

Consolidated Investment Holdings Limited

**Annual report and consolidated
financial statements**

Registered number 05590097

31 December 2019

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Strategic Report

Group's objectives

The Group's objectives are to invest in PFI project companies to provide long-term returns for its investors. Returns from the PFI project companies are generally positively correlated to inflation movements.

Group's strategy

To ensure that the Group achieves its objectives, the strategy is to implement procedures for effective oversight and governance of the companies in which it has invested, through direct representation on the boards of those companies. This includes oversight of health and safety issues, measures to minimise performance and availability deductions, monitoring cash levels and cash flow ratios and maintenance of good working relationships between all stakeholders.

Business review

The PFI project companies cover a range of sectors, including healthcare, education and government accommodation. Each project company has a single contract with a public sector counterparty and revenue is primarily a fee for making the PFI asset available for use. Revenue and subcontracted service costs are inflation linked which provides a high degree of certainty over cash flow which in turn supports high borrowing levels which are typical of PFI structures.

At 31 December 2019, 14 projects were fully operational (*2018: 14 projects fully operational*). Operational issues have been identified on a number of projects, mainly in connection with fire-stopping works, and there is ongoing dialogue with the facilities maintenance contractors and the original construction subcontractor. Insurers have been informed. Despite this, investment returns have been largely in line with budget expectations.

Group revenues have largely been in line with expectations, with very few deductions applied for non-availability of the assets.

During 2016, certain construction defects were discovered in the main Treasury Building formerly Government Offices, Great George Street Whitehall project. The company has entered into a settlement agreement with the clients and cash reserves have been funded to complete the defects rectification work.

During the prior two years the National Maritime College of Ireland project has had an ongoing dispute regarding defects. The directors have entered negotiations with all contract parties in order to negotiate a settlement figure. The facilities management contractor, who has a contractual liability to remedy these defects, is undertaking a programme of remedial works. They remain compliant and within their contractual obligations at the balance sheet date. The directors appointed technical experts to determine the full extent of the remedial works required and to provide assurance that the works are being carried out to the appropriate standard.

Principal risks and uncertainties

Compliance with the detailed and complex operational requirements of the PFI projects remains a key risk given the potential termination consequences. Directors receive regular reports on actual performance compared to termination trigger thresholds. Any such deductions are generally passed down to the subcontractors so there is usually no direct financial consequence to the group. Sustained non-availability can lead to contract termination but none of the group's PFI schemes has breached such termination trigger points.

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the Company in responding to COVID-19 has been assessed as low. This is because the Company and Group are still able to provide the services required under the Project agreements as the sub-contracted Facilities Management companies are still able to provide the necessary services as the work is deemed to be essential and the persons delivering those services deemed to be key workers.

Since the COVID-19 outbreak, the clients of the group companies have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

Strategic Report (continued)

Operational risks

All the projects are currently in their operational phase and operational risks are monitored closely. This takes the form of representation on site through the Company's management services agent and periodic reporting by the independent Technical Assessor.

There is a risk that deteriorating project economics could reduce shareholder returns to such an extent that the discounted future value of these returns is lower than the carrying value of the investments on the company's balance sheet. The company monitors the economics of individual projects with reference to detailed operating budgets and is satisfied that the current valuations are supported by the present value of future shareholder returns, acknowledging the subjectivity in the selection of discount rates for such calculations.

Continued funding

Another risk is the continued funding from the public sector counterparties to the PFI project agreements, especially as these counterparties are under pressure to make savings in their operational PFI contracts. To date, most of the pressure to make such cost savings has fallen on the sub-contractors to the project companies rather than on the project companies themselves. Furthermore, it is understood that current policy from central government is not to encourage voluntary termination of PFI projects.

Financial risk management

Interest rate risk on senior bank debt (as opposed to bond financing) in the PFI project companies has been mitigated by pay fixed/receive floating interest rate swaps which match the duration and terms of the debt (see note 20). Exposure to volatility in the retail prices index is hedged via RPI swaps for the duration of the senior debt or by contractual arrangements governing the calculation of unitary payments from the public sector clients. These hedging arrangements ensure that interest rate costs are effectively fixed so there is no exposure to floating Libor rates and that net operating cash flow is protected from volatility in RPI such that the servicing of senior debt can be maintained. RPI swaps typically hedge around 90% of total net operating cash flows.

Whilst the main elements of cash flow (unitary payments, facilities management costs and lifecycle costs) are contractually linked to an inflation index (generally the RPI index), a relatively small proportion of total costs are not protected from inflation changes (either via the payment mechanism or an RPI swap instrument). A rise in these costs above the general rate of inflation would reduce debt service cover ratios. The most significant of these costs is insurance, though claims history so far is good and current premium renewals have not been excessive.

A small proportion of cash flow is derived from bank interest on cash balances. The reduction in credit interest rates is therefore a risk to the business and its compliance with debt covenants.

Key performance indicators

Key performance indicators for the company include investment returns compared to those budgeted at the time of acquisition and the internal rate of return of the projects.

Key performance indicators for the subsidiaries and joint ventures include debt service cover ratios and the level of payment deductions levied for non-availability of the PFI facilities or for failure to perform the contracted services to the required specification. The directors monitor the performance of these companies by direct representation on the Boards of those companies. In all cases during 2019, the project companies demonstrated compliance with their lending covenants and gained consent from senior lenders to make shareholder payments, with the one exception of the National Maritime College of Ireland project where the directors chose not to pursue a shareholder payment requests given the anticipated costs and ongoing discussions with the College and sub-contractors over potential unavailability deductions.

Statement in respect of Section 172(1) of the Companies Act 2006

The board of directors of the Company and the Group, both individually and collectively, consider they have acted appropriately and in such a way as to promote the long-term success of the Company and Group for the benefit of its members.

The Company and Group have no direct employees as the Company and Group are managed under a Managed Service Agreements (MSA's). The board of Directors is satisfied that those people employed under the MSA's are appropriately qualified and have the support systems in place to carry out their role. The Directors are engaged with each team under the MSA's to ensure the ongoing management of the underlying contracts of the Company and Group and they work collaboratively with the teams to achieve success.

The Group is a holding company for special purpose companies which have a finite lifespan with a defined set of obligations under Concession Agreements. The Group delivers its objectives through effective relationships with its stakeholders including suppliers and customers. This is affected by regular reporting and reviews with suppliers and customers to ensure delivery of the Group's objectives, whilst considering those stakeholders' needs. The Directors of the Company and Group meet regularly to review strategies for effective risk mitigation and service delivery in the context its impact on all stakeholder interests, including shareholders, suppliers, customers and the wider community.

Due to the nature of the Group's operations, their impact on the community and environment is of paramount importance to the Group's success. Operating safely is the Group's primary objective and is as such integrated in everything the Group undertakes. A safe environment is managed through effective leadership, implementation of robust policies, procedures and instructions, safety management review processes both internally and externally with relevant stakeholders, reporting, audit and monitoring. An independent safety advisor is appointed by each of the companies within the Group, who reports directly to the Board of Directors.

The Group delivers contracts to support essential services to the public sector and takes its responsibility for ensuring that an appropriate environment is managed and maintained extremely seriously, ensuring the highest quality service is delivered from the assets under the Group's management.

Future development

The Group continues to focus on maintaining the investors' returns in the underlying projects and improving these where possible by active management.

On behalf of the board



C Solley
Director

22/12/2020

Directors' report

Principal activities

The company acts as a holding company for the PFI businesses in which it has invested. The subsidiary and joint venture companies are engaged in contracts under the UK government's Private Finance Initiative (PFI) which involve the design, construction/refurbishment, financing and operation of various hospitals, schools and government accommodation. One of these projects is in the Republic of Ireland and the remainder are in the UK.

Results and dividends

The results of the Group for the year are set out in the Consolidated Statement of Comprehensive Income account on page 10. The Group made a pre-tax profit of £20,837,000 (2018: £18,182,000). Dividends paid during the year comprise an interim dividend in respect of the year ended 31 December 2019 of £8,408,000 (2018: £2,000,000).

Going Concern

The Group has net liabilities of £10,306,000 (2018: net liabilities of £31,687,000), this is as a result of accounting for the fair value of the interest rate and RPI swap agreements, the majority of which do not crystallise as liabilities for a number of years and as such the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate with the level of its current facilities.

The Group has financial resources together with long-term contracts with their clients. Therefore, the directors believe that the company is well placed to manage its business risk successfully. The financial risk management associated with these contracts is covered within the strategic report. The Directors acknowledge that a material uncertainty in relation to going concern has been included in the financial statements of one of the Group's subsidiaries, Lancashire Schools SPC Phase 1 Limited. This is in relation to potential future covenant breaches due to forecasted legal costs associated with a legal claim which could result in an acceleration of debt repayment. The Directors are satisfied that this does not result in a material uncertainty at the Group level as there are no obligations of the Group including its other subsidiaries to meet the debts of Lancashire Schools SPC Phase 1 Limited. There are no cross group guarantees and the security in place for the lenders to Lancashire Schools SPC Phase 1 Limited is ring-fenced to the assets of this company alone.

After making enquires, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for 12 months from the date of signing these financial statements.

The impact of Covid 19 on the Group as a going concern has been included in the Strategic Report.

Directors

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

BP Millsom
LW McKenna
C Solley
AL Tennant

The directors holding office at 31 December 2019 did not hold any beneficial interest in the issued share capital of the company at 1 January 2019 or 31 December 2019.

No appointments or resignations occurred between the year end and the date of approval of these financial statements.

Certain directors' benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Directors Report (continued)

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

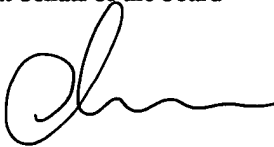
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Other information

An indication of the performance of the business and of likely future developments have been included in the Strategic Report on page 1.

On behalf of the board



C Solley
Director
22/12/2020

C/O Albany SPC Services Limited,
3rd Floor,
3-5 Charlotte Street,
Manchester,
M1 4HB.

Statement of Directors' Responsibilities in respect of the Annual Report and Consolidated Financial Statements

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Consolidated Investment Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Consolidated Investment Holdings Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2019; the consolidated statement of comprehensive income, the consolidated statement of other comprehensive income, the consolidated cash flow statement, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

Reporting on other information (continued)

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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual Report and Consolidated Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Paul Cheshire (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
22 December 2020

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

The profit for the financial year ended 31 December 2019 arose wholly from continuing operations.

	Note	2019 £000	2018 £000
Turnover	2	110,839	104,470
Cost of Sales		(82,594)	(77,043)
Gross Profit		<u>28,245</u>	<u>27,427</u>
Administrative Expenses		(8,568)	(8,427)
Operating Profit	3	<u>19,677</u>	19,000
Group's Share of Profit in Joint Ventures	10	7,004	5,493
Other interest receivable and similar income	5	33,789	34,877
Interest payable and similar expenses	6	<u>(39,633)</u>	<u>(41,188)</u>
Profit on ordinary activities before taxation		20,837	18,182
Tax on profit	7	(3,136)	(2,680)
Profit for the financial year		<u><u>17,701</u></u>	<u><u>15,502</u></u>
Profit attributable to			
Shareholders of the parent company		15,143	13,055
Minority interests		<u>2,558</u>	<u>2,446</u>
		<u><u>17,701</u></u>	<u><u>15,502</u></u>

The notes on pages 17 to 44 form an integral part of these financial statements.

Consolidated Statement of Other Comprehensive Income
for year ended 31 December 2019

	Note	2019 £000	2018 £000
Profit for the financial year		17,701	15,502
Other comprehensive income / (expense)			
Foreign exchange differences on translation of foreign operations	19	19	(23)
Effective portion of changes in fair value of cash flow hedges		(261)	52
Net change in fair value of cash flow hedges recycled to profit or loss		15,618	17,559
Income tax on other comprehensive income / (expense)		<u>(2,363)</u>	<u>(2,808)</u>
Other comprehensive income for the financial year, net of income tax		13,013	14,780
Total comprehensive income for the financial year		30,714	30,282
Total comprehensive income attributable to			
Shareholders of the parent company		27,633	26,224
Minority interests		<u>3,081</u>	<u>4,058</u>
		30,714	30,282

The notes on pages 17 to 44 form an integral part of these financial statements.

The company has no other comprehensive income in either the current or the prior year and accordingly no separate statement of other comprehensive income is presented.

Consolidated Balance Sheet
At 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
<i>Intangible assets</i>			
Goodwill	9	21,171	22,767
Negative goodwill	9	(268)	(295)
Investments in Joint Ventures	10	<u>38,354</u>	<u>35,100</u>
		59,257	57,572
Current assets			
Debtors (including £590,011,000 (2018: £618,889,000) due after more than one year)	11	729,428	741,884
Cash at bank and in hand	12	<u>87,281</u>	<u>92,200</u>
		816,709	834,084
Creditors: amounts falling due within one year	13	<u>(98,503)</u>	<u>(85,434)</u>
Net current assets		718,206	748,650
Total assets less current liabilities		777,463	806,222
Creditors: amounts falling due after more than one year	14	(727,619)	(777,034)
Provisions for liabilities			
Deferred tax liability	17	(17,373)	(17,131)
Other provisions	18	<u>(42,777)</u>	<u>(43,744)</u>
		(787,769)	(837,909)
Net liabilities		<u>(10,306)</u>	<u>(31,687)</u>
Capital and reserves			
Called up share capital	19	52,650	52,650
Profit and loss account		34,423	27,723
Cash flow hedging reserve		<u>(94,765)</u>	<u>(107,290)</u>
Deficit attributable to the parent's shareholders		(7,692)	(26,918)
Minority Interests		(2,614)	(4,770)
Shareholders' deficit		<u>(10,306)</u>	<u>(31,687)</u>

These financial statements were approved by the board of directors on 22 December 2020 and were signed on its behalf by:

C Solley
Director

Company registered number: 05590097

The notes on pages 17 to 44 form an integral part of these financial statements.

Company Balance Sheet
at 31 December 2019

	<i>Note</i>	2019		2018	
		£000	£000	£000	£000
Fixed assets					
Investments	10		108,104		108,432
Current assets					
Debtors	11	5,638		2,862	
Cash at bank and in hand	12	176		1,598	
		5,814		4,460	
Creditors: amounts falling due within one year	13	(2,013)		(111)	
Net current assets			3,801		4,349
Total assets less current liabilities			111,905		112,781
Creditors: amounts falling due after more than one year	14	(55,202)		(55,202)	
			(55,202)		(55,202)
Net assets			56,703		57,579
Capital and reserves					
Called up share capital	19		52,650		52,650
Profit and loss account at 1 January			4,929		2,867
Profit for the financial year			7,532		4,062
Dividends			(8,408)		(2,000)
Total Shareholders' funds			56,703		57,579

These financial statements were approved by the board of directors on 22 December 2020 and were signed on its behalf by:



C Solley
Director

Company registered number: 05590097

The notes on pages 17 to 44 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Called up Share capital	Cash flow hedging reserve	Profit & loss account	Total shareho- lders' funds / deficit	Minority interests	Total deficit
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2018	52,650	(120,454)	16,662	51,142	(8,128)	(59,270)
Total comprehensive income for the year						
Profit for the financial year	-	-	13,055	13,055	2,446	15,502
Other comprehensive income (see note 19)	-	13,164	5	13,169	1,611	14,780
Total comprehensive income for the year	-	13,164	13,060	26,224	4,057	30,282
Transactions with owners, recorded directly in equity						
Dividends	-	-	(2,000)	(2,000)	(699)	(2,699)
Total contributions by and distributions to owners	-	-	(2,000)	(2,000)	(699)	(2,699)
Balance at 31 December 2018	52,650	(107,290)	27,723	(26,917)	(4,770)	(31,687)

	Called up Share capital	Cash flow hedging reserve	Profit and loss account	Total shareho- lders' deficit	Minority interests	Total deficit
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2019	52,650	(107,290)	27,723	(26,917)	(4,770)	(31,687)
Total comprehensive income for the year						
Profit for the financial year	-	-	15,143	15,143	2,558	17,701
Other comprehensive income / (expense) (see note 19)	-	12,525	(34)	12,491	523	13,014
Total comprehensive income for the year	-	12,525	15,109	27,634	3,081	30,715
Transactions with owners, recorded directly in equity						
Dividends	-	-	(8,409)	(8,409)	(925)	(9,334)
Total contributions by and distributions to owners	-	-	(8,409)	(8,409)	(925)	(9,334)
Balance at 31 December 2019	52,650	(94,765)	34,423	(7,692)	(2,614)	(10,306)

The notes on pages 17 to 44 form an integral part of these financial statements.

Company Statement of Changes in Equity

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 January 2018	52,650	2,867	55,517
Total comprehensive income for the year			
Profit for the financial year	-	4,062	4,062
Total comprehensive income for the year	-	4,062	4,062
Transactions with owners, recorded directly in equity			
Dividends	-	(2,000)	(2,000)
Total contributions by and distributions to owners	-	(2,000)	(2,000)
Balance at 31 December 2018	52,650	4,929	57,579

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	52,650	4,929	57,579
Total comprehensive income for the year			
Profit for the financial year	-	7,532	7,532
Total comprehensive income for the year	-	7,532	7,532
Transactions with owners, recorded directly in equity			
Dividends	-	(8,408)	(8,408)
Total contributions by and distributions to owners	-	(8,408)	(8,408)
Balance at 31 December 2019	52,650	4,053	56,703

The notes on pages 17 to 44 form an integral part of these financial statements.

Consolidated Cash Flow Statement
for year ended 31 December 2019

	2019	2018
	£000	£000
Cash flows from operating activities		
Profit for the financial year	17,701	15,502
Adjustments for:		
Depreciation, amortisation and impairment	2,094	2,095
Interest receivable and similar income	(33,789)	(34,877)
Interest payable and similar charges	39,633	41,188
Taxation	3,136	2,680
Income from interests in joint ventures	(7,004)	(5,493)
Decrease in trade and other debtors	6,776	16,394
Increase/(Decrease) in trade and other creditors	1,974	(2,809)
Decrease in provisions	(967)	(1,894)
Tax paid	(3,927)	(3,842)
Net cash flow from operating activities	25,627	28,944
Cash flows from investing activities		
Interest received	35,620	36,775
Dividends received from joint ventures	3,225	1,335
Net cash flow generated from investing activities	38,845	38,110
Cash flows from financing activities		
Interest paid	(31,113)	(39,551)
Repayment of borrowings	(30,707)	(27,904)
Loans drawn down	1,850	-
Dividends paid	(9,332)	(2,699)
Net cash flow used in financing activities	(69,302)	(70,154)
Net decrease in cash and cash equivalents	(4,830)	(3,100)
Cash and cash equivalents at 1 January	92,201	95,294
Effect of exchange rate fluctuations on cash held	(90)	7
Cash and cash equivalents at 31 December	87,281	92,201

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The notes on pages 17 to 44 form an integral part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

Consolidated Investment Holdings Limited is a private company limited by shares and incorporated and domiciled in the UK. The registered is C/O Albany SPC Services Limited, 3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB.

These Group and parent company financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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

- Business combinations – business combinations that took place prior to the transition date have not been restated.
- Service concession arrangements – assets constructed and/or refurbished under service concession arrangements which were in the operational phase at the date of transition to FRS102 have continued to be accounted for as finance debtors rather than re-stated as financial assets.

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:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

1.1 Measurement convention

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

1.2 Going concern

The Group currently has £668,761,000 (2018: £696,405,000) of total debt. Whilst it has net liabilities of £10,306,000 in 2019 (2018: net liabilities of £31,681,000), this is as a result of accounting for the fair value of interest rate and RPI swap agreements, the majority of which do not crystallise as liabilities for a number of years and are incorporated in to management forecasts. As such the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within the level of its current facilities.

The group has considerable financial resources together with long-term contracts with a number of NHS Trusts and Local Education Authorities (LEAs). The directors have also considered the risk of changes in funding from these Trusts and LEAs and the potential impact on the group's projects. Therefore, the directors believe that the group is well placed to manage its business risks successfully.

On 26 August 2020, Lancashire Schools PSC Phase 1 Limited issued a legal claim relating to building defects against the Building Contractor ahead of the expiry of the limitation period under the Building Contract. At the date of signing this report the claim is in its early stages and so the total related costs to the Lancashire Schools PSC Phase 1 Limited and the outcome of the claim are not yet known. The latest financial model forecasts an estimate of the costs to which the Lancashire Schools PSC Phase 1 Limited is currently committed and shows that the company can continue to meet its debts as they fall due and that there are no covenant breaches under the Loan Facility Agreement.

If the company's costs relating to the claim are any higher than those forecast there is a risk of an Event of Default in

respect of its Senior Debt Service Cover Ratio ("SDSCR") covenant at March 2021 and September 2021 and that the Senior Lender may seek to accelerate payment of the senior debt leading to a material uncertainty over the Lancashire Schools PSC Phase 1 Limited's ability to continue as a going concern. The directors are in regular and continuing discussions with the Lenders who are aware of the situation and are supportive of the claim. The directors are not aware of any indication that the Lender intends to call in the balances owed to them in the event of a default SDSCR.

The Directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to September 2033. The Lancashire Schools PSC Phase 1 Limited has considerable financial resources together with long-term contracts with the Council. Therefore, the directors believe that the Lancashire Schools PSC Phase 1 Limited is well placed to manage its business risks successfully. The Directors acknowledge that a material uncertainty in relation to going concern has been included in the financial statements of Lancashire Schools SPC Phase 1 Limited but are satisfied that this does not result in a material uncertainty at the Group level as there are no obligations of the Group including its other subsidiaries to meet the debts of Lancashire Schools SPC Phase 1 Limited. There are no cross group guarantees and the security in place for the lenders to Lancashire Schools SPC Phase 1 Limited is ring-fenced to the assets of this company alone.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2019. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

A special purpose entity (SPE) is consolidated if the Group concludes that it controls the SPE.

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significant influence is presumed to exist when the investor holds between 20% and 50% of the equity voting rights.

A joint venture is a contractual arrangement undertaken in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

1.4 Foreign currency

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

The functional currency of FocusEducation (NMC) Limited is the Euro and most transactions are denominated in Euros. Sterling transactions are recorded in Euros at the rate ruling at the date of receipt or payment.

1.5 Classification of financial instruments issued by the group

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

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

1.6 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

In assessing whether a hedge in the underlying investments are expected to be highly effective on a forward-looking basis the Group has assumed that the GBP LIBOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based on are not altered by LIBOR reform.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7 Other financial instruments

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

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

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

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

Cash flow hedges

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

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively, when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

1.8 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Group elected not to restate business combinations that took place prior to the transition date. In respect of acquisitions prior to the transition date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill are not recognised separately.

1.9 Goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to benefit.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are determined as the remaining concession period for each PFI project.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill is tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill may be impaired.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

1.10 Discontinued operations

Discontinued operations are components of the group that have been disposed of at the reporting date and previously represented a separate major line of business or geographical area of operation or were subsidiaries acquired exclusively with a view to resale.

They are included in the profit and loss account in a separate column for the current and comparative periods, including the gain or loss on sale or impairment loss on abandonment.

1.11 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

1.12 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Provisions are made in respect of lifecycle maintenance costs to the extent that the company is obligated to undertake maintenance in future periods.

1.13 Turnover

The group is an operator of PFI contracts. The underlying assets are not deemed to be assets of the group under FRS102 section 34C because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the public sector counterparty.

During the construction phase of the projects, all attributable expenditure is included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs are transferred to a finance debtor. Amounts receivable under the agreement with the public sector counterparty are included under debtors and represent the total amount outstanding under the agreement less unearned interest. Finance debtor interest is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the finance debtor.

In the operational phase, the balance of unitary payments received, after accounting for the finance debtor interest and amortisation components (which together sum to a constant figure in each period, as in a lease) is accounted for as turnover. This figure is adjusted in each period to ensure that income recognised more accurately reflects the value of economic benefits provided to the public sector client in each period and is necessary due to the inflationary nature of the unitary payments. As a consequence of this adjustment to turnover, which is generally positive in the first half of the concession and negative in the second half (and must net out over the whole concession), a unitary payment control account debtor is recorded on the balance sheet.

1.14 Expenses

Interest receivable and interest payable

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

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

1.15 Taxation

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

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

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

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the Financial Statements *(continued)*

2 Turnover

	2019	2018
	£000	£000
Rendering of services	110,839	104,470
	<u>110,839</u>	<u>104,470</u>
By activity:		
Operational services	101,904	91,376
Medical equipment services	8,935	9,123
Construction services	-	3,971
	<u>110,839</u>	<u>104,470</u>
By geographical market:		
United Kingdom	108,653	102,124
Republic of Ireland	2,186	2,346
	<u>110,839</u>	<u>104,470</u>

3 Operating profit

Operating profit is stated after charging/(crediting):

	2019	2018
	£000	£000
Goodwill amortisation	1,596	1,596
Negative goodwill amortisation	(27)	(27)
Audit of these financial statements	28	31
Amounts receivable by the company's auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the company	147	155
Foreign exchange differences	53	5
	<u>1,797</u>	<u>1,760</u>

The Group had no employees in 2019 (2018: nil).

Notes to the Financial Statements (continued)

4 Recharges in respect of directors' services

	2019	2018
	£000	£000
Recharges in respect of directors' services	1,465	1,514

Payments in the table above were made for the services of the non-executive directors to their employers. There have been no qualifying third-party indemnity provisions in place during the year for any of the directors (2018: none). In addition to these amounts, Mr L McKenna (in his capacity as director or chairman of certain of the group's subsidiaries) charged £69,000 (2018: £97,000). Mr K Gillespie (in his capacity as director of certain of the group's subsidiaries) charged £nil (2018: £29,000).

5 Other interest receivable and similar income

	2019	2018
	£000	£000
Interest receivable on financial assets at amortised cost	33,127	34,403
Bank interest receivable	585	452
Other interest receivable	77	22
Total interest receivable and similar income	33,789	34,877

6 Interest payable and similar expenses

	2019	2018
	£000	£000
Interest payable on financial liabilities at amortised cost	39,633	41,188
Total interest payable and similar charges	39,633	41,188

Notes to the Financial Statements (continued)

7 Tax on profit

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

	2019 £000	2019 £000	2018 £000	2018 £000
<i>Current tax</i>				
Current tax on income for the year		3,661		4,057
Adjustments in respect of prior periods		(165)		(378)
Total current tax		3,496		3,679
<i>Deferred tax (see note 17)</i>				
Origination and reversal of timing differences	2,003		1,809	
Total deferred tax		2,003		1,809
Total tax		5,499		5,488

	2019 £000	2019 £000	2019 £000	2018 £000	2018 £000	2018 £000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	3,496	(360)	3,136	3,679	(999)	2,680
Recognised in other comprehensive income	-	2,363	2,363	-	2,808	2,808
Total tax	3,496	2,003	5,499	3,679	1,809	5,488

Analysis of current tax recognised in profit and loss

	2019 £000	2018 £000
UK corporation tax	2,987	2,544
Foreign tax	149	136
Total current tax recognised in profit and loss	3,136	2,680

Notes to the Financial Statements *(continued)*

7 Tax on profit *(continued)*

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit for the financial year	17,701	15,502
Total tax expense	3,136	2,680
Profit before taxation	20,837	18,145
Profit before taxation multiplied by the UK corporation tax rate of 19% (2018: 19%)	3,959	3,447
Effect of tax rates in foreign jurisdictions	(77)	(72)
Reduction in tax rate on deferred tax balances	372	335
Non-deductible expenses	387	388
Tax exempt revenues	(1,341)	(1,039)
Recognition of previously unrecognised tax losses	(1)	(4)
Adjustments in respect of prior periods	(163)	(378)
Total tax expense included in profit or loss	3,136	2,680

A change to the future UK Corporation tax rate was announced in the March 2020 Budget. The rate will no longer drop to 17% with effect from 1 April 2020 but will remain at the previous rate of 19%. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements. The effect of this change, if it applied to the deferred tax balance at 31 December 2019, would be to increase the deferred tax asset by £1,809,000.

8 Dividends

	2019 £000	2018 £000
Ordinary Shares of £1 each	8,409	2,000

The company paid a final dividend of £0.16 per share in the current year (2018: £0.038).

Notes to the Financial Statements *(continued)*

9 Intangible assets

Group

	Goodwill £000	Negative goodwill £000	Total £000
Cost			
Balance at 1 January 2019	43,271	(646)	42,625
Balance at 31 December 2019	43,271	(646)	42,625
Accumulated amortisation			
Balance at 1 January 2019	20,504	(351)	20,153
Amortisation for the year	1,596	(27)	1,569
Balance at 31 December 2019	22,100	(378)	21,722
Net book value			
At 31 December 2018	22,767	(295)	22,472
At 31 December 2019	21,171	(268)	20,903

Amortisation

The amortisation charge is recognised in the following line items in the profit and loss account:

	2019 £000	2018 £000
Cost of sales – ordinary	1,569	1,569
	1,569	1,569

Negative goodwill arising on the acquisition of FocusEducation (Lambeth) Limited was more than the fair value of the non-monetary assets acquired. The resulting negative goodwill was recognised in the Group's balance sheet in 2006. An amount equal to the fair value of the non-monetary assets acquired is being released to the profit and loss account commensurately with the recovery of the non-monetary assets acquired, whether through depreciation or sale. Negative goodwill in excess of this amount of £322,000 will be released to the profit and loss account in the periods expected to be benefited.

Notes to the Financial Statements *(continued)*

10 Fixed asset investments

Fixed asset investments – Group

Group	Interests in joint ventures £000
<i>Cost</i>	
At 1 January 2019 and 31 December 2019	17,178
<i>Share of post-acquisition reserves</i>	
At 1 January 2019	24,752
Share of profit in joint ventures	7,004
Dividends	(3,225)
At 31 December 2019	28,531
<i>Provisions</i>	
At 1 January 2019	(6,830)
Amortisation	(525)
At 31 December 2019	(7,355)
<i>Net book value</i>	
At 31 December 2019	38,354
At 31 December 2018	35,100

The directors believe that the book value of investments is supported by their underlying net assets and future cash flows.

Fixed asset investments – Company

Company	Shares in group undertakings £000	Participating interests £000	Loans to group undertakings £000	Total £000
<i>Cost</i>				
At 1 January 2019	47,586	17,122	43,724	108,432
Repayments	-	-	(328)	(328)
At 31 December 2019	47,586	17,122	43,396	108,104
<i>Provisions</i>				
At 1 January 2019	-	-	-	-
At 31 December 2019	-	-	-	-
<i>Net book value</i>				
At 31 December 2019	47,586	17,122	43,396	108,104
At 31 December 2018	47,586	17,122	43,724	108,432

Notes to the Financial Statements (continued)

Fixed asset investments – Company (continued)

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

	Country of incorporation	Principal activity	Class of shares held	Percentage of shar- held
Subsidiary undertakings				
Worcestershire Hospital SPC Holdings Limited *	England and Wales	Holding Company	£1 Ordinary	66.70%
Worcestershire Hospital SPC plc **	England and Wales	PFI	£1 Ordinary	66.70%
Calderdale Hospital SPC Holdings Limited *	England and Wales	Holding Company	£1 Ordinary	80%
Calderdale Hospital SPC Holdings Limited *	England and Wales	PFI	£1 Redeemable	80%
Calderdale Hospital SPC Limited **	England and Wales	PFI	£1 Ordinary	80%
Burnley Hospital Phase V SPC Holdings Limited *	England and Wales	Holding Company	£1 Ordinary	100%
Burnley Hospital Phase V SPC Limited **	England and Wales	PFI	£1 Ordinary	100%
St. James's Oncology SPC Holdings Limited **	England and Wales	Holding Company	£1 Ordinary	100%
St. James's Oncology Financing plc **	England and Wales	Finance Company	£1 Ordinary	100%
St. James's Oncology SPC Limited *	England and Wales	PFI	£1 Ordinary	100%
FocusEducation Limited *	England and Wales	Holding Company	£1 Ordinary	100%
FocusEducation (Newcastle) Holdings Limited *	England and Wales	Holding Company	£1 Ordinary	100%
FocusEducation (Newcastle) Limited **	England and Wales	PFI	£1 Ordinary	100%
FocusEducation (Lincolnshire) Holdings Limited *	England and Wales	Holding Company	£1 Ordinary	100%
FocusEducation (Lincolnshire) Limited **	England and Wales	PFI	£1 Ordinary	100%
FocusEducation (Lambeth) Limited **	England and Wales	PFI	£1 Ordinary	100%
FocusEducation (NMC) Limited *	Republic of Ireland	PFI	€1 Ordinary	100%
Catalyst Lancashire PSP Limited *	England and Wales	Holding Company	£1 Ordinary	100%
East Lancashire LEP Company Limited **	England and Wales	Development	£7 Ordinary	90%
East Lancashire LEP Company Limited **	England and Wales	Development	£5 Ordinary	90%
East Lancashire LEP Finance Company Limited **	England and Wales	Finance Company	£1 Ordinary	90%
Lancashire Schools SPC Holdings Phase 1 Limited **	England and Wales	Holding Company	19.607p Ordinary	81%
Lancashire Schools SPC Holdings Phase 1 Limited **	England and Wales	Holding Company	£1.836735 Ordinary	81%
Lancashire Schools SPC Phase 1 Limited **	England and Wales	PFI	£1 Ordinary	81%
Lancashire Schools SPC Holdings Phase 2 Limited **	England and Wales	Holding Company	19.607p Ordinary	81%
Lancashire Schools SPC Holdings Phase 2 Limited **	England and Wales	Holding Company	£1.836735 Ordinary	81%
Lancashire Schools SPC Phase 2 Limited **	England and Wales	PFI	£1 Ordinary	81%
Lancashire Schools SPC Holdings Phase 2a Limited **	England and Wales	Holding Company	19.607p Ordinary	81%
Lancashire Schools SPC Holdings Phase 2a Limited **	England and Wales	Holding Company	£1.836735 Ordinary	81%
Lancashire Schools SPC Phase 2a Limited **	England and Wales	PFI	£1 Ordinary	81%
Lancashire Schools SPC Holdings Phase 3 Limited **	England and Wales	Holding Company	19.607p Ordinary	81%
Lancashire Schools SPC Holdings Phase 3 Limited **	England and Wales	Holding Company	£1.836735 Ordinary	81%
Lancashire Schools SPC Phase 3 Limited **	England and Wales	PFI	£1 Ordinary	81%
Joint ventures				
Exchequer Partnership Holdings Limited *	England and Wales	Holding Company	£1 Ordinary	50%
Exchequer Partnership plc **	England and Wales	PFI	£1 Ordinary	50%
Exchequer Partnership (No 2) Holdings Limited *	England and Wales	Holding Company	£1 Ordinary	50%
Exchequer Partnership (No 2) plc **	England and Wales	PFI	£1 Ordinary	50%

The registered office address for all the above companies is C/O Albany SPC Services Limited, 3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB.

* investments held directly

** investments held indirectly

Notes to the Financial Statements (continued)

11 Debtors

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Finance debtors	606,999	630,932	-	-
Trade debtors	5,055	5,290	-	-
Amounts owed by group undertakings	2,884	-	5,638	2,862
Other debtors	90,768	87,506	-	-
Other Financial Assets	6,917	-	-	-
Deferred tax assets (see note 16)	15,942	17,150	-	-
Corporation tax	377	512	-	-
Prepayments and accrued income	486	495	-	-
	729,428	741,885	5,638	2,862
Due within one year	139,417	122,996	5,638	2,862
Due after more than one year	590,011	618,889	-	-
	729,428	741,885	5,638	2,862

Amounts due after more than one year relate to finance debtors of £574,069,000 (2018: £601,739,000) and deferred tax assets of £15,942,000 (2018: £17,150,000). Amounts owned by group undertakings comprise of short terms loans to Exchequer Partnership Limited and Exchequer Partnership (No 2) Limited be repaid within the one year. They carry an interest rate of 8.5%

12 Cash at bank and in hand

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Cash at bank and in hand	87,281	92,201	176	1,598
Cash and cash equivalents per cash flow statement	87,281	92,201	176	1,598

13 Creditors: amounts falling due within one year

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Guaranteed secured bonds (see note 15)	3,264	2,709	-	-
Bank loans and overdrafts (see note 15)	34,771	32,360	-	-
Shareholder loan stock (see note 15)	12,311	3,793	1,850	-
Trade creditors	7,198	5,198	-	-
Taxation and social security	2,190	2,727	-	-
Other Creditors	51	-	-	-
Accruals and deferred income	36,976	36,900	55	65
Corporation tax	1,742	1,747	108	46
	98,503	85,434	2,013	111

Notes to the Financial Statements *(continued)*

14 Creditors: amounts falling after more than one year

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Guaranteed secured bonds (see note 15)	56,632	59,895	-	-
Bank loans and overdrafts (see note 15)	528,765	556,710	-	-
Shareholder loan stock (see note 15)	49,144	61,438	55,202	55,202
Other financial liabilities (see note 16)	93,078	98,991	-	-
	<u>727,619</u>	<u>777,034</u>	<u>55,202</u>	<u>55,202</u>

15 Interest-bearing loans and borrowings

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

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Creditors falling due more than one year				
Guaranteed secured bonds	56,632	59,895	-	-
Secured bank loans	521,577	548,746	-	-
Mezzanine loans	7,188	7,964	-	-
Shareholder loan stock	49,144	61,438	55,202	55,202
	<u>634,541</u>	<u>678,043</u>	<u>55,202</u>	<u>55,202</u>
Creditors falling due within less than one year				
Guaranteed secured bonds	3,264	2,709	-	-
Secured bank loans	33,965	31,633	-	-
Mezzanine loans	806	727	-	-
Shareholder loan stock	12,311	3,793	-	-
Intercompany loan stock	-	-	1,850	-
	<u>50,346</u>	<u>38,862</u>	<u>1,850</u>	<u>-</u>

Included within guaranteed secured bonds are amounts repayable after five years by instalments of £38,219,000 (2018: £43,370,000).

Included within secured bank loans are amounts repayable after five years by instalments of £386,773,000 (2018: £417,909,000).

Included within mezzanine loans are amounts repayable after five years by instalments of £3,190,000 (2018: £4,370,000).

Included within shareholder loan stock are amounts repayable after five years by instalments and otherwise than by instalments of £35,667,000 (2018: £36,759,000) and £8,262,000 (2018: £8,262,000) respectively and in the company, otherwise than by instalments of £55,202,000 (2018: £55,202,000).

The guaranteed secured bonds and secured bank loans are secured by a fixed charge over the whole of the properties, assets and undertakings of the subsidiary companies, assignment of all rights to any proceeds of any insurance policies and all present and future book and other charges over assets which have not been secured by way of a fixed charge or assignment.

Notes to the Financial Statements (continued)

15 Interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule

Loan	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2019	2018
Group					£000	£000
Calderdale - Senior Loan	GBP	Libor + 0.9%	2030	Semi-annual	81,974	85,960
Calderdale - Mezzanine Loan	GBP	Libor + 4.438%	2030	Semi-annual	3,556	3,741
Calderdale - Loan Stock	GBP	15%	2031	Semi-annual	3,190	3,190
Worcester - Secured Bonds	GBP	5.57%	2030	Semi-annual	60,938	63,815
Worcester - Mezzanine Loan	GBP	Libor + 5%	2024	Semi-annual	3,268	3,746
Worcester - Loan Stock	GBP	15%	2031	Semi-annual	3,157	3,157
Leeds - Index-Linked Bonds	GBP	0.05%	2037	Semi-annual	37,001	37,720
Leeds - Fixed Rate Bonds	GBP	2.80%	2037	Semi-annual	46,117	47,702
Leeds - Rate Notes	GBP	2.80%	2037	Semi-annual	156,931	162,324
Leeds - Variation Bond	GBP	2.80%	2037	Semi-annual	2,767	2,862
Leeds - Loan Stock	GBP	12.53%	2035	Semi-annual	23,493	20,804
Burnley - Senior Loan	GBP	Libor + 0.9%	2031	Semi-annual	23,285	24,266
Burnley - Mezzanine Loan	GBP	Libor + 4%	2031	Semi-annual	1,254	1,309
Burnley - Loan Stock	GBP	12%	2031	Semi-annual	1,915	1,915
Lancashire phase 1 - Senior Loan	GBP	Libor + 0.75%	2032	Semi-annual	50,083	52,825
Lancashire phase 1 - Loan Stock	GBP	11.30%	2033	Semi-annual	5,805	5,842
Lancashire phase 2 - Senior loan	GBP	Libor + 0.75%	2033	Semi-annual	26,925	28,256
Lancashire phase 2 - Loan Stock	GBP	11.45%	2033	Semi-annual	2,840	2,873
Lancashire phase 2a - Senior loan	GBP	Libor + 0.85%	2034	Semi-annual	40,243	41,927
Lancashire phase 2a - Loan Stock	GBP	11.50%	2035	Semi-annual	4,744	4,824
Lancashire phase 3 - Senior Loan	GBP	4.665% + 2.6% margin	2034	Semi-annual	27,706	28,831
Lancashire phase 3 - Loan stock	GBP	11.75%	2035	Semi-annual	3,901	3,921
Lincolnshire - Senior loan A	GBP	5.52%	2030	Quarterly	10,948	11,679
Lincolnshire - Senior Loan B	GBP	5.36%	2030	Quarterly	1,884	2,011
Lincolnshire - Loan Stock	GBP	11%	2032	Semi-annual	2,022	2,080
Newcastle - Senior Loan	GBP	Libor + 1.05%	2027	Quarterly	16,575	18,870
Newcastle - Loan Stock	GBP	12.50%	2029	Semi-annual	1,362	1,434
Lambeth - Senior Loan	GBP	Libor + 1.85% (to December 2019, then 0.95%)	2027	Quarterly	7,564	8,312
Lambeth - Loan Stock	GBP	12%	2029	Semi-annual	1,198	1,257
NMC Cork - Senior Loan (Bank of Scotland)	Euro	Libor + 0.85%	2026	Semi-annual	8,119	10,632
NMC Cork - Senior Loan (EIB)	Euro	Euribor + 0.2%	2026	Semi-annual	7,998	10,473
CIHL - Loan Stock	GBP	9%	2040	Annual	55,202	55,202

Notes to the Financial Statements (continued)

15 Interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule (continued)

Loan	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2019	2018
Company					£000	£000
Shareholder loan stock	GBP	9%	2043	By 2043	55,202	55,202
					<u>55,202</u>	<u>55,202</u>

16 Other financial liabilities

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Amounts falling due after more than one year				
Interest rate swap contracts	74,743	76,325	-	-
RPI swap contracts creditor	18,335	22,666	-	-
RPI swap contract debtor	(6,917)	-	-	-
	<u>86,161</u>	<u>98,991</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements *(continued)*

17 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2019 £000	2018 £000	Liabilities 2019 £000	2018 £000	Net 2019 £000	2018 £000
Accelerated capital allowances	-	-	8,203	9,500	8,203	9,500
Unused tax losses	-	-	-	-	-	-
Other	(15,942)	(17,150)	9,170	7,631	(6,772)	(9,519)
	<u>(15,942)</u>	<u>(17,150)</u>	<u>17,373</u>	<u>17,131</u>	<u>1,431</u>	<u>(19)</u>
Tax (assets) / liabilities	<u>(15,942)</u>	<u>(17,150)</u>	<u>17,373</u>	<u>17,131</u>	<u>1,431</u>	<u>(19)</u>

Deferred tax assets arising from the recognition of derivative contracts ('Other' per above) will be utilised over the life of those derivative contracts.

Company

The company has no unrecognised deferred tax assets or liabilities.

18 Other Provisions

Group	Settlement provision £000	Lifecycle provision £000	Total £000
Balance at 1 January 2019	10,931	32,813	43,744
(Credit)/charge to the profit and loss for the financial year	(482)	10,067	9,585
Provisions used during the year	-	(10,552)	(10,552)
	<u>10,449</u>	<u>32,328</u>	<u>42,777</u>
Balance at 31 December 2019	<u>10,449</u>	<u>32,328</u>	<u>42,777</u>

Settlement provision

The provision for a settlement figure relates to the dispute over certain defects and the level of availability deductions which should apply as a consequence. The amount of the settlement provision is based on a discount rate of 1.50% (2018: 1.50%). A settlement agreement has been agreed and signed by all parties; the residual balance is to be utilised throughout the remaining term of the concession. The undiscounted settlement provision is £12m (2018: £12m).

Lifecycle provision

Amounts to be spent against the lifecycle provision relate to contractually agreed lifecycle expenditure in the PFI projects. The un-indexed amounts of these cash flows are fixed for the entire PFI concession period in terms of quantum and timing. The amounts are inflated in line with published inflation indices (usually the RPI index) and this is the only element of uncertainty. However, higher lifecycle expenditure will be matched by higher unitary payments from the public sector customer.

Company

The company has no provisions.

Notes to the Financial Statements (continued)

19 Capital and reserves

Share capital

	2019	2018
	£000	£000
<i>Allotted, called up and fully paid</i>		
52,649,916 ordinary shares of £1 each (2018: 52,649,916 ordinary shares of £1 each)	52,650	52,650
	<u>52,650</u>	<u>52,650</u>
	<u>52,650</u>	<u>52,650</u>
 Shares classified in shareholders' funds	 52,650	 52,650
	<u>52,650</u>	<u>52,650</u>

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

Cash flow 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.

Notes to the Financial Statements *(continued)*

19 Capital and reserves *(continued)*

Group

Other comprehensive income

2019

	Cash flow hedging reserve £000	Profit and loss account £000	Total other comprehensive income £000	Minority Interests £000
Foreign exchange differences on translation of subsidiary undertakings	53	(34)	19	0
Effective portion of changes in fair value of cash flow hedges	993	0	993	(1,254)
Net change in fair value of cash flow hedges recycled to profit or loss	13,696	0	13,696	1,922
Income tax on other comprehensive income	(2,218)	0	(2,218)	(146)
	<u>12,524</u>	<u>(34)</u>	<u>12,490</u>	<u>522</u>

2018

	Cash flow hedging reserve £000	Profit and loss account £000	Total other comprehensive income £000	Minority Interests £000
Foreign exchange differences on translation of subsidiary undertakings	(28)	5	(23)	-
Effective portion of changes in fair value of cash flow hedges	163	-	163	(111)
Net change in fair value of cash flow hedges recycled to profit or loss	15,458	-	15,458	2,102
Income tax on other comprehensive income	(2,429)	-	(2,429)	(380)
	<u>13,164</u>	<u>5</u>	<u>13,169</u>	<u>1,611</u>

Company

The company has no other comprehensive income in either the current or the prior year and accordingly no separate statement of other comprehensive income is presented.

Notes to the Financial Statements *(continued)*

20 Financial instruments

20 (a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2019 £000	2018 £000
Assets measured at fair value through profit or loss (note 11)	6,917	-
Assets measured at amortised cost (note 11)	606,999	630,932
Assets measured at cost less impairment (note 11)	5,055	5,290
Liabilities measured at fair value through profit or loss (note 14)	93,078	98,991
Liabilities measured at amortised cost (note 13, note 14)	684,887	716,905

20 (b) Financial instruments measured at fair value

Derivative financial instruments

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

The interest rates used to discount estimated cash flows, where applicable are based on market interest rates.

The fair value of RPI swaps is based on valuations provided by the swap counterparties. Those valuations are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market forecast inflation rates.

The amount of change in fair value attributable to own credit risk cannot be measured reliably.

The derivative contracts used by the group are typical for PFI projects. Where projects are debt-funded, interest on the loan is calculated by reference to a floating rate (usually Libor but Euribor in the case of the NMC Cork project – see note 14. Interest rate swaps hedge Libor fluctuations and mitigate the risk that debt interest costs will fluctuate as Libor fluctuates. The full amount of the senior debt service payment is hedged in this way.

RPI swaps are used to hedge fluctuations in the inflation index which is relevant for the project. Low inflation would otherwise cause a shortfall in cash with which to make senior debt service payments. RPI swaps are structured in such a way to ensure that any volatility in cash flow for senior debt service that could arise due to inflation fluctuations is effectively neutralised.

Interest rate swaps and RPI swaps, where used, are conditions imposed on the PFI project company by the senior debt provider to ensure stability in cash flows.

Notes to the Financial Statements (continued)

20 Financial instruments (continued)

20 (c) Hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur and affect profit and loss as required by FRS 102.29(a) for the cash flow hedge accounting models.

2019	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Interest rate swaps:						
Liabilities	74,743	76,878	12,002	11,083	20,945	32,848
RPI swaps:						
Assets	6,917	7,376	193	295	1,026	5,862
Liabilities	18,335	20,634	1,011	1,169	4,600	13,854
	86,161	90,138	12,820	11,957	24,519	40,840
 2018						
	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Interest rate swaps:						
Liabilities	76,325	80,673	12,396	11,078	26,221	30,978
RPI swaps:						
Liabilities	22,666	16,674	946	1,108	4,442	10,178
	98,991	97,347	13,342	12,186	30,663	41,156

The group uses hedge accounting in line with FRS102.12.

Interest rate swaps are used as a hedging instrument against a floating rate loan as the hedged item. RPI swaps are used as a hedging instrument against that portion of unitary payment receipts which are required to make periodic senior debt service payments.

Fair values of these hedging instruments are reported in note 15. The amount of the change in fair value of the hedging instruments recognised in other comprehensive income for the period and the amount that was recycled to profit or loss for the period are shown in the statement of consolidated other comprehensive income. Owing to the way in which periodic payments due under the hedging instruments are structured, there is no hedge ineffectiveness and consequently no portion of the change in fair value is reported through the consolidated statement of comprehensive income.

Notes to the Financial Statements *(continued)*

20 Financial instruments *(continued)*

20 (d) Fair values

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

	Fair value 2019 £000	Fair value 2018 £000
Interest rate swap contracts	74,743	76,325
RPI swap contracts creditor	18,335	22,666
RPI swap contracts debtor	(6,917)	-
	86,161	98,991

21 Commitments

Capital commitments

At 31 December 2019 the group had authorised and contracted capital commitments of £nil (2018: £nil). The group had no annual commitments under non-cancellable operating leases at the end of the current year.

22 Contingencies

There are no contingencies to report for either the group or the company.

Notes to the Financial Statements *(continued)*

23 Related parties

Group

Identity of related parties with which the Group has transacted

Civis PFI/PPP Infrastructure Fund LP owns 100% of the share capital of Civis PFI/PPP Infrastructure CIHL Holdings Limited which is a 50% shareholder of Consolidated Investment Holdings Limited. Civis PFI/PPP Infrastructure Fund LP charges directors' fees to Consolidated Investment Holdings Limited.

Aberdeen Infrastructure Finance GP Limited (formerly Uberior Infrastructure Finance GP Limited) is a sister company of Aberdeen Infrastructure (No. 3) Limited which is a 50% shareholder of Consolidated Investment Holdings Limited. Aberdeen Infrastructure Finance GP Limited charges directors' fees to Consolidated Investment Holdings Limited.

Albany SPC Services Limited is a wholly owned subsidiary of Civis PFI/PPP Infrastructure Fund LP. Albany SPC Services Limited charges management fees to Consolidated Investment Holdings Limited and to that company's subsidiary and associated undertakings.

Transactions with key management personnel

There were no transactions with any key management personnel other than the directors (2018: *£nil*). Details of directors' remuneration are given in note 4.

Other related party transactions

	Sales to		Expenses incurred from	
	2019	2018	2019	2018
	£000	£000	£000	£000
Civis PFI/PPP Infrastructure Fund LP	-	-	627	628
Aberdeen Infrastructure Finance GP Limited	-	-	657	647
Albany SPC Services Limited	-	-	2,178	2,104
	<u>-</u>	<u>-</u>	<u>3,462</u>	<u>3,379</u>

	Receivables outstanding		Creditors outstanding	
	2019	2018	2019	2018
	£000	£000	£000	£000
Civis PFI/PPP Infrastructure Fund LP	-	-	170	102
Aberdeen Infrastructure Finance GP Limited	-	-	173	102
Albany SPC Services Limited	-	-	36	36
	<u>-</u>	<u>-</u>	<u>379</u>	<u>240</u>

Notes to the Financial Statements (continued)

23 Related parties (continued)

Company

Identity of related parties with which the Company has transacted

Lend Lease PFI/PPP Infrastructure Finance Limited is a sister company of Civis PFI/PPP Infrastructure CIHL Holdings Limited which owns 50% of the issued loan stock of Consolidated Investment Holdings Limited. The loan stock carries a fixed coupon rate of 9% and is redeemable by 2043.

Aberdeen Infrastructure Limited owns 50% of the issued loan stock of Consolidated Investment Holdings Limited. The loan stock carries a fixed coupon rate of 9% and is redeemable by 2043.

Civis PFI/PPP Infrastructure Fund LP owns 100% of the share capital of Civis PFI/PPP Infrastructure CIHL Holdings Limited which is a 50% shareholder of Consolidated Investment Holdings Limited. Civis PFI/PPP Infrastructure Fund LP charges directors' fees to Consolidated Investment Holdings Limited.

Aberdeen Infrastructure Finance GP Limited (formerly Ubiior Infrastructure Finance GP Limited) is a sister company of Aberdeen Infrastructure (No. 3) Limited which is a 50% shareholder of Consolidated Investment Holdings Limited. Aberdeen Infrastructure Finance GP Limited charges directors' fees to Consolidated Investment Holdings Limited.

Albany SPC Services Limited is a wholly owned subsidiary of Civis PFI/PPP Infrastructure Fund LP. Albany SPC Services Limited charges management fees to Consolidated Investment Holdings Limited.

During the period shareholder loans were received in CIHL from was received in CIHL from Exchequer Partnership Holdings Limited of £850,000, interest charged at 6.9% p.a. on these loans. A second shareholder loan Exchequer Partnership (No.2) Holdings Limited Of £1,000,000, interest charged at 6.9% p.a. on these loans.

Other related party transactions

	Sales to		Expenses incurred from	
	2019	2018	2019	2018
	£000	£000	£000	£000
Lend Lease PFI/PPP Infrastructure Finance Limited	-	-	2,484	2,484
Aberdeen Infrastructure Limited	-	-	2,484	2,484
Civis PFI/PPP Infrastructure Fund LP	-	-	99	102
Aberdeen Infrastructure Finance GP Limited	-	-	119	102
Albany SPC Services Limited	-	-	33	36
	<u>-</u>	<u>-</u>	<u>5,219</u>	<u>5,208</u>

	Receivables outstanding		Creditors outstanding	
	2019	2018	2019	2018
	£000	£000	£000	£000
Lend Lease PFI/PPP Infrastructure Finance Limited	-	-	27,601	27,601
Aberdeen Infrastructure Limited	-	-	27,601	27,601
Albany SPC Services Limited	-	-	-	-
Exchequer Partnership Plc	-	-	850	-
Exchequer Partnership (No.2) Plc	-	-	1,000	-
	<u>-</u>	<u>-</u>	<u>57,052</u>	<u>55,202</u>

Notes to the Financial Statements *(continued)*

24 Ultimate parent company and parent company of larger group

The Company is jointly controlled by its shareholders under the shareholders' agreement. These are Civis PFI/PPP Infrastructure CIHL Holdings Limited (50%) and Aberdeen Infrastructure (No. 3) Limited (50%).

25 Accounting estimates and judgements

Critical accounting judgements in applying the Group's accounting policies

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

- Accounting for the service concession contracts and finance debtors requires estimation of a finance debtor interest rate.
- Fair value adjustments arising on acquisition of interests in subsidiaries were calculated by applying the discount rate implicit in the acquisition transaction to the future cash flows arising under the finance debtor assets and debt liabilities.
- Fair values for derivative contracts are based on mark-to-market valuations provided by the contract counterparty. Whilst these can be tested for reasonableness, the exact valuation methodology and forecast assumptions for future interest rates or inflation rates are specific to the counterparty.

26 Post balance sheet events

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the Company in responding to COVID-19 has been assessed as low. This is because the Company and Group are still able to provide the services required under the Project agreements as the sub-contracted Facilities Management companies are still able to provide the necessary services as the work is deemed to be essential and the persons delivering those services deemed to be key workers, as confirmed by a guidance note released by the Infrastructure and Projects Authority on 2 April.

Since the Covid-19 outbreak, all clients have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Paul Cheshire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
22 December 2020