Company Registration No. 05603625 (England and Wales)

NEWHOSPITALS (ST HELENS AND KNOWSLEY) HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

NEWHOSPITALS (ST HELENS AND KNOWSLEY) HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Mr N Crowther Mr D Brooking Mr S Beauchamp	 (Appointed 17 September 2019)
Secretary	HCP Social Infrastructure (UK) Limited	
Company number	05603625	
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG	
Auditor	KPMG LLP 66 Queen Square Bristol BS1 4BE	

NEWHOSPITALS (ST HELENS AND KNOWSLEY) HOLDINGS LIMITED

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STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

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

Business Review
NewHospitals (St Helens and Knowsley) Holdings Limited ("the company") is a holding company for NewHospitals (St Helens and Knowsley) Limited, NewHospitals (St Helens and Knowsley) Finance plc and NewHospitals (St Helens and Knowsley) Nominee Limited, collectively known as "the group". The group's principal activities are the financing, design, construction and maintenance of two new hospital facilities at the Whiston and St Helens sites, together with the operation of certain non-clinical services within the existing and new hospital facilities, as part of the strategic redevelopment scheme for the St Helens and Knowsley Teaching Hospitals NHS Trust, ("the Trust") under the UK Government's Private Finance Initiative ("PFI"). was incorporated on 26 October 2005 and commenced trading on 7 June 2006.

On 7 June 2006, the group authorised the creation of £178,300,000 of 1.7774% index-linked guaranteed secured bonds due 2047 of which £153,000,000 were issued. It also entered into a loan agreement with the European Investment Bank ("EIB") under which EIB granted it £149,186,000 of a 1.743% index-linked guaranteed secured bank loan due 2038. The bonds and bank loan have the benefit of an unconditional and irrevocable financial guarantee as to all payments of interest and principal issued by the monoline insurer Assured Guaranty (Europe) Limited ("AG").

On 20 March 2008, £6,800,000 of the remaining £25,300,000 index-linked guaranteed secured bonds created but not issued were cancelled as they expired on 31 December 2007 in accordance with the terms of the Bond Trust Deed and Collateral Deed.

On 26 May 2009 the shareholders of the company commenced subscription for tranches of unsecured 11.96% fixed interest subordinated loan stock created, constituted and issued by NewHospitals (St Helens and Knowsley) Finance Plc on 7 June 2006. This subordinated loan stock totalled £29,490,000 and was fully subscribed as at 31 March 2011.

The financial performance and position is covered in detail in the Key performance indicators section below.

Principal risks and uncertainties
The risk management policy of the group is designed to identify and manage risk at the earliest possible point. Risk management contributes to the success of the business by identifying opportunities and anticipating risks in order to improve business performance and the fulfilment of the group's contractual obligations. The group maintains a detailed risk register which is formally reviewed by the Board on a quarterly basis. The directors have policies for managing each of these risks. The principal risks are summarised below:

Sole client
The group operates within a contractual relationship with its primary client, the Trust. Failure to perform obligations under this contract could have a direct and detrimental effect on the group's result and could result in termination of the concession. To manage this risk the group has regular meetings with the Trust including discussions on performance, project progress, future plans and customer requirements. The group's price risk is principally managed through a 41 year Project Agreement, a long-term contract with the Trust, which provides for payments that are fixed, subject to performance and movements in the UK All Items Retail Price Index (the "UK RPI"), and through sub-contracts with suppliers that largely mirror the provisions of the Project Agreement. The PFI hospital concession assets produce revenues which are index-linked to movements in the UK RPI. These revenues generate the cash flows with which the group funds its operating costs, finance costs and repayments due on its financial liabilities.

Lifecycle
The principal risk borne by the group is that maintenance costs exceed those forecast in the financial model agreed at financial close. This risk is mitigated by regular management review of actual expenditure against budget and technical evaluations of the physical condition of the facilities.

Availability

Investment in the project is funded primarily by the bonds, bank loan and subordinated unsecured loan stock. During the operational phase the principal source of funds available to meet its liabilities under the bonds and bank loan will be unitary charge received from the Trust under the Project Agreement, a long term contract held with the Trust. Failure to achieve the forecast levels of availability would result in lower than forecast revenues and this may adversely affect the group's ability to make payments to bondholders and funders.

Service performance

Performance risk under the Project Agreement and related contracts is passed on to the service providers. The obligations of these subcontractors are underwritten by parent group guarantees. Ultimately, poor performance may result in the Trust having the right to terminate the Project Agreement. As noted in the discussion of the group's key performance indicators, the levels of deductions levied in the year were low and are not considered to pose a risk to the project.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation under the contract giving rise to the financial instrument.

The group's long term exposure to credit risk, which exists predominantly until the end of the Project Agreement (a long term contract with the Trust), is principally dependent on the creditworthiness of three major European banks which hold the group's cash balances. These banks must hold a minimum short term debt rating of A-1 (or better) issued by Standard & Poors and P-1 (or better) issued by Moody's. Should the ratings of existing counterparties fall below these levels, its senior lenders each have the right to require that an acceptable replacement counterparty be appointed. The group actively monitors the credit ratings of its counterparty banks and reports are issued to the board on a monthly basis. The group's maximum credit risk exposure relating to its financial assets is represented by their carrying value at the balance sheet date.

The group's other long term exposure to credit risk is principally dependent on the creditworthiness of the Trust as the group's sole client. The risk associated with this is mitigated as the cash flows are secured under the Project Agreement, which is a long term contract with the Trust, whose obligations and liabilities are effectively underwritten by the UK Government.

Interest rate risk/inflation risk

All borrowings are at fixed rate other than index-linking, and therefore no interest rate risk arises on them. Interest rate risk arises on the group's cash and short-term deposits. The majority of the group's borrowings comprise an index-linked secured bond and an index-linked secured loan. Repayment of these loans, and meeting operational expenditure commitments, will be made from income which is itself subject to indexation. The group thereby mitigates any exposure to movements in the UK All Items Retail Price Index ("UK RPI").

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with its financial liabilities. The group's liquidity risk is principally managed through financing the group by means of long term borrowings which are tailored to match the expected cash flows arising from the Trust. In addition the group maintains a debt service reserve bank account to provide short term liquidity against future debt service requirements.

Brexit

The risks from Brexit are a result of the risk it poses to the service providers, rather than the group itself. Therefore, this is linked to the service performance and service provider failure risks referred to above. The group is substantively insulated from these risks because non-performance will result in deductions being passed down to the service providers. However, there remains a risk that in extreme circumstances non-performance may result in the Trust having the right to terminate the Project Agreement.

The service providers have performed a review of their respective exposure to Brexit. The relevant concerns relate to availability of spare parts, materials which come from the EU. While there will likely be some disruption, each service provider has a strategy in place to keep this to a minimum. This will result in higher costs to the service providers but not impact the group itself. The directors are comfortable that the increased costs and disruption will not threaten the service providers to such an extent as to put the project at risk.

COVID-19

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

Key performance indicators

Financial performance and position

The profit for the year, after taxation, amounted to £5,000 (2019: £588,000 loss). Turnover increased by £1,105,000, largely driven by inflationary price increases and increased pass-through activity. Operating profit increased by £47,000 largely as a result of the margin applied to the increased operating costs. Net interest payable increased by £246,000 due to the impact of the UK RPI inflation on finance debtor income and bond and loan interest payable. The tax credit on the loss for the year has increased from £89,000 to £881,000 reflecting increased taxable losses for the period and a change in the deferred tax rate from 17% to 19%. The directors
do not recommend the payment of a dividend (2019: £nil).

Financial penalties are levied by Trust in the event of performance standards not being achieved in accordance with the detailed criteria as set out in the Project Agreement. All deductions are passed on to the service providers and the quantum of the penalties is an indication of the level of performance. During the year service performance deductions totalling £44,000 were levied (2019: £18,000). This represents 0.18% (2019: 0.08%) of the total costs from the service providers for the provision of the services.

The group had net liabilities of £37,238,000 as at 31 March 2020 (2019: £37,243,000). The group currently has net liabilities due to the bond and loan debt financing being in excess of the finance debtor which represents the future cash flow receivable. This position will reverse and is primarily driven by operating profits being weighted towards the middle and end of the concession. The decrease in net liabilities is attributable to the profit for the year of £5,000. Cash balances of £23,677,000 (2019: £21,222,000) include reserve account balances of £20,636,000 (2019: £18,859,000), in line with contractual requirements.

The directors have modelled the anticipated financial outcome of the Project over the 41-year concession term and this has shown the project to be profitable and cash generative. The directors monitor actual financial performance against this anticipated performance. Financial covenants have been met during the year and, having considered the anticipated future performance and position of the group, the directors are of the opinion that the covenants will continue to be met in the future, and the group will therefore continue in business. Whilst the group is currently in a cumulative loss-making position the financial model forecasts year on year profitability until the end of the concession.

Historical performance

The group is obliged to meet the conditions laid down in the Bond Trust Deed and Collateral Deed with AG, EIB and Deutsche Trustee Company Limited. To the best of the directors' knowledge the group has met all of the obligations contained within these Deeds and there have been no events of default, potential events of default or trigger events with regard to the Collateral Deed in the year to 31 March 2020.

SECR Reporting

The provision of services under the contract is not deemed to relate to energy consumed by the company nor within our operational control, we have therefore excluded such activities from our reporting. The company itself is considered to be a low energy user and therefore energy and carbon information for the company has not been disclosed.

Section 172 Companies Act 2006 Statement

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

The directors have identified the group's main stakeholders as the following:

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

Principal considerations of the board are whether the investment objective of the group is meeting shareholder and bondholder expectations and how HCP Social Infrastructure (UK) Limited ("the manager"), who the company has subcontracted its management obligations to, delivers these objectives. These are discussed at all board meetings, which are held regularly throughout the year. The board also attends regular shareholder and bondholder briefing meetings to ensure that shareholder and bondholder engagement is optimised.

ii. The manager

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

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

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

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

(b) The interests of the group's employees

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

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

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

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

The group has very limited direct impact on the environment and it has no greenhouse gas emissions as a result of not owning any buildings or vehicles. Notwithstanding that the group is committed to minimising environmental disruption from its activities. The board upholds the group's environmental policy in all its activities and requires all parties in the project to do the same.

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

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

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

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

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

On behalf of the board

Mr N Crowther
16 September 2020

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

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

Principal activities

The principal activity of the company continued to be that of a holding company for a Group of Companies whose principal activities are the financing, design, construction and maintenance of two new hospital facilities at the Whiston and St Helens sites, together with the operation of certain non-clinical services within the existing and new hospital facilities, as part of the UK Government's PFI strategic redevelopment scheme for the Trust.

Directors

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

Mr N Crowther
Mr D Brooking
Mr S Beauchamp (Appointed 17 September 2019)

Results and dividends

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

The directors have paid a dividend of £160,000 during the year (2019: £nil).

Qualifying third party indemnity provisions

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

Going concern

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments, and its exposures to credit, liquidity and interest rate risk are described above.

The directors have prepared cash flow forecasts covering a period of 18 months from the date of approval of these financial statements, through to 31 March 2022, which indicate that, taking account of severe but plausible downsides, the group and the company will have sufficient funds to meet their liabilities as they fall due for that period. Further information of the directors' assessment including the consideration of the impact of COVID-19 is contained within note 1.2.

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

Financial reporting risk and internal controls

The group has outsourced the financial reporting function to the manager. Authorities remain vested in the board members of the group. The manager reports regularly to the board of the group. The board receives monthly reports from the manager which specifically summarise and address the financial, contractual and commercial risks that the group is exposed to, and are pertinent to the industry in which the group operates. The board also receives monthly management accounts with explanations of variances from annual budgets and forecasts, which are in turn compared to the financial model, which represents the long term business plan of the group and outlines its ability to comply with its debt obligations and covenants. Material deviations from the business plan are investigated and reported on. Supporting this process, the manager evaluates its performance under the framework of an internal audit and assessment programme which sits within its own corporate governance framework. This process ensures that the project remains robust and viable throughout the life of the contract.

On behalf of the board

Mr N Crowther
Director

16 September 2020

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS102").

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- *make judgements and accounting estimates that are reasonable and prudent;*
- state whether applicable UK Accounting Standards have been followed, subject to any material departure disclosed and explained in the financial statements
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

NEWHOSPITALS (ST HELENS AND KNOWSLEY) HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NEWHOSPITALS (ST HELENS AND KNOWSLEY) HOLDINGS LIMITED

Opinion
We have audited the financial statements of NewHospitals (St Helens and Knowsley) Holdings Limited ("the company") for the year ended 31 March 2020, which comprise the Group Statement of Comprehensive Income, Group Balance Sheet, Company Balance Sheet, Group Statement of Changes in Equity, Company Statement of Changes in Equity, Group Cash Flow Statement, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:
- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

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

Huw Brown (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

18 September 2020

NEWHOSPITALS (ST HELENS AND KNOWSLEY) HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
Turnover	3	43,696	42,591
Cost of sales		(36,825)	(35,756)
Gross profit		6,871	6,835
Administrative expenses		(2,280)	(2,291)
Operating profit		4,591	4,544
Interest receivable and similar income	7	15,447	16,954
Interest payable and similar expenses	8	(20,914)	(22,175)
Loss before taxation		(876)	(677)
Tax on loss	9	881	89
Profit/(loss) for the financial year		5	(588)

Profit/(loss) for the financial year is all attributable to the owners of the parent company.

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

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

The notes on pages 17 - 30 form part of these financial statements.

NEWHOSPITALS (ST HELENS AND KNOWSLEY) HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Current assets					
Debtors falling due after more than one year	12	294,917		298,885	
Debtors falling due within one year	12	7,710		6,862	
Cash at bank and in hand		23,677		21,222	
		326,304		326,969	
Creditors: amounts falling due within one year	14	(20,611)		(19,327)	
Net current assets			305,693		307,642
Creditors: amounts falling due after more than one year					
Loans and overdrafts	15	(340,902)		(342,566)	
Other creditors		(2,029)		(2,319)	
			(342,931)		(344,885)
Net liabilities			(37,238)		(37,243)
Capital and reserves					
Called up share capital	17		60		60
Profit and loss reserves			(37,298)		(37,303)
Total equity			(37,238)		(37,243)

The notes on pages 17 - 30 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 16 September 2020 and are signed on its behalf by:

Mr N Crowther
Director

NEWHOSPITALS (ST HELENS AND KNOWSLEY) HOLDINGS LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Investments	11		60		60
Current assets					
Debtors	12	164		160	
Creditors: amounts falling due within one year	14	(164)		(160)	
Net current assets			-		-
Total assets less current liabilities			60		60
Capital and reserves					
Called up share capital	17		60		60

The notes on pages 17 - 30 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 16 September 2020 and are signed on its behalf by:

Mr N Crowther
Director

Company Registration No. 05603625

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Share capital	Profit and loss reserves	Total
	£'000	£'000	£'000
Balance at 1 April 2018	60	(36,715)	(36,655)
Year ended 31 March 2019:			
Loss and total comprehensive income for the year	-	(588)	(588)
Balance at 31 March 2019	60	(37,303)	(37,243)
Year ended 31 March 2020:			
Profit and total comprehensive income for the year	-	5	5
Balance at 31 March 2020	60	(37,298)	(37,238)

The notes on pages 17 - 30 form part of these financial statements.

NEWHOSPITALS (ST HELENS AND KNOWSLEY) HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Share capital £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 April 2018		60	-	60
Year ended 31 March 2019:				
Profit and total comprehensive income for the year		-	-	-
Balance at 31 March 2019		60	-	60
Year ended 31 March 2020:				
Profit and total comprehensive income for the year		-	160	160
Dividends	**10**	-	(160)	(160)
Balance at 31 March 2020		60	-	60

NEWHOSPITALS (ST HELENS AND KNOWSLEY) HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash generated from operations	19		8,840		6,484
Income taxes refunded			1		32
Net cash inflow from operating activities			8,841		6,516
Investing activities					
Interest received		15,447		16,954	
Net cash generated from investing activities			15,447		16,954
Financing activities					
Interest paid on borrowings		(20,288)		(21,310)	
Repayment of borrowings		(1,381)		(1,002)	
Dividends paid		(164)		(160)	
Net cash used in financing activities			(21,833)		(22,472)
Net increase in cash and cash equivalents			2,455		998
Cash and cash equivalents at beginning of year			21,222		20,224
Cash and cash equivalents at end of year			23,677		21,222

The notes on pages 17 - 30 form part of these financial statements.

1 Accounting policies

Company information

The company is a private limited company domiciled and incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

The group consists of NewHospitals (St Helens and Knowsley) Holdings Limited and all of its subsidiaries (see note 11).

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "*The Financial Reporting Standard applicable in the UK and Republic of Ireland*" ("FRS 102") and the requirements of the Companies Act 2006.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

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

In these financial statement, the parent company itself is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS102 in respect of the following disclosures:

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

As permitted by section 408 of the Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £nil (2018: £nil).

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

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

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

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

1 Accounting policies **(Continued)**

1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts covering a period of 18 months from the date of approval of these financial statements, through to 31 March 2022, which indicate that, taking account of severe but plausible downsides, the group will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement which are underwritten by the Secretary of State for Health.

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

The group's operating cash inflows are largely dependent on unitary charge receipts receivable from the Trust and the directors expect these amounts to be received even in severe but plausible downside scenarios.

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

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

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

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

1.3 Turnover

Turnover in relation to service revenue is recognised in accordance with the service concession contract accounting policy. Turnover in relation to pass-through revenue, including medical equipment income, is recognised when the services are performed.

1.4 Fixed asset investments

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

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

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

1 Accounting policies **(Continued)**

1.5 Financial instruments

The group has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS102 to all of its financial instruments. Financial instruments are recognised in the group's statement of financial position when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Trade and other debtors

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits.

Restricted cash

The group is obligated to keep a separate cash reserves in respect of requirements in the group's funding agreements. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £20,636,000 at the year end (2018: £18,859,000).

Other financial assets

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

Impairment of financial assets

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

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

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

1 Accounting policies **(Continued)**

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

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

Basic financial liabilities, including trade and other creditors, Bonds and subordinated loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade and other creditors
Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

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

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

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

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

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

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

1 Accounting policies **(Continued)**

Deferred tax

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

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

1.8 Service concession accounting

The group is an operator of a Public Finance Initiative ("PFI") contract. The group entered into a Project Agreement with the Trust to design, build, finance, operate and maintain two hospitals. The contract negotiations were successfully completed on 7th June 2006, following which construction commenced. The project has been fully operational since 2010. The concession period is for 41 years, during this period the group has contracted to provide hard and soft services to the Trust. The group has passed these obligations down to two subcontractors via subcontracts. The obligation to provide major maintenance works (lifecycle) is undertaken by the hard facilities management subcontractor, however, as discussed in the strategic report, the risk that the costs exceed those forecast in the financial model is borne by the group. The timing and extent of the major maintenance works is a key assumption that will affect the cashflows of the group, further information is shown in note 2. The Project Agreement entitles the Trust to a share in any savings made by the group on the actual insurance premiums incurred versus those assumed during the contract negotiations. Any savings are shared with the Trust on an annual basis.

The Trust are entitled to terminate the Project Agreement at anytime by giving 6 months written notice. If the Trust exercise this right they are liable to pay the group compensation as set out in the Project Agreement, which would include the senior debt, redundancy costs and other subcontractor losses and the market value of the subordinated debt and shareholder equity.

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

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

1.9 Interest, indexation and other financing costs

Interest, indexation and other financing costs are expensed to the profit and loss account in the period to which they relate.

1 Accounting policies (Continued)

1.10 Deferred income

Revenue received relating to the hospitals during the construction phase was deferred until the year ended 31 March 2010. During the year to 31 March 2011 this income started to be released on an annual basis over the remaining life of the contract as full occupation of the main Whiston hospital site occurred on 14 April 2010.

2 Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Critical judgements

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

Service concession accounting

Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the service concession contract. Lifecycle costs are a significant proportion of future expenditure. Given the length of the group's service concession contract, the forecast of lifecycle costs is subject to significant estimation uncertainty and changes in the amount and timing of expenditure could have material impacts. As a result, there is a significant level of judgement applied in estimating future lifecycle costs. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis and periodic technical evaluations of the physical condition of the facilities are undertaken. In addition, comparisons of actual expenditure are compared to the lifecycle forecast. If lifecycle costs cumulatively over the remainder of the concession increase by 5%, the impact on profit would be a decrease of £180,000.

3 Turnover and other revenue

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

	2020	2019
	£'000	£'000
Turnover		
Operating income	27,993	27,038
Pass through income	15,703	15,553
	43,696	42,591

4 Auditor's remuneration

	2020	2019
Fees payable to the company's auditor and its associates:	£'000	£'000
For audit services		
Audit of the financial statements of the group and company	8	3
Audit of the company's subsidiaries	25	18
	33	21

The above fees were borne and paid for by NewHospitals (St Helens and Knowsley) Limited.

5 Employees

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

6 Directors' remuneration

	2020	2019
	£'000	£'000
Sums paid to related parties for directors' services	146	136
Sums paid to related parties for non-executive chairman's services	27	26
	173	162

The above amounts were borne and paid for by NewHospitals (St Helens and Knowsley) Limited to Innisfree Limited. None of the directors received any remuneration as directors during the year (2019: nil). The non-executive chairman's services also include audit committee chairman services.

7 Interest receivable and similar income

	2020	2019
	£'000	£'000
Interest income		
Interest on bank deposits	277	225
Interest on finance debtor	15,170	16,729
Total income	15,447	16,954

8 Interest payable and similar expenses

	2020 £'000	2019 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	7,334	8,195
Interest on bonds	8,309	9,034
Interest on subordinated loans	4,644	4,318
Amortisation of finance arrangement costs	627	628
Total finance costs	20,914	22,175

9 Taxation

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on profits for the current period	-	1
Deferred tax		
Other adjustments	(881)	(90)
Total tax credit	(881)	(89)

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The tax charge for the year has therefore been calculated based on this rate.

The deferred tax asset has been revalued based on the new higher tax rate of 19%. The impact of this revaluation is included within 'other adjustments' in the above note.

	2020 £'000	2019 £'000
Loss before taxation	(876)	(677)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(166)	(129)
Effect of change in corporation tax rate	(715)	40
Taxation credit	(881)	(89)

10 Dividends

	2020 £'000	2019 £'000
Interim paid	160	-

11 Subsidiaries

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

Name of undertaking	Class of shares held	% Held Direct	% Held Indirect	Profit/(Loss) £'000	Capital and Reserves £'000
NewHospitals (St Helens and Knowsley) Limited	Ordinary	99.9999%	0.0001%	(588)	(37,293)
NewHospitals (St Helens and Knowsley) Finance plc	Ordinary	100%	0%	-	50
NewHospitals (St Helens and Knowsley) Nominee Limited	Ordinary	100%	0%	-	-

All of the above companies are domiciled and incorporated in England and Wales and have a registered address of 8 White Oak Square, London Road, Swanley, Kent BR8 7AG.

12 Debtors

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Amounts falling due within one year:				
Trade debtors	-	53	-	-
Finance debtor	6,419	5,659	-	-
Prepayments and accrued income	1,291	1,150	164	160
	7,710	6,862	164	160
Amounts falling due after more than one year:				
Finance debtor	287,701	292,549	-	-
Deferred tax asset (note 16)	7,216	6,336	-	-
	294,917	298,885	-	-
Total debtors	302,627	305,747	164	160

13 Interest-bearing loans and borrowings

	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
Bank loans and overdrafts	156,964	159,682	-	-
Bonds	177,854	174,910	-	-
Subordinated loans	16,961	17,942	-	-
	351,779	352,534	-	-
Payable within one year	10,877	9,968	-	-
Payable after one year	340,902	342,566	-	-

Index-Linked Guaranteed Secured Bonds due 2047

Finance Plc has created £178,300,000 of 1.7774% index-linked guaranteed secured bonds due 2047 pursuant to a Bond Trust Deed and Collateral Deed dated 7 June 2006, of which £153,000,000 were issued for cash on 7 June 2006 at a 99.99% of par.

On 20 March 2008, £6,800,000 of the remaining £25,300,000 index-linked guaranteed secured bonds created but not issued were cancelled as they expired on 31 December 2007 in accordance with the terms of the Bond Trust Deed and Collateral Deed.

The bonds bear interest at 1.7774%, which together with its principal repayment, is subject to indexation based on movements in the UK RPI in accordance with the terms of the Bond Trust Deed. The interest is payable semi-annually in arrears on 31 March and 30 September each year. The principle on the bonds is repayable in installments which commenced on 31 March 2012 and end in February 2047.

The index-linked bonds created by the group have the benefit of an unconditional and irrevocable financial guarantee issued by AG in favour of Deutsche Trustee Company Limited as security trustee over all of the undertakings and assets of the group.

Index-Linked Guaranteed Secured Bank Loan due 2038

Finance Plc has drawn £149,186,000 of a 1.743% index-linked guaranteed secured bank loan due 2038 pursuant to a Loan Agreement dated 1 June 2006 and a Collateral Deed dated 7 June 2006.

The loan has an interest rate of 1.743%, which together with its principal repayment, is subject to indexation based on movements in the UK RPI in accordance with the terms of the Loan Agreement. The interest is payable semi-annually in arrears on 31 March and 30 September each year. The loan principle is repayable in installments which commenced on 30 September 2011 and end in June 2038.

The index linked bank loan has the benefit of an unconditional and irrevocable financial guarantee issued by AG in favour of Deutsche Trustee Company Limited as security trustee over all of the undertakings and assets of the group.

13 Interest-bearing loans and borrowings (Continued)

Fixed rate unsecured subordinated loan stock due 2047

On 24 May 2006, NewHospitals (St Helens and Knowsley) Finance Plc ("Finance plc"), a member of the group, authorised and approved the issue of £30,090,000 unsecured 11.96% fixed interest loan notes which were constituted in a Deed Poll dated 7 June 2006. Under the terms of an Equity Subscription Agreement dated 7 June 2006 Finance plc's shareholders undertook to subscribe for the loan notes in separate tranches up to a total value of £30,090,000 over the period from 31 May 2009 to 31 March 2011. In the year ended 31 March 2011 the total amount of loan notes subscribed for by Finance plc's shareholders was £29,490,000. Since then, a number of early redemption payments have been made to the Finance plc's shareholders and during the year to 31 March 2020, two further redemptions of principal have been paid, leaving the balance of subordinated loan stock as at the year-end of £16,961,000. The 11.96% fixed interest accrues from 1 April 2011 and interest is paid semi-annually in arrears every 30 September and 31 March thereafter.

Of the total £30,090,000 loan notes constituted, £600,000 relates to a commitment to subscribe for Contingent Equity Tranche loan notes as detailed in the Equity Subscription Agreement. The commitment to subscribe for this tranche of the loan notes is no longer required as the matching Committed Variation Bonds to which the amount relates were cancelled on 20 March 2008, as they expired on 31 December 2007, in accordance with the Terms of the Bond Trust Deed and Collateral Deed.

Under the terms of an Intra group Loan Agreement entered into on 7 June 2006, NewHospitals (St Helens and Knowsley) Finance plc undertook to onward loan the proceeds of the issue of the subordinated loan stock to NewHospitals (St Helens and Knowsley) Limited, on exactly the same payment terms for interest and principal.

The proceeds of the loan stock issue are being used by the group to finance its obligations under its Project Agreement with the Trust.

The loan notes are redeemable at any time in line with the provisions of Clause 3 of the Deed Poll Constituting Unsecured Subordinated Loan Notes for the Company and in accordance with condition 3 (Redemption) of the aforementioned Deed.

14 Creditors: amounts falling due within one year

		Group		Company	
		2020	2019	2020	2019
	Notes	£'000	£'000	£'000	£'000
Loans and overdrafts	13	10,877	9,968	-	-
Trade creditors		3,879	3,339	-	-
Other taxation and social security		861	798	-	-
Accruals and deferred income		4,994	5,222	164	160
		20,611	19,327	164	160

15 Creditors: amounts falling due after more than one year

		Group		Company	
		2020	2019	2020	2019
		£'000	£'000	£'000	£'000
Loans and overdrafts	13	340,902	342,566	-	-
Accruals and deferred income		2,029	2,319	-	-
		342,931	344,885	-	-

All financial liabilities are held at amortised cost.

16 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

		Group		Company
	2020	2019	2020	2019
Deferred Tax Asset	£'000	£'000	£'000	£'000
Tax losses	7,216	6,336	-	-
	7,216	6,336	-	-

	Group	Company
	2020	2020
	£'000	£'000
Asset at 1 April 2019	6,336	-
Charge to profit or loss	880	-
Asset at 31 March 2020	7,216	-

17 Share capital

	Group and Company	
	2020	**2019**
Ordinary share capital	**£'000**	**£'000**
Alloted, called up and fully paid		
60,000 of £1 each	60	60

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.

18 Related party transactions

During the year the group entered into t he following transactions with related parties :

Innisfree Limited
Innisfree Limited acts as fund manager for Innisfree PFI Secondary Fund 2 LP , the majority shareholder of the group.

In the year the group paid directors fees and expenses (including VAT) to Innisfree Limited of £177,000 (2019: £167,000). There was no outstanding balance at 31 March 2020 (2019: £nil).

HCP Social Infrastructure (UK) Limited
On 7 June 2006 the group entered into transactions in the ordinary course of business for the duration of the Project Agreement with it's management services provider, HCP Social Infrastructure (UK) Limited, a subsidiary of HCP Holdings Limited. HCP Holdings Limited and the group are related parties by virtue of both being invested with funds under the management of Innisfree Limited .

During the year the group paid the manager and it's subsidiary, HCP Management Services Limited, for management and other associated services (including VAT) amounting to £950,000 (2019: £938,000). At 31 March 2020 , there was no outstanding balance (2019: £nil).

19 Cash generated from operations

	2020	**2019**
	£'000	**£'000**
Profit/(loss) for the year	5	(588)
Adjustments for:		
Income tax expense recognised in profit or loss	(881)	(89)
Finance costs recognised in profit or loss	20,914	22,175
Investment income recognised in profit or loss	(15,447)	(16,954)
Movements in working capital:		
Decrease/(Increase) in debtors	4,371	1,915
(Decrease)/Increase in creditors	(122)	25
Cash generated from operations	8,840	6,484

20 Analysis of changes in net debt - group

	1 April 2019	Cash flows	31 March 2020
	£'000	£'000	£'000
Cash at bank and in hand	21,222	2,455	23,677
Borrowings excluding overdrafts	(352,533)	755	(351,778)
	(331,311)	3,210	(328,101)

21 Controlling party

As at 31 March 2020 the company was owned 74.4% by Innisfree PFI Secondary Fund 2 LP and 25.6% by Innisfree PFI Secondary Fund (through its nominee Innisfree Nominee Limited). All of these entities are registered in England and Wales. In the directors' opinion, the company's ultimate parent undertaking and controlling party was Innisfree PFI Secondary Fund 2 LP, a limited partnership registered in England and Wales. The registered office of both Innisfree PFI Secondary Fund 2 LP and Innisfree PFI Secondary Fund is First Floor, Boundary House, 91-93 Charterhouse Street, London, EC1M 6HR.