,062
Creditors: amounts falling due after more than one year	13		(419,827)		(422,348)
Net liabilities			(35,569)		(35,286)
Capital and reserves					
Called up share capital	15		50		50
Profit and loss reserves			(35,619)		(35,336)
Total equity			(35,569)		(35,286)

The financial statements were approved by the board of directors and authorised for issue on 1 May 2020 and are signed on its behalf by:

Richard Sheehan

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Mr R Sheehan
Director

Company Registration No. 04668140

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	(35,479)	(35,429)
Period ended 31 December 2018:			
Profit and total comprehensive income for the year	-	143	143
Balance at 31 December 2018	50	(35,336)	(35,286)
Period ended 31 December 2019:			
Loss and total comprehensive expense for the year	-	(283)	(283)
Balance at 31 December 2019	50	(35,619)	(35,569)

1 Accounting policies

Company information

Derby Healthcare Plc is a public limited company 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 financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

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

The company's parent undertaking, Derby Healthcare (Holdings) Limited, includes the company in its consolidated financial statements. The consolidated financial statements of Derby Healthcare (Holdings) Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

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;
- Cash flow statement and related notes; and
- Key management personnel compensation.

As the company is a wholly owned subsidiary of Derby Healthcare (Holdings) Limited, the company has taken advantage of the exemption in section 33 of FRS 102 to not disclose transactions entered into between itself and the other members of the group.

1 Accounting policies **(Continued)**

1.2 Going concern

Notwithstanding net liabilities of £35,569,000 as at 31 December 2019 and a loss for the year then ended of £283,000, 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. Further, the Trust has agreed to suspend the contract monitoring regime until at least 30 June 2020, pending further Cabinet Office direction. Deductions will therefore not be levied during this period. As a result, the Company does not believe there is any likelihood of a material impact to the unitary payment.

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.

1.4 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

1 Accounting policies **(Continued)**

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

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 instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Restricted cash

The company is obligated to keep separate cash reserves in respect of requirements in the company'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 £29,853,000 at the year end (2018: £29,679,000).

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 initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

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 company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial 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 company's contractual obligations expire or are discharged or cancelled.

1.5 Equity instruments
Equity instruments issued by the company 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 company.

1.6 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 company'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 when the company has 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)**

1.7 Service Concession Accounting

The company is an operator of a Public Finance Initiative ("PFI") contract. The company entered into a project agreement (the "contract") with the Trust to design, build, finance, operate and maintain Royal Derby Hospital and the London Road Community Hospital. The contract negotiations were successfully completed in September 2003 and construction commenced immediately. The project has been fully operational since 2008. The concession period is for 40 years, during this period the company has contracted to provide hard and soft facilities management services to the Trust. The company has passed these obligations down to Skanska Rashleigh Weatherfoil Ltd ("Skanska") and ISS Mediclean Limited ("ISS") respectively via subcontracts. The obligation to provide major maintenance works (lifecycle) is undertaken by Skanska, however, as discussed in the strategic report, the risk that the costs exceed those forecast in the financial model is borne by the company. The timing and extent of the major maintenance works is a key assumption that will affect the cashflows of the company, further information is shown in Note 2. The contract does not entitle the Trust to any share of the profits of the company. The Trust is entitled to terminate the Contract at any time by giving six months written notice. If the Trust exercises this right they are liable to pay the company compensation as set out in the Contract, which would include the senior debt, redundancy costs, subcontractor losses, and the market value of the subordinated debt.

As the company entered into the contract prior to the date of transition to FRS102, the company 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 company under old UK GAAP, because the risks and rewards of ownership as set out in that standard are deemed to lie principally with the Trust.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase the Trust pays the company 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 company 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.

1.8 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.

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.

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

Critical judgements

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 Company'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 profit in the year would be a decrease in revenue of £450,000 and an increase in the loss before tax of £450,000.

3 Turnover and other revenue

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

	2019 £000	2018 £000
Turnover		
Services income	39,104	38,104
Pass through and variation income	14,177	12,586
Rental income	142	138
	53,423	50,828

4 Auditor's remuneration

Fees payable to the company's auditor and associates:	2019 £000	2018 £000
For audit services		
Audit of the company's financial statements	33	21

5 Employees

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

6 Directors' remuneration

	2019 £000	2018 £000
Sums paid to related parties for directors' services	32	31

7 Interest receivable and similar income

	2019 £000	2018 £000
Interest income		
Interest on bank deposits	283	202
Interest on finance debtor	19,455	19,837
	19,738	20,039

8 Interest payable and similar expenses

	2019 £000	2018 £000
Interest on financial liabilities measured at amortised cost:		
Interest on bonds	22,086	22,279
Interest on subordinated debt	6,410	6,014
	28,496	28,293
Other finance costs:		
Amortisation of finance arrangement costs	859	866
	29,355	29,159

9 Taxation

	2019 £000	2018 £000
Current tax		
UK corporation tax on profits/losses for the current period	(2)	2
Deferred tax		
(Increase)/Decrease in deferred tax asset	(58)	27
Tax (credit)/expense for the year	(60)	29

9 Taxation **(Continued)**

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

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.

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

	2019 £000	2018 £000
(Loss)/profit before taxation	(343)	172
Expected tax (credit)/charge based on a corporation tax rate of 19.00% (2018: 19.00%)	(65)	33
Adjustments in respect of prior years	(2)	(1)
Effect of differences in the corporation tax and the deferred tax rate	7	(3)
Tax (credit)/expense for the year	(60)	29

Factors that may affect the future tax charge
The company has tax losses of £42,375,000 (2018: £42,375,000) which have been carried forward and will be offset against future trading profits.

A reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016; deferred tax has been calculated at this 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 deferred tax asset and reduce its reported tax charge in the financial statements for the year ending 31 December 2020 accordingly.

10 Debtors

Amounts falling due within one year:	2019 £000	2018 £000
Trade debtors	8,873	7,685
Accrued income	46,431	43,954
Amounts due from fellow group undertakings	147	110
Finance debtor	5,925	5,436
Prepayments	835	739
	62,211	57,924

10 Debtors (Continued)

Amounts falling due after more than one year:	2019 £000	2018 £000
Finance debtor	301,996	307,955
Deferred tax asset (note 14)	7,262	7,204
	309,258	315,159
Total debtors	371,469	373,083

All Financial assets above are held at amortised cost.

11 Loans and borrowings

	2019 £000	2018 £000
Bonds	377,752	381,796
Subordinated loans	48,047	45,372
	425,799	427,168
Payable within one year	5,972	4,820
Payable after one year	419,827	422,348

Amounts included above which fall due after five years:

Payable by instalments	403,506	409,772

11 Loans and borrowings **(Continued)**

Guaranteed secured bonds 2041
The company has created £446,588,000 5.564% guaranteed secured bonds 2041 pursuant to a Trust Deed and Collateral Deed dated 9 September 2003 of which £411,588,000 were issued for cash on 9 September 2003 at an issue price of 99.993%.

The bonds bear interest at 5.564% which is payable semi-annually in arrears on 30 June and 31 December each year. The bonds are repayable in instalments which commenced in June 2009 and end in June 2041.

The company retained £35,000,000 of bonds (the "variation bonds") which it may sell, subject to certain restrictions in the Collateral Deed, to fund variations to the project.

The bonds, excluding the variation bonds, have the benefit of an unconditional and irrevocable financial guarantee issued by MBIA Assurance S.A. in favour of BNP Paribas Trust Corporation UK Limited as security trustee over all of the undertaking and assets of the Company.

Unsecured subordinated 13.465% loan notes 2041
Under the terms of Deed Polls made on 9 September 2003 both Derby Healthcare (Holdings) Limited and the company authorised and approved the issue of up to £39,070,000 unsecured subordinated loan notes 2041 on like terms. Under the terms of an Equity Subscription Agreement dated 9 September 2003 the shareholders of Derby Healthcare (Holdings) Limited each agreed to subscribe in instalments between December 2003 and December 2008 for £39,070,000 of the loan notes in Derby Healthcare (Holdings) Limited, which in turn agreed to subscribe for the £39,070,000 loan notes in the company.

Derby Healthcare (Holdings) Limited and the Company have each issued £39,070,000 of loan notes at par for cash. The loan notes bear interest at 13.465% which is payable semi-annually on 30 June and 31 December each year. The loan notes are repayable in instalments on 30 June and 31 December 2041.

12 Creditors: amounts falling due within one year

	Notes	2019 £000	2018 £000
Guaranteed Secured 5.564% Bonds	11	5,972	4,820
Trade creditors		3,665	2,493
Corporation tax payable		-	2
Other taxation and social security		1,089	872
Accruals and deferred income		9,759	10,709
		20,485	18,896

All Financial liabilities above are held at amortised cost.

13 Creditors: amounts falling due after more than one year

	Notes	2019 £000	2018 £000
Bank loans and borrowings	11	371,780	376,976
Other borrowings	11	48,047	45,372
		419,827	422,348

All Financial liabilities above are held at amortised cost.

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

	2019 £000	2018 £000
Payable by instalments	403,506	409,772

14 Deferred taxation

Deferred tax assets and liabilities are offset where the 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:

Balances:	Assets 2019 £000	Assets 2018 £000
Tax losses	7,262	7,204

Movements in the year:	2019 £000
(Asset)/Liability at 1 January 2019	(7,204)
Credit to profit or loss	(58)
(Asset)/Liability at 31 December 2019	(7,262)

The deferred tax asset expected to be utilised in the forthcoming financial year is £nil.

15 Share capital

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

15 Share capital **(Continued)**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

16 Related party transactions

Transactions with related parties

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

	2019 £000	2018 £000
HCP Social Infrastructure (UK) Ltd	912	872

In September 2003 the company 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 owned by Innisfree M&G PPP LP, a fund co-managed by Innisfree Limited and M&G Investment Management limited. Innisfree Limited also manages the funds invested in the company.

The following amounts were outstanding at the reporting end date:

Amounts owed to related parties	2019 £000	2018 £000
Key management personnel	-	19
HCP Social Infrastructure (UK) Ltd	95	87
	95	106

No guarantees have been given or received.

17 Controlling party

The company's immediate parent is Derby Healthcare (Holdings) Limited incorporated in the United Kingdom, registered at 8 White Oak Square, London Road, Swanley, Kent BR8 7AG. Innisfree Nominees Limited, acting on behalf of Innisfree PFI Continuation Fund (75%), Innisfree PFI Secondary Fund (8%) and Innisfree PFI Secondary Fund 2 LP (17%), holds legal title to the entire issued share capital of Derby Healthcare (Holdings) Limited.

The ultimate controlling party is Innisfree PFI Continuation Fund.

The largest and smallest group in which the results of the company are consolidated is that headed by Derby Healthcare (Holdings) Limited. The consolidated accounts of this group are available to the public and may be obtained from 8 White Oak Square, London Road, Swanley, Kent BR8 7AG.

18 Non-adjusting post balance sheet event

The COVID-19 pandemic continues to cause significant impact to the UK's economy; however, the company has continued to be paid in full since the year end in accordance with Government guidance and the concession contract and does not expect this position to change. The project remains fully operational and is fully available for use by the Trust under the terms of the contract and as a result continues to be entitled to the receipt of the Unitary Payment.