

Company Registration No. 05494495 (England and Wales)

BY CHELMER (HOLDINGS) LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



BY CHELMER (HOLDINGS) LTD

COMPANY INFORMATION

Directors	Mr J C Heath Mr M C Wayment Mr M G D Holden Ms E G Wegener
Secretary	HCP Management Services Ltd
Company number	05494495
Registered office	8 White Oak Square London Road Swanley Kent BR8,7AG
Auditor	KPMG LLP 3 Assembly Square Britannia Quay Cardiff CF10 4AX

BY CHELMER (HOLDINGS) LTD

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BY CHELMER (HOLDINGS) LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

By Chelmer (Holdings) Ltd is the owner of By Chelmer plc. These two companies constitute the By Chelmer group of companies ('the Group')

Principal activities

The principal activity of the Group is the finance, design and construction, refurbishment and operation of Broomfield hospital in Chelmsford (the Hospital) under the Government's Private Finance Initiative ('PFI'). The Group continued with these activities throughout the year and will continue in this activity for the foreseeable future.

Development and performance

The Group continued its principal activities throughout the current year as outlined above.

The Group has a project agreement with Mid Essex Hospital Services National Health Service Trust (the 'Trust'), together with an associated construction contract, funding agreements, hard services contracts and ancillary project agreements (the Project Agreement). The Project Agreement requires the Group to finance, design, develop, construct, maintain and deliver certain non-core services (the project) within Broomfield Hospital in Chelmsford (the Hospital) for a primary term of 35 years and 4 months from the date of signing of the Project Agreement to 31 March 2043. On 1 April 2020 the Trust merged with two other NHS Foundation Trusts and became Mid and South Essex Hospitals NHS Foundation Trust.

In order to achieve these objectives, the Group strategy is to sub contract services to third party providers who hold the relevant technical knowledge and resources to deliver these services.

The results of the Group are set out in the attached financial statements.

As reported in the Group's profit and loss account, revenue has increased from £7,037,000 in 2018 to £7,065,000 in 2019. The increase is due to an uplift in the services revenue. The increase in service revenue is due to a small increase in costs and the mark-up thereon, less a reduction in pass through revenue. Pass through revenue is offset by pass through costs, it is work requested by a third party which is paid for by the company and then recharged onto the third party.

Interest receivable and similar income has declined to £9,542,000 (2018: £9,653,000) mainly due to reduced interest receivable on the finance debtor. Interest receivable on the finance debtor has reduced in proportion with the reduction in the finance debtor balance.

Interest payable and similar expenses has decreased to £11,504,000 (2018: £12,717,000) mainly due to lower indexation on the index linked bonds as a result of lower RPI increases.

The finance debtor is being amortised over the life of the concession and the carrying value at the reporting date is £144,073,000 (2018: £146,647,000). The finance debtor amortisation during the year was £2,574,000 (2018: £2,412,000). The directors believe the finance debtor to be recoverable over the term of the Project Agreement.

During the year, the Group has repaid £6,451,000 of the Secured Guaranteed Bonds. Scheduled loan repayment dates are 31 March and 30 September each year. In the previous financial year, the company repaid a total of £6,283,000.

During the year the Group has repaid £627,000 (2018: £49,000) of the subordinated unsecured loan stock.

The loss for the year after taxation was £167,000 (2018: £1,095,000). Operations were in line with expectation for the period.

The directors consider the results for the year to be satisfactory.

BY CHELMER (HOLDINGS) LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

The balance sheet shows the carrying value of the Group's net liabilities at year end was £16,031,000 (2018: £15,864,000). This includes the profit and loss reserve of £16,081,000 (2018: £15,914,000). The directors consider it reasonable to assume that the company has adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the financial statements. See Going Concern accounting policy for further information.

Key performance indicators

1. Performance deductions under the service contract

Financial penalties are levied by the Trust in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. These deductions are passed on to the service provider. In the year ended 31 December 2019, deductions of £17,160 (2018: £19,660) had been levied which represents 0.24% (2018: 0.27%) of revenue. The materiality of deductions is considered to be low. However, directors are working with the Trust and service providers to reduce the level of deductions going forward.

2. Financial performance

The directors have modelled the anticipated financial outcome of the Project across its full term. The directors monitor actual financial performance against this anticipated performance. As at 31 December 2019, the Group's performance against this measure was satisfactory.

The Group completed the construction phase of the contract on 5 August 2010. In the opinion of the directors the operating phase of the Project is performing satisfactorily, to the standard of the contract.

Principal risks and uncertainties

The Trust is the sole client of the Group but the directors consider that no strategic risk arises from such a small client base since the client is a central government organisation.

Performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees.

The Group is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due.

The most important components of financial risk are credit risk and the liquidity risk.

The Group will continue to provide and support the Trust in its expansion of the Hospital under the PFI scheme.

Brexit risk

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

BY CHELMER (HOLDINGS) LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

COVID-19 risk

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

Going concern

The Directors have prepared cash flow forecasts which indicate that, taking account of severe but plausible downsides, the Group will have sufficient funds to meet its liabilities as they fall due. Further information of the Directors' assessment including the consideration of the impact of COVID-19 is contained within note 1.3.

Taking into account reasonable possible risks in operations to the Group, the fact the obligations of the Group's sole customer are underwritten by the Secretary of State for Health, the Directors have a reasonable expectation that the Group will be able to settle its liabilities as they fall due to the foreseeable future. It is therefore appropriate to prepare these financial statements on the going concern basis.

Section 172 Companies Act 2006 Statement

The Directors have a duty to promote the success of the Group for the benefit of the shareholders as a whole and to describe how this duty has been performed with regard to those matters set out in section 172 of the Companies act 2006 ("section 172").

The Directors have identified the Group's main stakeholders as the following:

i. The Group's shareholders, bondholders and credit provider

Principal considerations of the board are whether the investment objective of the Group is meeting shareholder and bondholder expectations and how the manager implements the objective. These are discussed at board meetings, which are held regularly throughout the year and influence decisions the board makes. The board also attends regular shareholder briefing meetings to ensure that shareholder engagement is optimized. The board and the manager have regular engagement with the credit provider.

ii. The manager

The delivery by the manager of its services is fundamental to the long term success of the Group. The board seeks to engage regularly with the manager through a number of forums, including at board meetings, portfolio briefings and through engagement with the manager's senior leadership team. Regular reporting is provided to the board by the manager, which will alert the board to changes to regulation or market practice, which will inform the board's decision making.

Throughout the year the board has made due consideration during its discussions and decision-making of the matters set out in section 172 and below is a description of how the directors have had regards to these matters when performing their duties:

(a) The likely consequences of any decision in the long term

The Group has outsourced the management of the Group to HCP Management Services Limited ("HCP"), the manager. The delivery by the manager of its services is fundamental to the long term success of the Group. The board seeks to engage regularly with the manager through a number of forums, including at board meetings, portfolio briefings and through engagement with the manager's senior leadership team. Regular reporting is provided to the board by the manager, which will alert the board to changes to regulation or market practice, which will inform the board's decision making.

BY CHELMER (HOLDINGS) LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

(b) The interests of the Group's employees

As an externally managed Group, the Group's activities are all outsourced and therefore it does not have any employees. The Group does however, pay due regard to the interests and safety of all those engaged by contractors to the Group to perform services on its behalf.

(c) The need to foster the Group's business relationships with suppliers, customers and others

The Group is committed to upholding the underlying principle of PFI of working in partnerships with all parties to the arrangement. As noted above, the Group has policies and procedures to ensure regular communication is maintained between the parties.

(d) The impact of the Group's operations on the community and the environment

The Group has very limited direct impact on the environment as it has no greenhouse gas emissions. Notwithstanding that the Group is committed to minimizing environmental disruption from its activities. The board upholds the Group's environmental policy in all its activities and requires all parties to the arrangement to do the same.

(e) The desirability of the Group maintaining a reputation for high standards of business conduct

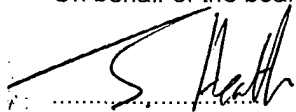
The Group is committed, in its day to day operations and dealings with all affiliates to uphold the highest standard of business conduct and integrity. The directors are not responsible for setting a "business culture" in the traditional sense, but are committed to understanding the culture of the manager and service providers and raise any concerns in this regard if necessary.

(f) The need to act fairly between members of the Group

The members of the Group are represented at board meetings by their appointed director(s). Conflicts on matters to be discussed are identified at each meeting of the board. Directors representing a member with a conflict of interest may therefore be excluded from any discussion or vote in regards to it.

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

On behalf of the board



Mr J Heath

Director

25/06/2020

BY CHELMER (HOLDINGS) LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Directors

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

Mr J C Heath

Mr M C Wayment

Mr M G D Holden

Ms E G Wegener

Results and dividends

The results for the year are set out on page 11.

No ordinary dividends were paid (2018: £nil). The directors do not recommend payment of a final dividend.

Directors Indemnity

The Articles of Association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors.

Financial instruments

The Group's principal financial instruments comprise of short term bank deposits, index-linked and fixed rate bonds. The main purpose of these financial instruments is to ensure, via the terms of the financial instruments, that the profile of the debt service costs is tailored to match expected revenues arising from the Project Agreement.

The Group does not undertake financial instrument transactions which are speculative or unrelated to the Group's trading activities. Board approval is required for the use of any new financial instrument and the Group's ability to do so is restricted by covenants in its existing funding agreements.

Exposure to liquidity, credit and interest rate risks arise in the normal course of the Group's business. Further details relating to these risks are given below:

Interest-bearing bank loans and other borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges, including direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

Treasury operations and financial instruments

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

Liquidity risk

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

BY CHELMER (HOLDINGS) LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Interest rate risk

The Group is exposed to interest rate risk on bank balances with floating interest rates, however the directors do not consider this exposure to be significant.

The guaranteed secured bonds and unsecured subordinated loan notes both have a fixed rate until 2043, thus there is no interest rate risk associated with these financial liabilities.

Credit risk

The Trust is the sole client of the Group. The directors consider that no significant risk arises from such a small client base since there are no indications that the Trust will not be able to fulfil their obligations. In addition the Secretary of State for Health has underwritten the Trust's obligations. The carrying value of the financial asset of £144,073,000 (2018: £146,647,000) is the maximum credit exposure.

Auditor

In accordance with section 487 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

Going concern

The Directors have prepared cash flow forecasts which indicate that, taking account of severe but plausible downsides, the Group will have sufficient funds to meet its liabilities as they fall due. Further information of the Directors' assessment including the consideration of the impact of COVID-19 is contained within note 1.3.

Taking into account reasonable possible risks in operations to the Group, the fact the obligations of the Group's sole customer are underwritten by the Secretary of State for Health, the Directors have a reasonable expectation that the Group will be able to settle its liabilities as they fall due to the foreseeable future. It is therefore appropriate to prepare these financial statements on the going concern basis.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Director's Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware: and each Director has taken all the 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 Group's auditor is aware of that information. This confirmation is given pursuant to Section 418(2) of the Companies Act 2006 and should be interpreted in accordance therewith.

The directors confirm that:

(a) the financial statements, prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and

(b) the strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principle risks and uncertainties that they face.

BY CHELMER (HOLDINGS) LTD

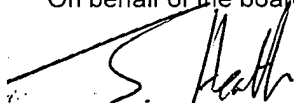
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Financial reporting risk and internal control

The company has outsourced the financial reporting function to HCP Management Services Limited ("HCP"). Authorities remain vested in the board members of the company. HCP reports regularly to the board of the company. The Board receives quarterly reports from HCP which specifically summarise and address the financial, contractual and commercial risks that the company is exposed to, and are pertinent to the industry in which the company operates. The board also receives quarterly management accounts with explanations of variances from annual budgets and forecasts, which are in turn compared to the Financial Model, which represents the long term business plan of the company and outlines its ability to comply with its debt obligations and covenants. Material deviations from the business plan are investigated and reported on. Supporting this process, HCP evaluates its performance under the framework of an Internal Audit and Assessment programme which sits within its own Corporate Governance framework. This process ensures that the project remains robust and viable throughout the life of the contract.

On behalf of the board



Mr J Heath

Director

Date: 25/06/2020

BY CHELMER (HOLDINGS) LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company intends to cease operations, or they have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

BY CHELMER (HOLDINGS) LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BY CHELMER (HOLDINGS) LTD

Opinion

We have audited the financial statements of By Chelmer (Holdings) Ltd (the 'Company') for the year ended 31 December 2019 which comprise the Group Profit And Loss Account, 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 related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going Concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

BY CHELMER (HOLDINGS) LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BY CHELMER (HOLDINGS) LTD

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Richard Lomax (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

26 June 2020

BY CHELMER (HOLDINGS) LTD

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Turnover	3	7,065	7,037
Cost of sales		(4,518)	(4,502)
Gross profit		<u>2,547</u>	<u>2,535</u>
Administrative expenses		(784)	(790)
Operating profit		<u>1,763</u>	<u>1,745</u>
Interest receivable and similar income	7	9,542	9,653
Interest payable and similar expenses	8	(11,504)	(12,717)
Loss before taxation		<u>(199)</u>	<u>(1,319)</u>
Tax on loss	9	32	224
Loss for the financial year		<u><u>(167)</u></u>	<u><u>(1,095)</u></u>

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

The notes on pages 17 to 31 form an integral part of these financial statements.

All recognised gains and losses are shown in the Profit and Loss account above. Therefore, a statement of other comprehensive income has not been prepared.

BY CHELMER (HOLDINGS) LTD

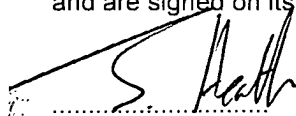
GROUP BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Current assets			
Debtors falling due after more than one year	13	144,145	146,859
Debtors falling due within one year	13	9,774	9,716
Cash at bank and in hand		13,751	13,637
		<u>167,670</u>	<u>170,212</u>
Creditors: amounts falling due within one year	14	<u>(9,478)</u>	<u>(9,139)</u>
Net current assets		158,192	161,073
Creditors: amounts falling due after more than one year	15	(174,223)	(176,937)
Net liabilities		<u>(16,031)</u>	<u>(15,864)</u>
Capital and reserves			
Called up share capital	18	50	50
Profit and loss reserves		(16,081)	(15,914)
Total equity		<u>(16,031)</u>	<u>(15,864)</u>

The notes on pages 17 to 31 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 25/06/2020 and are signed on its behalf by:



Mr J C Heath
Director

BY CHELMER (HOLDINGS) LTD

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019

		2019		2018	
	Notes	£000	£000	£000	£000
Fixed assets					
Investments	10		50		50
Current assets					
Debtors falling due after more than one year	13	14,840		15,509	
Debtors falling due within one year	13	567		589	
		15,407		16,098	
Creditors: amounts falling due within one year	14	(567)		(589)	
Net current assets			14,840		15,509
Total assets less current liabilities			14,890		15,559
Creditors: amounts falling due after more than one year	15		(14,840)		(15,509)
Net assets			50		50
Capital and reserves					
Called up share capital	18		50		50

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 £nil (2018: £nil).

The notes on pages 17 to 31 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 25/06/2020 and are signed on its behalf by:



Mr J C Heath
Director

Company Registration No. 05494495

BY CHELMER (HOLDINGS) LTD

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £000	Profit and loss reserves £000	Total £000
Balance at 1 January 2018	50	(14,819)	(14,769)
Year ended 31 December 2018:			
Loss and total comprehensive loss for the year	-	(1,095)	(1,095)
Balance at 31 December 2018	50	(15,914)	(15,864)
Year ended 31 December 2019:			
Loss and total comprehensive loss for the year	-	(167)	(167)
Balance at 31 December 2019	50	(16,081)	(16,031)

The notes on pages 17 to 31 form an integral part of these financial statements.

BY CHELMER (HOLDINGS) LTD

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £000
Balance at 1 January 2018	50
	<hr/>
Year ended 31 December 2018:	
Profit and total comprehensive income for the year	-
	<hr/>
Balance at 31 December 2018	50
	<hr/>
Year ended 31 December 2019:	
Profit and total comprehensive income for the year	-
	<hr/>
Balance at 31 December 2019	50
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The notes on pages 17 to 31 form an integral part of these financial statements.

BY CHELMER (HOLDINGS) LTD

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Notes	£000	£000
Cash flows from operating activities			
Cash generated from operations	21	4,728	5,596
Net cash inflow from operating activities		4,728	5,596
Investing activities			
Interest received		9,542	9,653
Net cash generated from investing activities		9,542	9,653
Financing activities			
Repayment of subordinated debt		(627)	(49)
Repayment of bonds		(6,450)	(6,282)
Interest paid		(7,079)	(6,190)
Net cash used in financing activities		(14,156)	(12,521)
Net increase in cash and cash equivalents		114	2,728
Cash and cash equivalents at beginning of year		13,637	10,909
Cash and cash equivalents at end of year		13,751	13,637

The notes on pages 17 to 31 form an integral part of these financial statements.

BY CHELMER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

By Chelmer (Holdings) Ltd ("the Company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

The group consists of By Chelmer (Holdings) Ltd 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. The principal accounting policies adopted are set out below.

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

- Section 7 Statement of cash Flows' - Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 Basic Financial Instruments' and Section 12 Other Financial Instruments Issues' - Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.

1.2 Basis of consolidation

The consolidated financial statements incorporate those of By Chelmer (Holdings) Ltd and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2019. 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.

BY CHELMER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.3 Going concern

The Group had net liabilities of £16,031,000 as at 31 December 2019 and generated a loss for the year then ended of £167,000. The directors acknowledge that the Group is in a net liabilities position, however, this is primarily a result of the timing of finance costs and lifecycle costs which have generated losses to date. Finance costs are, as expected, higher in the early years of the project, gradually reducing as the debt is repaid. Lifecycle costs are lower in the early years and therefore service revenue calculated thereon is also lower. The Group is guaranteed an annual unitary charge over the life of the project and can reasonably predict the costs to be incurred.

The Directors have prepared cash flow forecasts covering a period of 15 months from the date of approval of these financial statements, through to 30 September 2021, which indicate that, taking account of severe but plausible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement which are underwritten by the Secretary of State for Health.

In making this assessment the Directors have considered the potential impact of the emergence and spread of COVID-19.

The Group's operating cash inflows are largely dependent on unitary charge receipts receivable from Mid Essex Hospital Services NHS Trust and the Directors expect these amounts to be received even in severe but plausible downside scenarios.

The Group continues to provide the asset in accordance with the contract and is available to be used. As a result, the Group does not believe there is any likelihood of a material impact to the unitary payment.

The Directors have assessed the viability of its main sub-contractors and reviewed the contingency plans of the sub-contractors and are satisfied in their ability to provide the services in line with the contract without significant additional costs to the Group, even in downside scenarios, due to the underlying contractual terms. To date, there has been no adverse impact on the services provided by the Group or its sub-contractors arising from COVID-19. However, in the unlikely event of a subcontractor failure, the Group has its own business continuity plans to ensure that service provision will continue.

The Directors believe the Group has sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors are confident that the Group and the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.4 Turnover

Turnover in relation to service revenue is recognised in accordance with the finance debtor and service income accounting policy. Turnover in relation to pass-through revenue is recognised when the services are performed.

1.5 Fixed asset investments

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.

BY CHELMER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.6 Cash at bank and in hand

Cash at bank and in hand 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 separate cash reserves in respect of requirements in the company's funding agreements. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £9,608,000 at the year end (2018: £9,112,000).

1.7 Financial instruments

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

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

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

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

Other financial assets

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

BY CHELMER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Service concession accounting

The company is an operator of a Public Finance Initiative ("PFI") contract. The company entered into a project agreement (the "Contract") with the Trust to design, build, refurbish, finance, operate and maintain Broomfield Hospital. The contract negotiations were successfully completed in December 2007 and construction commenced immediately. The project has been fully operational since 5th August 2010. The concession period is for 35 years and 4 months, during this period the company has contracted to provide hard FM services to the Trust. The company has passed these obligations down to Mid Essex Hospital Project Limited via subcontracts. The obligation to provide major maintenance works (lifecycle) is undertaken by Mid Essex Hospital Project Limited. The contract does not entitle the Trust to any share of the profits of the company. The Trust are entitled to terminate the Contract at any time by giving 9 months written notice. If the Trust exercises this right they are liable to pay the company compensation as set out in the Contract, which would include the senior debt, redundancy costs and other FM provider losses and the market value of the subordinated debt.

As the company entered into the contract prior to the date of transition to FRS102, the company has taken advantage of the exemption in section 35.10 (i) of FRS102 which permits it to continue to account for the service concession arrangements under the accounting policies adopted under old UK GAAP. In particular, the underlying asset is not deemed to be an asset of the company under old UK GAAP, because the risks and rewards of ownership as set out in that standard are deemed to lie principally with the Trust.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase the Trust pays the Company a fixed Unitary Charge payment, as determined in the Contract, that is inflated by RPI each year. Income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The company recognises revenue in respect of the services provided, including lifecycle services, as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

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

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.

BY CHELMER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities, including creditors, bonds, loans from fellow group companies 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.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

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 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.

BY CHELMER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

1.10 Expenses

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable on borrowings and associated ongoing financing fees.

Interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. It also includes ineffective portion of changes in fair value of cash flow hedges.

2 Accounting estimates and judgements

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 directors believe that there are no significant accounting estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and no significant accounting judgements.

3 Turnover and other revenue

	2019	2018
	£000	£000
Turnover analysed by class of business		
Services revenue	6,723	6,587
Pass through & variation income	342	450
	<u>7,065</u>	<u>7,037</u>

BY CHELMER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

4 Auditor's remuneration

	2019 £000	2018 £000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	5	3
Audit of the financial statements of the company's subsidiaries	28	21
	<u>33</u>	<u>24</u>

5 Employees

The Group had no employees during the year (2018: none).

6 Directors' remuneration

During the year, By Chelmer plc, a subsidiary undertaking, paid for directors services on behalf of the By Chelmer Group, including services to By Chelmer (Holdings) Ltd, of £115,000 (2018: £112,000) to InfraRed Infrastructure Yield Holdings Limited, the parent company of By Chelmer (Holdings) Limited.

7 Interest receivable and similar income

	2019 £000	2018 £000
Interest income		
Interest on bank deposits	86	35
Finance debtor interest	9,456	9,618
	<u>9,542</u>	<u>9,653</u>

8 Interest payable and similar expenses

	2019 £000	2018 £000
Interest on financial liabilities measured at amortised cost:		
Indexation on index linked bonds	4,498	5,986
Monoline guarantee premium	290	290
Interest payable on bonds	3,764	3,912
Interest payable on subordinated debt	2,952	2,529
	<u>11,504</u>	<u>12,717</u>

BY CHELMER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 Taxation

	2019 £000	2018 £000
Deferred tax		
Other adjustments	(32)	(224)

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

	2019 £000	2018 £000
Loss before taxation	(199)	(1,319)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(38)	(251)
Reduction in tax rate on deferred tax balances	6	27
Taxation credit	(32)	(224)

The company has tax losses of £16,577,000 (2018: £16,386,000) which have been carried forward and will be offset against future taxable profits. A deferred taxation asset has been recognised for the tax losses.

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and increase the deferred tax asset by £332,000.

10 Fixed asset investments

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Unlisted investments	-	-	50	50

BY CHELMER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Fixed asset investments

(Continued)

Movements in fixed asset investments

Company

Investments
other than
loans
£000

Cost

At 1 January 2019 and 31 December 2019

50

Carrying amount

At 31 December 2019

50

At 31 December 2018

50

11 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held	
			Direct	Indirect
By Chelmer PLC	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG	Ordinary	99.998%	-
BY NOM Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG	Ordinary	100%	-

12 Financial instruments

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Carrying amount of financial assets				
Debt instruments measured at amortised cost	144,202	146,675	15,407	16,098
Instruments measured at cost less impairment	-	-	50	50
	<u>144,202</u>	<u>146,675</u>	<u>15,407</u>	<u>16,098</u>
Carrying amount of financial liabilities				
Instruments measured at amortised cost	183,701	186,076	15,407	16,098
	<u>183,701</u>	<u>186,076</u>	<u>15,407</u>	<u>16,098</u>

BY CHELMER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12 Financial instruments

(Continued)

An explanation of the Group's objectives, policies and strategies for the role of the financial instruments in creating and changing the risks of the Group in its activities can be found in the Strategic Report. The details relating to credit, liquidity and interest rate risks are explained below:

Credit risk

Although the Trust is the only customer of the Group, the directors are satisfied that the Trust will be able to fulfil its obligations under the PFI contract as their obligations are underwritten.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's financial obligations, including the repayment of its borrowings which are provided on a long term basis, have been structured to be met from the income which under normal operating conditions, will be earned from its long term concession contract with the Authority as their obligations under the Project Agreement are underwritten.

Interest rate risk

The Group aims to manage exposure to interest rate fluctuations through a balance of fixed rate borrowings along with floating rate borrowings (index-linked bonds). Except for the index-linked guaranteed secured bonds which subject to bi-annual indexation calculated from an agreed formula based on the change in the Retail Prices Index, all the other interest-bearing assets and liabilities are primarily of fixed rate. The indexation risk is also offset by turnover being subject to similar indexation terms.

Capital risk management

The company manages its capital to ensure it is able to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Company comprises equity attributable to equity holders consisting of ordinary share capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.

Risk analysis

In managing interest rate risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. The index-linked bonds' indexation variations are offset by indexation on future income from the Trust. The Company's exposure to interest rate fluctuations is therefore restricted to amounts that can be earned on cash deposits. This risk is not considered to have a significant impact on overall returns.

BY CHELMER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

13 Debtors

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	129	28	-	-
Gross amounts owed by contract customers	5,124	5,393	-	-
Finance debtor	2,746	2,574	-	-
Prepayments and accrued income	1,775	1,721	-	-
Subordinated debt receivable	-	-	567	589
	<u>9,774</u>	<u>9,716</u>	<u>567</u>	<u>589</u>
Amounts falling due after more than one year:				
Finance debtor	141,327	144,073	-	-
Deferred tax asset (note 17)	2,818	2,786	-	-
Subordinated debt receivable	-	-	14,840	15,509
	<u>144,145</u>	<u>146,859</u>	<u>14,840</u>	<u>15,509</u>
Total debtors	<u>153,919</u>	<u>156,575</u>	<u>15,407</u>	<u>16,098</u>

The subordinated unsecured loan stock is receivable from the Company's subsidiary undertaking, By Chelmer plc. The loan stock bears interest at 9.5% and is fully redeemable by 2042.

14 Creditors: amounts falling due within one year

		Group		Company	
		2019	2018	2019	2018
	Notes	£000	£000	£000	£000
Subordinated debt		119	77	-	-
2.2212% index-linked guaranteed secured bonds due 2043	16	6,574	6,480	-	-
Interest on subordinated debt	16	448	512	567	589
Trade creditors		85	47	-	-
Interest on bonds		940	950	-	-
Other taxation and social security		251	247	-	-
Accruals and deferred income		1,061	826	-	-
		<u>9,478</u>	<u>9,139</u>	<u>567</u>	<u>589</u>

BY CHELMER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

15 Creditors: amounts falling due after more than one year

		Group		Company	
	Notes	2019	2018	2019	2018
		£000	£000	£000	£000
2.2212% index-linked guaranteed secured bonds due 2043	16	159,383	161,428	-	-
Subordinated debt	16	14,840	15,509	14,840	15,509
		<u>174,223</u>	<u>176,937</u>	<u>14,840</u>	<u>15,509</u>

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

Payable by instalments	139,754	150,612	14,708	15,637
	<u>139,754</u>	<u>150,612</u>	<u>14,708</u>	<u>15,637</u>

16 Loans and overdrafts

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
2.2212% index linked guaranteed secured bonds due 2043	166,897	167,908	-	-
Other loans	15,407	16,097	15,407	16,098
	<u>182,304</u>	<u>184,005</u>	<u>15,407</u>	<u>16,098</u>
Payable within one year	8,081	8,019	567	589
Payable after one year	174,223	175,986	14,840	15,509
	<u>174,223</u>	<u>175,986</u>	<u>14,840</u>	<u>15,509</u>

2.2212% index-linked guaranteed secured bonds are secured by a fixed charge over the assets of the Group.

The index-linked guaranteed secured bonds are fixed at an interest rate of 2.2212% which, together with the principal payments, are indexed by the charge in Retail Price Index using an agreed ratio. The index-linked bonds' repayments commenced in March 2011 and the bond will be fully redeemed by 2043.

The index-linked subordinated unsecured loan stock issued to the Group's immediate parent company, Infrared Infrastructure Yield Holdings Limited, bears interest at 9.5% and is fully redeemable by 2042.

BY CHELMER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

17 Deferred taxation

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

	Assets 2019 £000	Assets 2018 £000
Group		
Tax losses	2,818	2,786
	<u>2,818</u>	<u>2,786</u>
	Group 2019 £000	Company 2019 £000
Movements in the year:		
(Asset)/Liability at 1 January 2019	(2,786)	-
Credit to profit or loss	(32)	-
	<u>(2,818)</u>	<u>-</u>
(Asset)/Liability at 31 December 2019	<u>(2,818)</u>	<u>-</u>

The deferred tax asset set out above is not expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

The Group has accumulated losses of £16,577,000 (2018: £16,377,000) which have been carried forward and will be offset against future taxable profits. A deferred tax asset has been recognised for the tax losses.

The deferred tax asset has been recognised on those tax losses which can be set off against future profits of the Group. The future profits of the Group have been estimated based on the forecasted cash flows and its estimated contractual rights and obligations as an operator of a Private Finance Initiative contract.

18 Share capital

	Group and company 2019 £000	2018 £000
Ordinary share capital		
Issued and fully paid		
Ordinary 'A' shares 42,500 of £1	43	43
Ordinary 'B' shares 7,500 of £1	7	7
	<u>50</u>	<u>50</u>

The A and B shares rank pari-passu for the purposes of voting, distributions and return of capital.

BY CHELMER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

19 Related party transactions

During the year payments were made by the Group to InfraRed Infrastructure Yield Holdings Limited, a 100% shareholder in the Company's immediate parent undertaking, detailed as below. As a wholly owned subsidiary of By Chelmer (Holdings) Limited, the company has taken advantage of the exemption under FRS102 - paragraph 33.1A of the requirement to disclose transactions between it and other group companies.

At the balance sheet date the Group owed £14,959,000 (2018: £15,586,000) of subordinated loan notes and £448,000 (2018: £512,000) of interest on the subordinated loan stock to their parent company InfraRed Infrastructure Yield Holdings Limited. During the year the Group made principal repayments relating to this borrowing of £627,000 (2018: £49,000) and interest of £3,016,000 (2018: £2,084,000).

During the year, the Group also paid their parent company InfraRed Infrastructure Yield Holdings Limited for Directors fees, to the value of £115,000 (2018: £112,000).

20 Ultimate parent company and parent company of larger group

The group is a subsidiary undertaking of Infrared infrastructure Yield Holdings Limited which is incorporated in England and Wales, with registered office at 12 Charles II street, St James', London, SW1Y 4QU.

The ultimate controlling party is InfraRed Infrastructure Yield Limited Partnership with registered offices at 12 Charles II Street, St. James's, London, SW1Y 4QU.

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

21 Cash generated from group operations

	2019 £000	2018 £000
Loss for the year after tax	(167)	(1,095)
Adjustments for:		
Taxation credited	(32)	(224)
Finance costs	11,504	12,717
Investment income	(9,542)	(9,653)
Movements in working capital:		
Decrease in debtors	2,688	4,129
Increase in creditors	277	(278)
Cash generated from operations	4,728	5,596

BY CHELMER (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

22 Analysis of changes in net debt - group

	1 January 2019 £000	Cash flows £000	Other non- cash changes £000	31 December 2019 £000
Cash at bank and in hand	13,637	114	-	13,751
Borrowings excluding overdrafts	(184,955)	7,077	(4,426)	(182,304)
	<u>(171,318)</u>	<u>7,191</u>	<u>(4,426)</u>	<u>(168,553)</u>

23 Post Balance Sheet Events

The COVID-19 pandemic continues to cause significant impact to the UK's economy; however, the Group has continued to be paid in full since the year end in accordance with Government guidance and the concession contract and does not expect this position to change. The project remains fully operational.