

**Integrated Care Solutions (East Kent) Holdings
Limited**

Annual report and financial statements

Registered number 04885191

31 December 2015



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Company Information

The Board of Directors

M D Canham
N Poupard
P Would
D J Harding

Company secretary

MAMG Company Secretarial Services Limited

Registered office

Victoria House
1st Floor
101 Victoria Road
Chelmsford
Essex
CM1 1JR

Independent auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Directors Report for the year ended 31 December 2015

The Directors present their annual report and the audited financial statements of Integrated Care Solutions (East Kent) Holdings Limited for the year ended 31 December 2015.

Principal activity

The principal activity of the Group during the year was that of a holding Company with a single subsidiary, Integrated Care Solutions (East Kent) Limited. The principal activities of Integrated Care Solutions (East Kent) Limited are the provision and maintenance of social and healthcare centres under a 28 year Private Finance Initiative (PFI) contract term in Tenterden and Margate with Kent County Council.

The Group has closely monitored the performance of the business during the year together with its technical advisors and the contract has been carried out in line with expectations.

The Group, during the coming year, will continue to act as the holding Company for its single subsidiary, Integrated Care Solutions (East Kent) Limited.

Key performance indicators

The key performance indicators for the Company are performance in line with with the financial model and compliance with banking covenants. As at 31 December 2015 the Group's financial performance and financial position was in line with that anticipated by the financial model and the Group was not in breach of any banking covenants imposed by the lenders.

Principal risks and uncertainties

The Group is subject to certain risks during the operational phase of the contract. These risks wherever possible have been mitigated by passing the risk down to sub-contractors or by using interest rate and retail price swap instruments.

Liquidity risk

The Group builds up sufficient cash balances to ensure it is able to meet its loan and other liabilities.

Credit risk

The Group's principal financial assets are its long-term debtors. The Directors consider that credit risk is mitigated by the fact that Kent County Council is the Group's sole counterparty and debtor. The Directors consider Kent County Council is a financially secure counterparty. Clauses in the concession agreement ensure that the Group will be sufficiently compensated by Kent County Council in the event of default or voluntary termination.

Interest rate cash flow risk

The Group has in place hedging arrangements to eliminate risk from interest rate movements and fluctuations in retail prices indices. In order to ensure stability of cash flows and hence manage interest rate risk, the Group has a policy of maintaining all of its bank debt at a fixed rate.

Financial instruments

Details of the Group's financial risk management objectives and policies are included in the Directors report (above).

Results and dividends

The profit for the year after taxation amounted to £376,000 (2014: £270,000). The Company paid an interim dividend of £330,000 (2014: £nil) during the year. The Directors do not recommend a final dividend be paid (2014: £nil).

Directors Report (continued)

Going Concern

In light of the net liabilities of £4,482,000 (2014: £5,322,000), primarily caused by the fair value liability of the interest rate and RPI swap contracts, the Directors have reviewed the Group's projected profits and cash flows by reference to a financial model covering accounting periods up to March 2033. Having examined the current status of the Group's principal contracts and likely developments in the foreseeable future, the Directors consider that the Group will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

Directors

The Directors who served the Company during the year and to the date of signing these financial statements are as follows:

M D Canham
N Poupard
S L Jones (Resigned 28/07/2015)
D J Harding
P Would (Appointed 28/07/2015)

Strategic Report exemption

The Directors' Report has been prepared in accordance with the special provisions relating to small companies under Section 415 of the Companies Act 2006. As such the Group is exempt from preparing a Strategic Report.

Political and charitable contributions

The Group made no political or charitable contributions during the current year (2014: £nil).

Disclosure of information to auditor

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

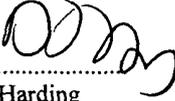
This confirmation is given and should be interpreted in accordance with the provision of Section 418(2) of the Companies Act 2006.

Auditor

Deloitte LLP resigned as auditors in the year and BDO LLP were appointed in their place.

BDO LLP are deemed to be reappointed under Section 487 of the Companies Act 2006 and will therefore continue in office.

Approved by the Directors on 20 April 2016.


.....
D J Harding
Director

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing 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 Group and Company 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 Group and Company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 Group and Company will continue in business.

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

Independent auditor's report to the members of Integrated Care Solutions (East Kent) Holdings Limited

We have audited the financial statements of Integrated Care Solutions (East Kent) Holdings Limited for the year ended 31 December 2015 which comprise the consolidated Profit and Loss account and Statement of Other Comprehensive Income, the consolidated and Company Balance Sheet, the consolidated Statement of Cash Flows, the consolidated and Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent Company's affairs as at 31 December 2015 and of the group's profit 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the requirement to prepare a strategic report.

BDO LLP

*Paul Bailey (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street
London
W1U 7EU*

21 April 2016

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

Consolidated Profit and Loss account and Statement of Other Comprehensive Income

for year ended 31 December 2015

	Notes	2015	2014
		£'000	£'000
Turnover	2	2,606	2,517
Cost of sales		(1,883)	(1,911)
		<hr/>	<hr/>
Gross profit		723	606
Administrative expenses		(163)	(179)
		<hr/>	<hr/>
Operating profit		560	427
Interest receivable	5	1,245	1,275
Interest payable and similar charges	6	(1,334)	(1,359)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		471	343
Tax on profit on ordinary activities	7	(95)	(73)
		<hr/>	<hr/>
Profit for the financial year		376	270
		<hr/> <hr/>	<hr/> <hr/>
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Effective portion of fair value change in cash flow hedges	15	968	(1,899)
Tax recognised in relation to change in fair value cash flow hedges	7	(174)	342
		<hr/>	<hr/>
Other comprehensive income / (loss) for the year		794	(1,557)
		<hr/>	<hr/>
Total comprehensive income / (loss) for the year		1,170	(1,287)
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 12 to 27 form an integral part to these financial statements.

Consolidated Balance Sheet
at 31 December 2015

	Notes	£'000	£'000
Current assets			
Debtors due after more than one year	9	17,952	18,546
Debtors due less than one year	9	1,277	1,135
Cash at bank and in hand		2,201	2,100
Total current assets		<u>21,430</u>	<u>21,781</u>
Current liabilities			
Creditors: amounts falling due within one year	10	(1,370)	(1,387)
Net current assets		<u>20,060</u>	<u>20,394</u>
Creditors: amounts falling due after more than one year	11	(24,542)	(25,716)
Net liabilities		<u>(4,482)</u>	<u>(5,322)</u>
Capital and reserves			
Called up share capital	14	130	130
Profit and loss account		1,042	996
Cash flow hedge reserve		(5,654)	(6,448)
Total shareholders' deficit		<u>(4,482)</u>	<u>(5,322)</u>

The notes on pages 12 to 27 form an integral part to these financial statements.

These financial statements were approved by the board of directors on 20 April 2016 and were signed on its behalf by:



D Harding
 Director

Company registered number: 04885191

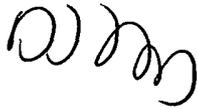
Company Balance Sheet

As at 31 December 2015

		2015	2014
	Notes	£'000	£'000
Non current assets			
Investments	8	130	130
Net assets		<u>130</u>	<u>130</u>
Capital and reserves			
Called up share capital	14	130	130
Profit and loss account	19	-	-
Total shareholders' funds		<u>130</u>	<u>130</u>

The notes on pages 12 to 27 form an integral part to these financial statements.

These financial statements were approved by the board of directors on 20 April 2016 and were signed on its behalf by:



D J Harding
Director

Company registered number: 4885191

Consolidated Statement of Changes in Equity

	Notes	Called up share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total Equity £'000
Balance at 1 January 2014		130	(4,890)	726	(4,033)
Total comprehensive income for the period					
Profit		-	-	270	270
Other comprehensive income		-	(1,558)	-	(1,558)
Total comprehensive income for the period		-	(1,558)	270	(1,288)
Balance at 31 December 2014		130	(6,448)	996	(5,321)

		Called up share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total Equity £'000
Balance at 1 January 2015		130	(6,448)	996	(5,321)
Total comprehensive income for the period					
Profit		-	-	376	376
Other comprehensive income		-	794	-	794
Total comprehensive income for the period		-	794	376	1,170
Dividends	18	-	-	(330)	(330)
Total contributions by and distributions to owners		-	-	(330)	(330)
Balance at 31 December 2015		130	(5,654)	1,042	(4,481)

Company statement of changes in equity

	Called up share capital £'000	Profit and loss account £'000	Total Equity £'000
Balance at 1 January 2014	130	-	130
Total comprehensive income for the period			
Profit	-	-	-
Total comprehensive income for the period	-	-	-
Balance at 31 December 2014	<u>130</u>	<u>-</u>	<u>130</u>

	Called up share capital £'000	Profit and loss account £'000	Total Equity £'000
Balance at 1 January 2015	130	-	130
Total comprehensive income for the period			
Profit	-	330	330
Total comprehensive income for the period	-	330	330
Dividends	-	(330)	(330)
Total contributions by and distributed to owners	-	-	-
Balance at 31 December 2015	<u>130</u>	<u>-</u>	<u>130</u>

Consolidated cash flow statement

For the year ended 31 December 2015

	2015 £'000	2014 £'000
Cash flows from operating activities		
Profit for the year	376	270
<i>Adjustments for:</i>		
Interest receivable and similar income	(1,245)	(1,275)
Interest payable and similar charges	1,334	1,359
Taxation	95	73
	<u>560</u>	<u>427</u>
Decrease in debtors	279	325
Increase in creditors	50	121
	<u>889</u>	<u>873</u>
Tax paid	(34)	(94)
Net cash inflow from operating activities	<u>855</u>	<u>779</u>
Cash flows from investing activities		
Interest received	1,245	1,275
Interest paid	(1,334)	(1,380)
Net cash used in investing activities	<u>(89)</u>	<u>(105)</u>
Cash flows from financing activities		
Repayment of borrowings	(335)	(333)
Dividends paid	(330)	
Net cash used in financing activities	<u>(665)</u>	<u>(333)</u>
Net increase in cash	101	342
Cash and cash equivalents at 1 January	2,100	1,758
Cash and cash equivalents at 31 December	<u>2,201</u>	<u>2,100</u>

Notes

(forming part of the financial statements)

1 Accounting policies

Integrated Care Solutions (East Kent) Holding Limited (the "Company") is a Company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The presentation currency of these financial statements is sterling.

In the transition to FRS 102 from old UK GAAP, the Group has made 2 measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected the financial position and financial performance of the Group is provided in note 20.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Service concession arrangements –The Group entered into its Service concession arrangement before the date of transition to this FRS. Therefore its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Group and Company has not retrospectively changed its accounting under old UK GAAP for accounting estimates.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

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.

The parent Company has taken the exemption under section 408 of Companies Act 2006 to not present a Company Profit and Loss and Statement of Other Comprehensive Income for the period.

Notes (continued)

1 Accounting policies (continued)

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

Accounting for the service concession contract and finance debtors requires estimation of service margins, finance debtors interest rates and associated amortisation profile which is based on forecasted results of the PFI contract.

1.1 Measurement convention

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

1.2 Going concern

In light of the net liabilities of £4,482,000 (2014: £5,322,000), primarily caused by the fair value liability of the interest rate and RPI swap contracts, the Directors have reviewed the Group's projected profits and cash flows by reference to a financial model covering accounting periods up to March 2033. Having examined the current status of the Group's principal contracts and likely developments in the foreseeable future, the Directors consider that the Group will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements:

1.3 Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.4 Basic financial instruments

Trade and other debtors / creditors

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

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes (continued)

1 Accounting policies (continued)

1.4 Basic financial instruments (continued)

Restricted cash

The Group is obligated to keep a separate cash reserve in respect of future major maintenance costs, change in law and change in FM provider. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £1,397,000 at the year end (2014: £1,221,000).

1.5 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

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

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

Derivative financial instruments and hedging

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

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other Comprehensive Income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in Other Comprehensive Income is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the profit or loss immediately.

1.6 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Turnover

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

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS 102. The Group recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

1.8 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.9 Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

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

1.10 Lifecycle costs

Costs relating to lifecycle expenditure are capitalised and expensed on the ratio of 30:70 based on actual spend on lifecycle costs which was included as part of financial close modelling.

Notes (continued)

2 Turnover

	2015	2014
	£'000	£'000
Costs re-charged including mark up	2,333	2,213
Pass through income	273	304
	2,606	2,517
	2,606	2,517

All turnover arose from operations within the United Kingdom

3 Auditor's remuneration

	2015	2014
	£'000	£'000
Audit of these financial statements	7	9
Amounts receivable by the company's auditor and its associates in respect of:		
- Taxation compliance services	4	2
	4	2
	4	2

Audit and tax fees for 2015 are payable to BDO LLP (2014: Deloitte LLP)

4 Directors' remuneration

The Directors received no remuneration directly for their services during the year (2014: £nil). See note 16 for directors fees charged by shareholder companies.

There were no employees under the period of review (2014: Nil)

5 Other interest receivable and similar income

	2015	2014
	£'000	£'000
Finance debtor interest receivable	1,240	1,271
Bank interest receivable	5	4
	1,245	1,275
	1,245	1,275

Notes (continued)

6 Interest payable and similar charges

	2015	2014
	£'000	£'000
Interest payable on bank loans	1,087	1,116
Interest payable on subordinated debt	221	221
Bank fees payable	26	21
Other interest payable	-	1
	1,334	1,359

Interest payable and similar charges includes interest payable and similar on bank loans and overdrafts of £1,087,000 (2014: £1,116,000). Of the above amount £221,000 (2014: £221,000) was payable to group undertakings.

7 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2015		2014	
	£'000	£'000	£'000	£'000
Current tax		95		73
Total current tax		95		73
Deferred tax (see note 13)				
Origination and reversal of timing differences	174		(342)	
Total deferred tax		174		(342)
Total Tax		269		(268)

	2015			2014		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
	£'000	£'000	£'000	£'000	£'000	£'000
Recognised in Profit and loss account	95	-	95	73	-	73
Recognised directly in equity	-	174	174	-	(342)	(342)
Total tax	95	174	270	73	(342)	(268)

Notes *(continued)*

7 Taxation *(continued)*

Reconciliation of effective tax rate

	2015	2014
	£'000	£'000
Profit on ordinary activities after tax	376	270
Total tax expense	95	73
Profit excluding taxation	471	343
Taxation using the UK corporation tax rate of 20.25% (21.5%)	95	74
Adjustment to tax charge in respect of prior years	-	(1)
	95	73

A reduction in the rate from 20% to 19% (effective 1 April 2017) was enacted on 26 October 2015. Further reductions to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Company's future current tax charge accordingly.

8 Fixed Asset Investments

Company	2015	2014
	£'000	£'000
Cost		
At 1 January and 31 December	130	130
	130	130

The undertakings in which the Company's interest at the year-end is more than 20% are as follows:

Company	Country of registration or incorporation	Shares held	Principal activity
		Class	
		%	
Participating interests			
Integrated Care Solutions (East Kent) Limited	England and Wales	Ordinary	PFI Contract operator
		100	

Notes (continued)

9 Debtors

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Finance debtor	17,622	17,905	-	-
Prepayments and accrued income	366	362	-	-
Deferred Tax Asset (note 13)	1,241	1,414	-	-
	19,229	19,681	-	-
Due within one year	1,277	1,135	-	-
Due after more than one year	17,952	18,546	-	-
	19,229	19,681	-	-

Debtors include finance debtor of £16,711,000 (2014: £17,132,000) due after more than one year.

10 Creditors: amounts falling due within one year

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Bank loan (note 12)	207	335	-	-
Trade creditors	110	87	-	-
Corporation tax	95	34	-	-
Other taxation	103	109	-	-
Accruals and deferred income	798	765	-	-
Amounts payable to related parties	57	57	-	-
	1,370	1,387	-	-

Notes (continued)

11 Creditors: amounts falling after more than one year

	Group		Company	
	2015	2014	2014	2013
	£'000	£'000	£'000	£'000
Bank loan (note 12)	15,496	15,703	-	-
Subordinated debt (note 12)	1,976	1,976	-	-
Accruals and deferred income	175	174		
Other financial liabilities (note 15)	6,895	7,863	-	-
	<u>24,542</u>	<u>25,716</u>	<u>-</u>	<u>-</u>

12 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	2015	2014
	£'000	£'000
Creditors falling due more than one year		
Bank loan	15,496	15,703
Subordinated debt	1,976	1,976
	<u>17,472</u>	<u>17,679</u>
Creditors falling due within less than one year		
Bank loan	207	335
	<u>207</u>	<u>335</u>

Included within Bank loan is an amount repayable after five years of £13,800,000 (2014: £14,435,000) and included within subordinated debt are amounts repayable after five years of £1,976,000 (2014: £1,976,000) respectively.

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Debt can be analysed as falling due as follows:				
In one year or less, or on demand	207	335	-	-
Between one and two years	213	207	-	-
Between two and five years	1,482	1,060	-	-
In five years or more	15,777	16,411	-	-
	<u>17,679</u>	<u>18,014</u>	<u>-</u>	<u>-</u>

Notes (continued)

12 Interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of Maturity	Repayment schedule	2015	2014
Bank loan	GBP	LIBOR + 1.0514%	2031	Semi-annual	15,703	16,038
Subordinated debt	GBP	11.25%	2033	2033	1,976	1,976

There is one term loan facility drawn down at 31 December 2015. The tenure of the term loan from NIBC Bank NV was originally 28 years and is repayable in 52 semi-annual instalments commencing 31 March 2006. Interest charged on amounts drawn is based on LIBOR rate plus 1.0514%. All amounts drawn under the facilities are secured by a fixed charge over all leasehold interests, book debts, project accounts and intellectual property of the Company and by a floating charge over the Company's undertakings and assets.

13 Deferred tax asset

Deferred tax asset is attributable to the following:

Group

	Assets	
	2015	2014
	£'000	£'000
Deferred Tax on revaluation of fair value of derivatives	<u>1,241</u>	<u>1,414</u>

Deferred tax asset is recognised on the revaluation of the swap derivatives on both the RPI and interest rate swap held by the Group. These are accounted for under cash flow hedges (see note 15).

Reversal of the deferred tax asset is shown through the cash flow hedge reserve.

Notes *(continued)*

14 Capital and reserves

Share capital

	2015	2014
Ordinary Shares	No.	No.
In issue at 1 January and 31 December	130	130
	£'000	£'000
Value of shares at £1 per share	130	130

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 Group.

Cash flow hedge reserve

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

15 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2015	2014
	£'000	£'000
Assets measured at amortised cost		
- Finance debtor	17,622	17,905
	17,622	17,905
Assets measured at cost less impairment		
- Cash and cash equivalents	2,201	2,100
- Accrued Income	350	345
	2,551	2,445
Liabilities measured at amortised cost		
- Trade and other payables	(110)	(87)
- Bank loan	(15,703)	(16,038)
- Subordinated debt	(1,976)	(1,976)
- Accruals	(974)	(942)
- Amounts payable to group companies	(57)	(57)
	(18,820)	(19,100)
Liabilities measured at fair value through profit and loss		
- Interest and RPI rate swaps	(6,895)	(7,863)

Notes *(continued)*

15 Financial instruments *(continued)*

(b) Financial instruments measured at fair value

Derivative financial instruments

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(c) Hedge accounting

Derivative financial instruments designated as hedges of variable interest rate risk and inflation risk comprise interest rate swap and RPI swap.

To hedge the potential movement in the interest cash flows associated with the LIBOR rate used for the bank term loan described in note 11, the Group has entered into floating to fixed interest rate swaps with a nominal value equal to the initial borrowings with the same term as the loans and interest payment dates. These result in the Group paying 5.37% per annum and receiving LIBOR.

The derivatives are accounted for as a cash flow hedge in accordance with FRS 102 and have the fair values as described in note 15 (d). The cash flows arising from the interest rate swaps will continue until their maturity in 2031, coincidental with the repayment of the term loans. The change in fair value in the period was a decrease of £633,000 (2014: increase £2,002,000) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective.

In addition, the Group has also entered into an RPI-linked swap deal to hedge against potential movements in future revenue cash flows arising from changes in RPI. The nominal value of the deal is below that of the contracted revenues of the Group, but the term and re-pricing dates are identical to those of the contracted revenue. These result in the Group effectively fixing the inflation on a determined portion of the concession period.

The derivatives are accounted for as a cash flow hedge in accordance with FRS 102 and have the fair values as described in note 15 (d). The cash flows arising from the RPI swaps will continue until their maturity in 2031. The change in fair value in the period was a decrease of £335,000 (2014:£102,000) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective.

Notes (continued)

15 Financial instruments (continued)

(d) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	Fair Value 2015 £'000	Fair Value 2014 £'000
- Interest rate swap contract	5,216	5,849
- RPI Swap contract	1,679	2,014

16 Related parties

The details of the related party transactions are detailed as follows:

	Transactions		Payables to	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Term Loan Principal				
- NIBC Bank N.V.	335	331	15,703	16,038
Term Loan interest & swap interest				
- NIBC Bank N.V.	1,087	1,120	270	308
Subordinated debt interest & principal				
- NIBC European Infrastructure Fund 1 C.V.	111	111	1,016	1,016
- Equitix Healthcare Limited	111	111	1,016	1,016
Commitment & agency fees				
- NIBC Bank N.V.	30	21	(1)	(1)
Directors' fees				
- Equitix Healthcare Limited	17	17	-	-
- NIBC European Infrastructure Fund 1 C.V.	17	17	-	-
Group relief				
- Equitix Capital Eurobond Limited	38	-	38	-
- Equitix Healthcare Limited	-	40	-	-
Other professional fees				
- NIBC Bank N.V.	-	6	-	-
	1,746	1,774	18,041	18,377

Notes (continued)

16 Related Parties (continued)

The following companies, together with undertakings within their individual groups of companies, are considered to be related parties to the Group, as defined in FRS102 Related Party Disclosures.

NIBC European Infrastructure Fund 1 C.V. and Equitix Healthcare Limited are 50% Joint Venture Partners in the current year. NIBC European Infrastructure Fund 1 C.V. is the 100% owner of NEIF Project Investments Limited. NIBC Bank N.V. is a lender to the project and is a limited partner (circa 28%) in NIBC European Infrastructure Fund 1 C.V.

17 Ultimate parent Company and parent Company of larger group

The Company is a joint venture between NIBC European Infrastructure Fund 1 C.V. (50%) a limited partnership registered in the Netherlands, and Equitix Healthcare Limited (50%), a Company that is incorporated in the United Kingdom and registered in England and Wales.

The Directors consider there to be no ultimate controlling entity.

18 Dividends

	2015 £'000	2014 £'000
Interim dividend of 254p per ordinary share (2014: £nil)	330	-

19 Result for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act (2006) and has not prepared its own profit and loss account in these financial statements. The group profit for the year includes £nil (2014: £nil) profit which is dealt within the financial statements of the company.

Notes (continued)

20 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Group's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

In preparing its FRS 102 balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Group's financial position and financial performance is set out in the following tables.

There have been no changes required to the balance sheet or profit and loss statement for the Group and therefore no additional reconciliation has been prepared.

Reconciliation of equity

	Note	1 January 2014			31 December 2014		
		UK GAAP	Effect of transition to FRS 102	FRS 102	UK GAAP	Effect of transition to FRS 102	FRS 102
		£'000	£'000	£'000	£'000	£'000	£'000
Current assets							
Debtors	b	18,592	1,074	19,666	18,267	1,414	19,681
Cash at bank and in hand		1,758	-	1,758	2,100	-	2,100
		<u>20,350</u>	<u>1,074</u>	<u>21,424</u>	<u>20,367</u>	<u>1,414</u>	<u>21,781</u>
Creditors: amounts due within one year		<u>(1,306)</u>	<u>-</u>	<u>(1,306)</u>	<u>(1,387)</u>	<u>-</u>	<u>(1,387)</u>
Net current assets		<u>19,044</u>	<u>1,074</u>	<u>20,118</u>	<u>18,980</u>	<u>1,414</u>	<u>20,394</u>
Creditors: amounts falling due after more than one year	a	<u>(18,189)</u>	<u>(5,964)</u>	<u>(24,153)</u>	<u>(17,854)</u>	<u>(7,862)</u>	<u>(25,716)</u>
Net assets/(liabilities)		<u>855</u>	<u>(4,890)</u>	<u>(4,035)</u>	<u>1,126</u>	<u>(6,448)</u>	<u>(5,322)</u>
Capital and reserves							
Called up share capital		130	-	130	130	-	130
Cash flow hedge reserve	a,b	-	(4,890)	(4,890)	-	(6,448)	(6,448)
Profit and loss account		725	-	725	996	-	996
Shareholders' equity/(deficit)		<u>855</u>	<u>(4,890)</u>	<u>(4,035)</u>	<u>1,126</u>	<u>(6,448)</u>	<u>(5,322)</u>

Notes to the reconciliation of equity

a) The derivatives held by the Group, being an interest rate swap and RPI swap contracts, have now been recognised in the balance sheet at its fair value under FRS 102. This has been accounted for as a cash flow hedge.

Notes *(continued)*

20 Explanation of transition to FRS 102 from old UK GAAP *(continued)*

b) The deferred tax asset has been recognised on the fair value of the swap arrangements. This has been recognised within current assets and movements on the deferred tax asset are taken to the cash flow hedge reserve.

Reconciliation of profit for 31 December 2014

	2014		
	UK GAAP	Effect of transition to FRS 102	FRS 102
	£'000	£'000	£'000
Turnover	2,517	-	2,517
Cost of sales	(1,910)	(1)	(1,911)
Gross profit	<u>607</u>	<u>(1)</u>	<u>606</u>
Administrative expenses	(179)	-	(179)
Operating profit	<u>428</u>	<u>(1)</u>	<u>427</u>
Other interest receivable and similar income	1,275	-	1,275
Interest payable and similar charges	(1,359)	-	(1,359)
Profit on ordinary activities before taxation	<u>344</u>	<u>(1)</u>	<u>343</u>
Taxation	(73)	-	(73)
Profit for the year	<u><u>271</u></u>	<u><u>(1)</u></u>	<u><u>270</u></u>

Notes to the reconciliation of profit

a) No changes have been required to profit or loss through the transition to FRS 102 as the swaps which have caused transition adjustments are 100% effective and therefore have no profit and loss impact as they are taken to other comprehensive income.