Company Registration No. 04885191 (England and Wales)

INTEGRATED CARE SOLUTIONS (EAST KENT) HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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COMPANIES HOUSE

UHY Hacker Young
Chartered Accountants

INTEGRATED CARE SOLUTIONS (EAST KENT) HOLDINGS LIMITED

COMPANY INFORMATION

Directors	B D Adams	
	F D'Alonzo	
	A Irwin	
	H Holman	(Appointed 1 April 2021)
Secretary	G Bucur	
Company number	04885191	
Registered office	3rd Floor, South Building 200 Aldersgate Street London EC1A 4HD	
Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW	

INTEGRATED CARE SOLUTIONS (EAST KENT) HOLDINGS LIMITED

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INTEGRATED CARE SOLUTIONS (EAST KENT) HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Principal activities

The principal activity of Integrated Care Solutions (East Kent) Holdings Limited 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.

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

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 obligations 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 even 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 price 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.

Key performance indicators

The key performance indicators for the group are performing in line with the financial model and compliance with banking covenants. As at 31 December 2020 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 lenders.

Directors

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

P Would	(Resigned 1 April 2021)
B D Adams	
F D'Alonzo	
A Irwin	
H Holman	(Appointed 1 April 2021)

Results and dividends

The results for the year are set out on page 9.

The profit for the year after taxation amounted to £468,000 (2019: £330,000). The company paid interim dividends of £264,000 (2019: £245,000) during the year. The directors do not recommend a final dividend to be paid (2019: £nil).

Qualifying third party indemnity provisions

The company did not provide indemnity insurance for the directors during the year (2019: £nil)

Auditor

The auditor, UHY Hacker Young, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities
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 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's 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.

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 auditor of the company 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 auditor of the company is aware of that information.

Going Concern
In light of the net liabilities of £3,910,000 (2019: £4,286,000), 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.

In the annual review of the company's going concern, the directors have considered the long term impact of the corona virus, COVID-19, pandemic. Recent Government Procurement Policy Note sets out information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the current COVID-19 outbreak confirming that the suppliers will continue to be paid as normal. The company has entered into long-term contracts with its customer and suppliers, and after careful review of these contracts the directors are confident that the company can operate as normal for the next twelve months. The directors have committed to carrying out regular reviews of the company's cash flows to monitor the ongoing situation.

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 company is exempt from preparing a Strategic Report.

On behalf of the board

....

B D Adams
Director

Date: 26 July 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTEGRATED CARE SOLUTIONS (EAST KENT) HOLDINGS LIMITED

Opinion

We have audited the financial statements of Integrated Care Solutions (East Kent) Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 2020 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.

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 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF INTEGRATED CARE SOLUTIONS (EAST KENT) HOLDINGS LIMITED

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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 company is entitled to claim exemption in preparing a strategic report due to it being a member of an ineligible group.

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF INTEGRATED CARE SOLUTIONS (EAST KENT) HOLDINGS LIMITED

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 parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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.

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 group and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the acts by the group, which were contrary to applicable laws and regulations including fraud, 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 have a direct impact on the preparation of the financial statements such as the 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 inflated revenue and profit.

Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, review of correspondence with and reports to Kent County Council, including correspondence with legal advisors, enquiries of management and review of the financial model and related audit reports in so far as they relate to the financial statements, and testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

UHY Hacker Young LLP
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4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF INTEGRATED CARE SOLUTIONS (EAST KENT) HOLDINGS LIMITED

There are inherent limitations in the audit procedures described above 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 would become aware of it. Also, 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 or intentional misrepresentations, or through collusion.

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 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.

MWal

Marc Waterman (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young

27/7/2021

Chartered Accountants
Statutory Auditor

Quadrant House
4 Thomas More Square
London
E1W 1YW

INTEGRATED CARE SOLUTIONS (EAST KENT) HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Turnover	3	3,332	2,963
Cost of sales		(2,422)	(2,184)
Gross profit		910	779
Administrative expenses		(279)	(227)
Operating profit	4	631	552
Interest receivable and similar income	6	1,050	1,122
Interest payable and similar expenses	7	(1,253)	(1,264)
Profit before taxation		428	410
Tax on profit	8	40	(80)
Profit for the financial year	19	468	330
Other comprehensive income			
Cash flow hedges gain arising in the year		50	167
Tax relating to other comprehensive income		122	(32)
Total comprehensive income for the year		640	465

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

INTEGRATED CARE SOLUTIONS (EAST KENT) HOLDINGS LIMITED

GROUP BALANCE SHEET
AS AT 31 DECEMBER 2020

	Notes	2020 £000	2020 £000	2019 £000	2019 £000
Current assets					
Debtors falling due after more than one year	**13**	17,412		17,662	
Debtors falling due within one year	**13**	1,110		995	
Cash at bank and in hand		2,699		2,330	
		21,221		20,987	
Creditors: amounts falling due within one year	**14**	(3,400)		(2,927)	
Net current assets			17,821		18,060
Creditors: amounts falling due after more than one year	**15**		(21,731)		(22,346)
Net liabilities			(3,910)		(4,286)
Capital and reserves					
Called up share capital	**18**		130		130
Hedging reserve	**19**		(5,140)		(5,312)
Profit and loss reserves	**19**		1,100		896
Total equity			(3,910)		(4,286)

The financial statements were approved by the board of directors and authorised for issue on ...26 July 2021.... and are signed on its behalf by:

....

B D Adams
Director

INTEGRATED CARE SOLUTIONS (EAST KENT) HOLDINGS LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2020

		2020		2019	
	Notes	**£000**	**£000**	**£000**	**£000**
Fixed assets					
Investments	**10**		130		130
Capital and reserves					
Called up share capital	**18**		130		130

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £264,000 (2019 - £245,000).

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

The financial statements were approved by the board of directors and authorised for issue on ...26 July 2021.... and are signed on its behalf by:

....

B D Adams
Director

Company Registration No. 04885191

INTEGRATED CARE SOLUTIONS (EAST KENT) HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £000	Hedging reserve £000	Profit and loss reserves £000	Total £000
Balance at 1 January 2019		130	(5,447)	811	(4,506)
Year ended 31 December 2019:					
Profit for the year		-	-	330	330
Other comprehensive income:					
Cash flow hedges gains arising in the year		-	167	-	167
Tax relating to other comprehensive income		-	(32)	-	(32)
Total comprehensive income for the year		-	135	330	465
Dividends	9	-	-	(245)	(245)
Balance at 31 December 2019		130	(5,312)	896	(4,286)
Year ended 31 December 2020:					
Profit for the year		-	-	468	468
Other comprehensive income:					
Cash flow hedges gains arising in the year		-	50	-	50
Tax relating to other comprehensive income		-	122	-	122
Total comprehensive income for the year		-	172	468	640
Dividends	9	-	-	(264)	(264)
Balance at 31 December 2020		130	(5,140)	1,100	(3,910)

INTEGRATED CARE SOLUTIONS (EAST KENT) HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £000	Profit and loss reserves £000	Total £000
Balance at 1 January 2019		130	-	130
Year ended 31 December 2019:				
Profit and total comprehensive income for the year		-	245	245
Dividends	9	-	(245)	(245)
Balance at 31 December 2019		130	-	130
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	264	264
Dividends	9	-	(264)	(264)
Balance at 31 December 2020		130	-	130

INTEGRATED CARE SOLUTIONS (EAST KENT) HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2020 £000	2019 £000	2019 £000
Cash flows from operating activities					
Cash generated from operations	**21**		1,550		1,111
Interest paid			(1,253)		(1,264)
Income taxes paid			(79)		(43)
Net cash inflow/(outflow) from operating activities			218		(196)
Investing activities					
Interest received		1,050		1,122	
Net cash generated from investing activities			1,050		1,122
Financing activities					
Repayment of bank loans		(635)		(518)	
Dividends paid to equity shareholders		(264)		(245)	
Net cash used in financing activities			(899)		(763)
Net increase in cash and cash equivalents			369		163
Cash and cash equivalents at beginning of year			2,330		2,167
Cash and cash equivalents at end of year			2,699		2,330

1 Accounting policies

Company information

Integrated Care Solutions (East Kent) Holdings Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 3rd Floor, South Building, 200 Aldersgate Street, London, EC1A 4HD..

The group consists of Integrated Care Solutions (East Kent) Holdings Limited and all of its subsidiaries.

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. except that the following assets and liabilities are stated at fair value: derivative financial instruments. The principal accounting policies adopted are set out below.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

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

- Service concession agreements — 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.

1 Accounting policies **(Continued)**

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated group financial statements consist of the financial statements of the parent company Integrated Care Solutions (East Kent) Holdings Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Going concern

In light of the net liabilities of £3,910,000 (2019: £4,286,000), 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 period 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.

In the annual review of the company's going concern, the directors have considered the long term impact of the corona virus, COVID-19, pandemic. Recent Government Procurement Policy Note sets out information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the current COVID-19 outbreak confirming that the suppliers will continue to be paid as normal. The company has entered into long-term contracts with its customer and suppliers, and after careful review of these contracts the directors are confident that the company can operate as normal for the next twelve months. The directors have committed to carrying out regular reviews of the company's cash flows to monitor the ongoing situation.

1 Accounting policies (Continued)

1.4 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 recognised 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.

1.5 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Restricted cash

The Company is obligated to keep a separate cash reserve in respect of future major maintenance costs, change in law, debt service reserving 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 £1,789,000 at the year end (2019: £1,412,000).

1 Accounting policies **(Continued)**

1.7 Financial instruments

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 groups'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.

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.

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 assets

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 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).

1 Accounting policies **(Continued)**

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

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

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

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

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, 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.

Other financial liabilities
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

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.

1 Accounting policies **(Continued)**

1.8 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.9 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting

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 the profit or loss account 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 a 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 profit or loss immediately.

1.10 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies (Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Lifecycle costs

Costs relating to lifecycle expenditure are capitalised and expensed on the basis of a 30:70 ratio. This is based on the original profile modelled at financial close of spend on lifecycle costs.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

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

3 Turnover and other revenue

	2020 £000	2019 £000
Turnover analysed by class of business		
Costs re-charged including mark up	3,099	2,753
Pass through income	233	210
	3,332	2,963

All turnover arose from operations within the United Kingdom.

4 Operating profit

	2020 £000	2019 £000
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the Group's financial statements	6	6

5 Employees

There were no employees during the period under review (2018: Nil)

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Total	-	-	-	-

6 Interest receivable and similar income

	2020 £000	2019 £000
Interest income		
Interest on bank deposits	4	10
Other interest income	1,046	1,112
Total income	1,050	1,122

7 Interest payable and similar expenses

	2020 £000	2019 £000
Interest payable on bank loans	999	1,016
Interest payable on subordinated debt	223	223
Bank fees payable	31	25
Total finance costs	1,253	1,264

8 Taxation

	2020 £000	2019 £000
Current tax		
UK corporation tax on profits for the current period	81	80
Adjustments in respect of prior periods	(121)	-
Total current tax	(40)	80

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

	2020 £000	2019 £000
Profit before taxation	428	410
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	81	78
Tax effect of expenses that are not deductible in determining taxable profit	-	2
Under/(over) provided in prior years	(121)	-
Taxation (credit)/charge	(40)	80

8 Taxation (Continued)

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2020 £000	2019 £000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	(122)	32

9 Dividends

Recognised as distributions to equity holders:	2020 Per share Pence	2019 Per share Pence	2020 Total £000	2019 Total £000
Ordinary shares				
Interim paid	203.00	188.00	264	245

10 Fixed asset investments

	Notes	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Investments in subsidiaries	11	-	-	130	130

Movements in fixed asset investments

Company

	Shares in group undertakings £000
Cost or valuation	
At 1 January 2020 and 31 December 2020	130
Carrying amount	
At 31 December 2020	130
At 31 December 2019	130

11 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Country of registration
Integrated Care Solutions (East Kent) Limited	England and Wales

The subsidiary undertaking is wholly owned and the registered office address of Integrated Care Solutions (East Kent) Limited is the same as that of the parent company. The principal activity of the subsidiary undertaking is that of PFI contract operator.

12 Financial instruments

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Other financial liabilities	6,346	6,395	-	-

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

12 Financial instruments **(Continued)**

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 the 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 below. 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 increase/ of £167,000 (2019: increase of £154,000) 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 below. 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 £216,000 (2019: decrease of £321,000) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective.

The fair value of the interest rate swap is £4,853,000 (2019: £4,686,000). The fair value of the RPI swap is £1,493,000 (2019: £1,709,000).

13 Debtors

	Group 2020	2019	Company 2020	2019
Amounts falling due within one year:	**£000**	**£000**	**£000**	**£000**
Finance debtor	713	603	-	-
Prepayments and accrued income	397	392	-	-
	1,110	995	-	-
Amounts falling due after more than one year:				
Finance debtor	16,206	16,578	-	-
Deferred tax asset (note 17)	1,206	1,084	-	-
	17,412	17,662	-	-
Total debtors	18,522	18,657	-	-

14 Creditors: amounts falling due within one year

	Notes	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Bank loans	**16**	566	635	-	-
Trade creditors		90	14	-	-
Corporation tax payable		2	121	-	-
Other taxation and social security		120	128	-	-
Accruals and deferred income		2,622	2,029	-	-
		3,400	2,927	-	-

15 Creditors: amounts falling due after more than one year

	Notes	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Bank loans and overdrafts	16	13,234	13,800	-	-
Other borrowings	16	1,976	1,976	-	-
Derivative financial instruments		6,346	6,395	-	-
Accruals and deferred income		175	175	-	-
		21,731	22,346	-	-

16 Loans and overdrafts

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Bank loans	13,800	14,435	-	-
Other loans	1,976	1,976	-	-
	15,776	16,411	-	-
Payable within one year	566	635	-	-
Payable after one year	15,210	15,776	-	-

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

Included within bank loan is an amount repayable after five years of £9,837,000 (2019: £11,015,000) and included within subordinated debt are amounts repayable after five years of £1,976,000 (2019: £1,976,000) respectively.

There is one term loan facility drawn down at 31 December 2019. 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 group and by a floating charge over the group's undertakings and assets. Details of all swap transactions can be found within note 14.

The subordinated debt is unsecured with a fixed rate of interest of 11.25% pa.

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Assets 2020 £000	Assets 2019 £000
Revaluations	1,206	1,084

The company has no deferred tax assets or liabilities.

Movements in the year:	Group 2020 £000	Company 2020 £000
Asset at 1 January 2020	(1,084)	-
Credit to other comprehensive income	(122)	-
Asset at 31 December 2020	(1,206)	-

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.

Reversal of the deferred tax asset is shown through the cash flow hedge reserve and other comprehensive income.

18 Share capital

Ordinary share capital	2020 Number	2019 Number	2020 £000	2019 £000
Issued and fully paid				
Ordinary shares of £1 each	130,000	130,000	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.

19 Reserves

Hedging 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, net of any deferred tax provided on this.

Profit and loss reserves
The profit and loss account comprises the cumulative distributable profits of the company less any dividends paid to the parent company.

20 Controlling party

Kent Vanwall Limited is the parent company of Integrated Care Solutions (East Kent) Holdings Limited. Kent Vanwall Limited is a company that is incorporated in England and Wales.

The directors consider Equitix Fund 1 LP to be the ultimate controlling entity.

21 Cash generated from group operations

	2020 £000	2019 £000
Profit for the year after tax	468	330
Adjustments for:		
Taxation (credited)/charged	(40)	80
Finance costs	1,253	1,264
Investment income	(1,050)	(1,122)
Movements in working capital:		
Decrease in debtors	258	404
Increase in creditors	661	155
Cash generated from operations	1,550	1,111

22 Analysis of changes in net debt - group

	1 January 2020	Cash flows	31 December 2020
	£000	£000	£000
Cash at bank and in hand	2,330	369	2,699
Borrowings excluding overdrafts	(16,411)	635	(15,776)
	(14,081)	1,004	(13,077)