Company Registration No. 04668140 (England and Wales)

DERBY HEALTHCARE PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

DERBY HEALTHCARE PLC

COMPANY INFORMATION

Directors	Mrs G Birley-Smith Mr R Sheehan Mr M Fry	 (Appointed 1 January 2021)
Secretary	Vercity Social Infrastructure (UK) Limited (formerly HCP Social Infrastructure (UK) Ltd)	
Company number	04668140	
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG	
Auditor	BDO LLP 55 Baker Street London W1U 7EU	

DERBY HEALTHCARE PLC

CONTENTS

DERBY HEALTHCARE PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Business Review and Principal Activities
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.

Principle 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 under the Project Agreement
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 £23,000 (2019: £79,000) were incurred in the year, these were recovered from the service provider, resulting in a net deduction of £Nil (2019: £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.

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

Credit Risk
The company's principal financial assets are cash, finance debtor and trade and other receivables. The company's credit risk is primarily attributable to its trade receivables which are with one counterparty, although in the opinion of the board of directors this risk is limited as the receivables are with a local government authority.

Interest Risk
The company is exposed to interest rate risk on bank balances with floating interest rates, however the company does 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 risk associated with these financial liabilities.

Development and performance
Turnover in the year increased to £55,355,000 (2019: £53,423,000). 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.

Gross profit has increased to £9,465,000 (2019: £9,274,000).

Interest receivable and similar income has declined to £19,170,000 (2019: £19,738,000). Interest on bank deposits has decreased due to lower deposit rates on offer and 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 £29,403,000 (2019: £29,355,000). Although interest payable on the bonds has reduced in proportion with the reduction in the bond balance, interest on subordinated debt has increased to £6,724,000 (2019: £6,410,000). 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 2020 was £50,625,000 (2019: £48,047,000).

The impact of these movements has resulted in a loss before taxation of £768,000 compared to the prior year loss before taxation of £343,000.

At 31 December 2020 the company had net liabilities of £35,550,000 (2019: net liabilities of £35,569,000).

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 £301,996,000 (2019: £307,921,000). The Finance Debtor amortisation during the year was £5,925,000 (2019: £5,470,000). The directors believe the Finance Debtor to be recoverable over the term of the Project Agreement.

During the year principal payments were made on the Secured Guaranteed Bonds of £5,972,000 (2019: £4,820,000). 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 £23,000 (2019: £79,000) were levied by the Trust and passed onto the service providers to the fullest extent possible. This deduction amounts to only 0.02% (2019: 0.32%) 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 2020 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 keeps 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 Vercity Social Infrastructure (UK) Limited ("Vercity"), 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. This is performed by undergoing an external health and safety review and performing regular health and safety inspections.

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 minimising 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 solely owned by one member and therefore has no fairness considerations needed to made during decision making.

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

On behalf of the board

Richard Sheehan
Mr R Sheehan
Director
30 April 2021

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Results and dividends
The results for the year are set out on page 17.

No ordinary dividends were paid (2019: nil). The directors do not recommend payment of a final dividend.

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

Mrs G Birley-Smith	
Mr R Sheehan	
Mr M Davis (Non- Executive)	(Resigned 31 December 2020)
Mr M Fry	(Appointed 1 January 2021)

Going concern
The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future based upon cashflow forecasts and stress testing of those forecasts. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies in the notes to the financial statements.

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

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

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

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

Auditor
BDO LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Energy and carbon report

As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the 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.

On behalf of the board

Richard Sheehan

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Mr R Sheehan

Director

30 April 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the profit or loss of the company for that period. In preparing *these financial statements, the directors are required to:*

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- The financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit and loss of the company.

- The annual report includes a fair review of the development and performance of the business and the financial position of the company, together with a description of the principal risks and uncertainties that they face.

DERBY HEALTHCARE PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DERBY HEALTHCARE PLC

Opinion on the financial statements
In our opinion the financial statements:

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

We have audited the financial statements of Derby Healthcare Plc (the 'Company') for the year ended 31 December 2020 which comprise Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 2 February 2021 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. This is the first period of engagement, We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

We have identified going concern as a Key Audit Matter, with the risk most likely to adversely affect the Company's ability to continue as a going concern being contract performance and subcontractor failure.

Our audit work included, but was not restricted to, the following:

- We critically assessed the directors' going concern assessment, including the reasonableness of the key assumptions used in the cash flow forecast. The key assumption was identified as the determination of future lifecycle costs, with the cash flow forecast stress-tested to consider the impact of increasing the future cost profile.

- We evaluated the achievability of the actions the Directors consider they would take to improve the position should risks materialise in relation to COVID 19. This evaluation considered the potential impact of COVID 19 on the counterparty's contract performance, subcontractor performance and compliance with borrowing covenants.

- We assessed the accuracy and completeness of the matters covered in the going concern disclosure.

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

Overview

	2020
Key audit matters	Revenue recognition Lifecycle costs Financial model
Materiality	*Financial statements as a whole* £4.0m based on 1% total assets

An overview of the scope of our audit
Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Conclusions relating to going concern section we have determined the matters below to be the key audit matters to be communicated in our report.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue Recognition	Revenue is accounted for as detailed in note 1.3, with a service margin added to the relevant cost base. The margin applied is determined by the forecasted results of the Public Finance Initiative ('PFI') contract. Management use a financial model to forecast the results of the contract for the period until completion. As explained in note 2, the determination of the service margins is a key area of estimates and judgement and we therefore consider this to be an area of significant risk and key area of focus.	Our audit work included, but was not restricted to, the following: • We tested the mark-up applied within the financial model and investigated differences from that applied in prior year, corroborating changes to supporting documents and Board approvals. • We checked that mark-up had been applied to appropriate costs, and that it was based on contractual entitlements. • We checked the allocation of the unitary charge account between revenue, interest and amortisation of the finance debtor to the financial model and compared the total unitary charge to contractual obligations. • We checked a sample of revenue for variations, deductions and pass through income to ensure that recognition was in line with contractual obligations. • We reviewed transactions around the year end, to ensure cut-off had been applied correctly to costs and consequently revenue. Key observations: • *Based on the work performed, we consider that the service margin has been appropriately applied.*

Lifecycle Costs	As explained in note 2, determination of the lifecycle costs over the duration of the contract requires significant management judgement and estimate. There is a risk that future lifecycle costs may not have been accurately forecasted in the financial model for future periods which could lead to incorrect determination of profit margin and recognition of profits. As such, lifecycle costs represent a significant risk and key area of focus for our audit.	Our audit work included, but was not restricted to, the following: • We critically challenged management over the estimates of future lifecycle costs. In particular, this included consideration and assessment of the long term lifecycle plan, lifecycle budgets and condition level of the hospital. • We checked a sample of lifecycle costs to supporting documentation and challenged management as to whether the costs were completed at the year-end. • We have considered the completeness of the provisions by reviewing board minutes as well as holding a number of discussions with Management in regards to the lifecycle costs. • We checked that the latest lifecycle plan has been appropriately reflected in the financial model. Key observations: • Based on the work performed we consider that management's key estimates in respect of lifecycle costs are reasonable.

Financial Model	The financial model drives a number of transactions and balances recorded in the financial statements. There is a risk that inputs in the model are inaccurate, compromising the integrity of the model resulting in incorrect outputs and cash flow projections.	Our audit work included, but was not restricted to, the following: • We compared the model with the model used in the 2019 audit and the original audited model. For any amendments identified, we obtained supporting evidence to consider appropriateness of the changes made to inputs. • We assessed the adequacy of the key inputs in the model. • We compared the results for the 2020 financial year with the project's projected results for 2021, to identify any anomalies that would be indicative of manipulation of the future profit margin. • We ensured that the finance debtor was forecast to fully amortise and the debt profile be settled over the life of the service concession agreement. Key observations: • Based on the work performed we consider that the inputs to the financial model were reasonable.

Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	2020 £m
Materiality	£4.0 million
Basis for determining materiality	Benchmark of total assets of £403m of which it represents 1%
Rationale for the benchmark applied	The PFI project is asset driven and the success of the project is measured through the overall return of the project, with the Finance Debtor representing the right for future distributions.
Performance materiality	65% of financial statement materiality to reflect that this is the first year audited by BDO LLP.
Cost testing threshold	We set a lower cost testing threshold of £550,000, which is based on 1.25% of operating costs to ensure adequate testing of the cost base.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £79,000 (2019: £160,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF DERBY HEALTHCARE PLC

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Company financial statements and the part of the Directors' remuneration report to be audited 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.

Responsibilities of directors
As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified the principal risk of non-compliance with laws and regulations to be UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that might have a direct impact on the preparation of the financial statements such as Companies Act 2006.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to management bias in accounting estimates and posting inappropriate journal entries to manipulate the fair value of the Company's assets.

Audit procedures performed by the engagement team included:

- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in areas involving significant estimates, with the key sources of estimation identified as the determination of service margins and lifecycle costs; and
- Identifying and testing journal entries, in particular any material journal entries posted and/or with unusual descriptions.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Cassie Forman - Kotsapa

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

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Date: 30 April 2021

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

DERBY HEALTHCARE PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Turnover	4	55,355	53,423
Cost of sales		(45,890)	(44,149)
Gross profit		9,465	9,274
Interest receivable and similar income	7	19,170	19,738
Interest payable and similar expenses	8	(29,403)	(29,355)
Loss before taxation		(768)	(343)
Tax on loss	9	787	60
Profit/(loss) for the financial year		19	(283)

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 2020

	Notes	2020 £000	2020 £000	2019 as restated £000	2019 as restated £000
Current assets					
Debtors falling due after more than one year	**10**	352,305		355,689	
Debtors falling due within one year	**10**	15,900		15,780	
Short term deposits	**11**	32,170		30,853	
Cash at bank and in hand	**11**	2,763		2,421	
		403,138		404,743	
Creditors: amounts falling due within one year	**12**	(21,792)		(20,485)	
Net current assets			381,346		384,258
Creditors: amounts falling due after more than one year	**13**		(416,896)		(419,827)
Net liabilities			(35,550)		(35,569)
Capital and reserves					
Called up share capital	**16**		50		50
Profit and loss account	**16**		(35,600)		(35,619)
Total equity			(35,550)		(35,569)

The financial statements were approved by the board of directors and authorised for issue on 30 April 2021 and are signed on its behalf by:

Richard Sheehan
Mr R Sheehan
Director

Company Registration No. 04668140

DERBY HEALTHCARE PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Profit and loss account	Total
	£000	**£000**	**£000**
Balance at 1 January 2019	50	(35,336)	(35,286)
Year ended 31 December 2019:			
Loss for the financial year	-	(283)	(283)
Balance at 31 December 2019	50	(35,619)	(35,569)
Year ended 31 December 2020:			
Profit for the financial year	-	19	19
Balance at 31 December 2020	50	(35,600)	(35,550)

1 Accounting policies

Company information

Derby Healthcare Plc is a private company limited by shares 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 under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Derby Healthcare (Holdings) Limited. These consolidated financial statements are available from its registered office.

1 Accounting policies **(Continued)**

1.2 Going concern

Notwithstanding net liabilities of £35,550,000 as at 31 December 2020, 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 signing date of these financial statements which indicate that 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 and the directors expect these amounts to be received even in severe but plausible downside scenarios. The company continues to operate in accordance with the contract and the hospital is available to be used. As a result the company does not believe there is any likelihood of a material impact to the unitary payment. The directors have considered the potential impact of the emergence and spread of COVID-19, which includes the company's operating cash inflows which are largely dependent on the unitary charge payments. Throughout the pandemic and to date, all unitary charge payments have been received on time and in full and the directors expect this to continue.

The directors have assessed the viability of its main sub-contractors and reviewed the contingency plans of the sub-contractors and are satisfied in their ability to provide the services in line with the contract without significant additional costs to the 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 subcontractors 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.

In addition, although the company is in a net liabilities position as at 31 December 2020 the directors have reviewed the company's forecasts and projections, taking into account future cash requirements and forecast receipts, which show that the company can continue to meet its debts as they fall due.

Consequently, the directors at the time of approving the financial statements have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

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

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

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

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

1 Accounting policies **(Continued)**

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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

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.

Accrued service concession income

Accrued service concession income relates to future periods income for services already performed.

Cash and short term deposits

Cash and cash equivalents comprise cash balances and call deposits with a maturity less than 3 months. Short term deposits comprise of deposits with a maturity of more than 3 months.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Loans and Receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

1 Accounting policies **(Continued)**

Service Concession

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 permit it to continue to account for the service concession arrangements under the accounting policies adopted under old UK GAAP. In particular, the underlying asset is not deemed to be an asset of the 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 (the costs for which are recognised when incurred), 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.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

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.

1 Accounting policies **(Continued)**

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 creditors, bonds, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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.

Other financial liabilities
Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities
Financial liabilities are derecognised when the 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.

1 Accounting policies (Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The 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 statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset 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.

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 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:

Service concession arrangement

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 £374,000 and an increase in the loss before tax of £374,000.

3 Prior year restatement

Accrued service concession income restatement
The amount receivable in respect of the accrued service concession income has been presented as a separate line item in 2019 and 2020, whereas previously it was disclosed within prepayments and accrued income. The balance of £46,431,000 was presented within amounts falling due within one year in the prior year. Management have revised their judgements and it is the belief that the amounts will not be recovered within one year due to the amount of the unitary charge expected to be billed and received, in line with the project agreement, not being sufficient to reduce the amounts due within one year. It is therefore considered that the prior year presentation was in error as the amount should have been presented within amounts falling due after one year. The prior year comparatives have been restated to reflect this. The restatement has neither any impact on the profit and loss, nor the overall net asset position of the company.

Cash and short term deposits restatement
The amount classified as 'short term deposits' are deposit balances with a maturity of more than 3 months. The short term deposit balance of £30,853,000 was presented within cash at bank and in hand in the prior year, this was in error as the amount should have been presented as a short term deposit. The prior year comparatives have been restated to reflect this. The restatement has neither any impact on the profit and loss, nor the overall net asset position of the company.

4 Turnover

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

	2020	2019
	£000	£000
Turnover analysed by class of business		
Services income	40,571	39,104
Pass through and variation income	14,639	14,177
Other Income	145	142
	55,355	53,423

5 Auditor's remuneration

	2020	2019
Fees payable to the company's auditor and associates:	£000	£000
For audit services		
Audit fee for the financial statements of the company	30	33
Extended audit work	3	-
	33	33

6 Employees

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

7 Interest receivable and similar income

	2020 £000	2019 £000
Interest income		
Interest on bank deposits	200	283
Interest receivable on the finance debtor	18,970	19,455
Total income	19,170	19,738

8 Interest payable and similar expenses

	2020 £000	2019 £000
Interest on financial liabilities measured at amortised cost:		
Interest on bonds	21,829	22,086
Interest on subordinated debt	6,724	6,410
	28,553	28,496
Other finance costs:		
Amortisation of finance arrangement costs	850	859
	29,403	29,355

9 Taxation

	2020 £000	2019 £000
Current tax		
UK corporation tax on profits for the current period	-	(2)
Deferred tax		
Effect of change in corporation tax rate	(787)	(58)
Total tax credit	(787)	(60)

All tax has been charged to the statement of comprehensive income 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.

9 Taxation **(Continued)**

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

	2020 £000	2019 £000
Loss before taxation	(768)	(343)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19%)	(146)	(65)
Surrendered to group relief	146	-
Adjustments in respect of prior years	-	(2)
Effect of change in corporation tax rate	(787)	-
Other permanent differences	-	7
Taxation credit for the year	(787)	(60)

Factors that may affect the future tax charge
The company has tax losses of £42,362,000 which have been carried forward and will be offset against future trading profits. The tax losses have not changed year on year (with all losses used or group relieved).

A deferred tax asset in respect of tax losses has been recognised as the directors consider the balance to be recoverable over the life of the PFI contract.

A reduction in the UK corporation tax rate from 19% (effective from 1 April 2017) to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. 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%. The deferred tax asset as at 31 December 2020 has therefore been calculated at that rate.

10 Debtors

Amounts falling due within one year:	2020 £000	Restated 2019 £000
Trade debtors	9,090	8,873
Amounts due from parent company	238	147
Finance debtor	6,302	5,925
Prepayments and accrued income	270	835
	15,900	15,780

Amounts falling due after more than one year:	Notes	2020 £000	Restated 2019 £000
Finance debtor		295,694	301,996
Accrued service concession income		48,562	46,431
		344,256	348,427
Deferred tax asset	15	8,049	7,262
		352,305	355,689
Total debtors		368,205	371,469

11 Cash and short term deposits

	2020 £000	Restated 2019 £000
Cash at bank	2,763	2,421
Short term deposits	32,170	30,853
	34,933	33,274

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 "short term deposits" balance, amounts to £31,170,000 at the year end (2019: £29,853,000).

12 Creditors: amounts falling due within one year

	Notes	2020 £000	2019 £000
Bonds	14	6,310	5,972
Trade creditors		3,385	3,665
Other taxation		1,247	1,089
Accruals and deferred income		10,850	9,759
		21,792	20,485

13 Creditors: amounts falling due after more than one year

	Notes	2020 £000	2019 £000
Bonds	14	366,271	371,780
Subordinated Loans	14	50,625	48,047
		416,896	419,827

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

	2020 £000	2019 £000
Payable by instalments	397,179	403,506

14 Loans and overdrafts

	2020 £000	2019 £000
Bonds	372,581	377,752
Subordinated loans	50,625	48,047
	423,206	425,799
Payable within one year	6,310	5,972
Payable after one year	416,896	419,827
	423,206	425,799

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. The balance of the subordinated loans is now £50,625,000 due to unpaid interest which has been rolled up into the balance.

15 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:

	Assets 2020	Assets 2019
Balances:	**£000**	**£000**
Tax losses	8,049	7,262

	2020
Movements in the year:	**£000**
Asset at 1 January 2020	(7,262)
Charge to profit or loss	(146)
Effect of change in tax rate - profit or loss	(641)
Asset at 31 December 2020	(8,049)

16 Share capital

	2020	2019	2020	2019
Ordinary share capital	**Number**	**Number**	**£000**	**£000**
Issued and fully paid				
Ordinary shares of £1 each	50,000	50,000	50	50

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

17 Related party transactions

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

	2020	2019
	£000	**£000**
Vercity Social Infrastructure (UK) Ltd	924	912

17 Related party transactions (Continued)

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 Vercity Social Infrastructure (UK) Limited (previously known at HCP Social Infrastructure (UK) Limited). Vercity Holdings Limited (previously known as HCP Holdings Limited), the parent company of Vercity 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:

	2020	2019
Amounts owed to related parties	**£000**	**£000**
Vercity Social Infrastructure (UK) Ltd	88	95
	88	95

No guarantees have been given or received.

18 Ultimate 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.