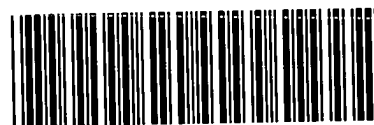


Company Registration No. 08412311 (England and Wales)

ALDER HEY HOLDCO 3 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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ALDER HEY HOLDCO 3 LIMITED

COMPANY INFORMATION

Directors	A S Pearson A Travis A Sutton (Appointed 15 June 2020)
Secretary	HCP Management Services Limited
Company number	08412311
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	BDO LLP 55 Baker Street London W1U 7EU
Banker	Sumitomo Mitsui Banking Corp Europe Limited

ALDER HEY HOLDCO 3 LIMITED

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ALDER HEY HOLDCO 3 LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

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

Principal activities

The Company principally operates as a holding company and was formed to hold the equity investment in Alder Hey Holdco 2 Limited.

The Group is principally engaged in the performance of a PFI contract with Alder Hey Children's NHS Foundation Trust for the design, build and operation of the Alder Hey Children's Hospital. There have not been any significant changes in the Group's principal activities in the year under review.

Directors

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

R Marsden	(Resigned 30 April 2019)
A S Pearson	
A Travis	
T Meredith	(Resigned 16 June 2020)
S Jones	(Appointed 30 April 2019 and resigned 15 June 2020)
N Woodburn	(Appointed 15 July 2019 and resigned 30 June 2020)
A Sutton	(Appointed 15 June 2020)

Results and dividends

The results for the year are set out on page 10.

Qualifying third party indemnity provisions

The Group 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.

Financial risk management objectives and policies

Service Performance

The Group encountered service performance issues during the year to 31 March 2019, and the level of Service Failure Points (SFPs) applied by the Trust in the 12 months period to December 2018 was sufficient to trigger Events of Default under the terms of the main loan agreements (the "loan agreements") with Lenders being the European Investment Bank and Institutional Investor Lenders represented by Prudential Assurance Company Limited and Prudential Retirement Income Limited in the instance of the bank loans held by the Group, and the Ultimate parent company shareholders (John Laing Plc, Interserve Group Limited and Laing O'Rourke Plc) ("sub debt providers") and with Prudential Assurance Company Limited ("senior sub debt providers") in the instance of the sub debt held by another group Company, Alder Hey HoldCo 2 Limited. This was notified to Lenders on 7 December 2018. The implications of these Events of Default were that the Lenders have a number of rights/ remedies available to them which include requiring that the amounts owing under the loan agreements are immediately repaid in full.

Furthermore, the level of accumulated SFPs applied by the Trust in the 12-month period up to the end of January 2019 was sufficient to trigger the Trust's right to terminate the project agreement.

To resolve these issues written confirmation was received from Lenders to allow the Group to enter a settlement (the "settlement agreement") with the Trust, Interserve FM Limited and Laing O'Rourke Construction Limited (also a parent undertaking) on the 26th April 2019. The Settlement Agreement waived the Event of Default related to SFPs and required the Company to pay the Trust £3.5 million in return for the following key benefits:

- a wipe clean of all SFPs awarded prior to 26th April 2019, any associated Events of Default and right of the Trust to terminate the project agreement
- an increase in SFP thresholds that trigger Events of Defaults under the loan agreements and the Trust's termination rights.

ALDER HEY HOLDCO 3 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

The Event of Default relating to the Parent Company Guarantee (see next page) remained in place as at the date of the settlement agreement.

The £3.5million payment to the Trust was accrued as at 31 March 2019 (see note 12) and was made in two parts with £2.0million paid in May 2019 and the remaining £1.5million paid in March 2020. These payments were funded through deferring the payment of subordinated debt interest between the SPV and Alder Hey HoldCo 1 Limited, between Alder Hey HoldCo 1 Limited and Alder Hey HoldCo 2 Limited, and finally between Alder Hey HoldCo 2 Limited and John Laing Plc, Interserve Group Limited and Laing O'Rourke Plc.

As a result of the high levels of SFPs experienced up to April 2019, the Directors sought advice from internal and external experts and implemented a plan of remedial actions (the "Plan") in order to increase service levels so that the number of SFPs is reduced going forward. The Plan involved the Group conducting additional monitoring as well as working with Interserve FM Limited, the Service Provider, to improve contractual performance. The Plan resulted in an improved performance from the Service Provider, with significantly lower SFPs relating to the service performance being applied in the period April to August 2019, compared to those accrued in 2018. However, due to identified latent construction defects, the SFP's awarded for the period between August 2019 and October 2019 exceeded the 6-month rolling SFP threshold which triggered an Event of Default under the terms of the loan agreements. The majority of these SFPs relate to a latent construction defect resulting in water ingress and were incurred due to unavailability of certain Hospital areas during the period when this defect was present rather than for poor performance by the service provider. This defect has been remedied and service performance for the period from November 2019 to date has resulted in low levels of SFPs. The Directors are aware of certain other latent construction defects for which remediation plans have been put in place, and these defects are monitored by the Group on an on-going basis. The Group does not expect significant numbers of SFPs to be incurred as a result of any disruption experienced during the remediation of the remaining issues given the nature of these defects. Costs incurred in remediating construction defects are borne by Laing O'Rourke Construction Limited, however should further issues arise in the future further SFPs may accrue which could lead to penalties, Events of Default consistent with the above or termination of the project as described below.

This Event of default has been removed as the level of SFPs achieved over the most recent 6-month rolling periods are below the threshold stipulated in the loan agreement with no waiver required from the lenders.

Service Provider Administration

On the 15th of March 2019 the parent company of Interserve FM Limited, Interserve Plc, entered administration. All of Interserve Plc's business and assets were sold to a newly incorporated company, Interserve Group Limited, which is controlled by the Interserve Plc's lenders – this included the sale of Interserve FM Limited.

Previously Interserve Plc provided a Parent Company Guarantee (PCG) which guaranteed to the Group the proper and punctual performance of Interserve FM Limited as well as all obligations, warranties, liabilities and agreements on the part of Interserve FM Limited. As Interserve Plc is no longer the parent company of Interserve FM Limited, the PCG is no longer in force. This has resulted in an Event of Default as defined in the loan agreements, the implications of which are consistent with those described on page 1.

To remedy this Event of Default the Group is working with Interserve FM Limited and its parent company, Interserve Group Limited, to obtain a new PCG on the same terms as the previous version. This Event of Default was not waived as at the date of signing these financial statements.

As there is currently no PCG in place there is a risk that if Interserve FM Limited was unable to meet its obligations under the contract, then the Group would be unable to recover any financial liabilities from a parent company. The Directors consider this risk to be small as Interserve FM Limited is paid in arrears, the Group was not owed any money from Interserve FM Limited as at the balance sheet date and it is not deemed likely that this will be the case in the future.

ALDER HEY HOLDCO 3 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Liquidity Risk

The Group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Group has sufficient liquid resources to meet the operating needs of the business. At the start of the PFI contract, the Group negotiated debt facilities with an external party to ensure that the Group has sufficient funds over the life of the PFI concession. At the time of signing the accounts all banking financial covenants were met, and subject to the Lenders not requiring that the amounts owing under the loan agreements are immediately repaid in full as a result of the current Event of Default the Company has sufficient liquid resources to meet the operational needs of the business for the foreseeable future.

Financial reporting risk and internal control

The Group has outsourced the financial reporting function to HCP Management Services Limited ("HCP"). Authorities remain vested in the Board members of the company. HCP reports regularly to the Board of the Group. The Board receives bi-monthly reports from HCP which specifically summarise and address the financial, contractual and commercial risks that the company is exposed to, and are pertinent to the industry in which the company operates. The Board also receives bi-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, HCP evaluates its performance under the framework of an Internal Audit and Assessment programme which sits within its own Corporate Governance framework. This process ensures that the project remains robust and viable throughout the life of the contract.

Credit Risk

The Group's principal financial assets are cash, financial assets and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables which are with one counterparty, although in the opinion of the board of directors this risk is limited as the receivables are with a public sector body.

Lifecycle Risk

Lifecycle expenditure is the main risk to the business. The risk being that the allowance for lifecycle costs factored into the financial model is insufficient to cover future lifecycle expenditure, thus resulting in lower profitability and reduced distributions. This is mitigated by regular lifecycle reviews undertaken by the management services provider and a detailed lifecycle review performed every five years.

Brexit Risk

The Group is exposed to risks associated with Brexit as a result of the inherent uncertainty around the UK's exit from the European Union. Whilst the Group itself is not considered to be significantly exposed, the Group's principal service provider, Interserve, may have exposure in relation to supply of labour which may impact the Group's service performance. Furthermore, an increased cost of supplies may impact on the Group's future lifecycle costs. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

Service Performance Risk

Performance risk under the Project Agreement and related contracts are substantially passed on to Interserve FM Limited. However, there is a risk that poor Service Provider performance can result in sufficient service failure points to trigger an Event of Default as part of the senior finance documents. It could also result in termination – see termination risk. This risk is managed by the Group through close contractual monitoring of service provider performance and by requesting service provider improvement plans when performance is below expectation. There is currently no indication that the Service Provider performance experienced from April 2019 will decrease in the foreseeable future, although the Group acknowledges that as with any service arrangement the risk that further issues arise which could impact on this performance is always present.

ALDER HEY HOLDCO 3 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Service Provider Failure Risk

Interserve is the Group's principal service provider and hence the likelihood of this risk is assessed through the review of Interserve's financial statements and through discussions with Interserve. The Group mitigates the risk through a Business Continuity Plan which details how the Group would deal with service provider failure. This includes both short term contingency plans and longer term replacement provider plans to ensure the Group's continuity of service to the Trust. The short-term contingency plans include directly employing staff and sub-contractors. The longer-term plans include appointing a new service provider through undertaking a competitive tender process.

Termination risk

The Group entered into a contract with the Trust to design, build and operate Alder Hey Children's Hospital until 21 June 2045. The contract allows for the Trust to terminate the contract if the number of SFPs exceed certain thresholds, the thresholds for which were subsequently increased as part of the settlement agreement entered into on 26th April 2019 as described above.

The board has considered this risk, noting that the level of SFPs which triggered the Event of Default above were largely the result of latent construction defects rather than service provider performance and based on service provider performance in the period from May 2019 up to date, the Group does not expect future SFP levels to reach the threshold at which the Trust would be able to terminate the project. The Directors are aware of certain other latent defects for which remediation plans have been put in place, and these defects are monitored by the SPV on an on-going basis.

If the Trust were to terminate the contract, then the Trust would be required to compensate the Group in accordance with the contract by making a payment which includes the sum of the outstanding bank loans under the loan agreements and the open market value of subordinated debt.

Implication of the Event of Default

The implication of the Event of Default is that the lenders have a number of rights/remedies available to them which include requiring that the amounts owing under the loan agreements are immediately repaid in full. The Directors have discussed this issue with the lenders on an ongoing basis and have received no indication to date that the Lenders currently intend to exercise their rights following an Event of Default to require repayment of the outstanding borrowing immediately.

Going Concern and Covid-19

Taking into consideration reasonably possible changes to operations (and in the event that the lenders do not accelerate the repayments of principal due to the Event of Default), the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have also noted the existence of an Event of Default as at the date of approval of these accounts. The implications of this Event of Default are that the Lenders have a number of rights/remedies available to them which include requiring that the amounts owing under the loan agreements are immediately repaid in full.

The Directors have therefore concluded that until the Event of Default, triggered by the absence of a PCG as discussed on page 2, have been waived or deemed remedied by the Lenders, the ability of the lenders to accelerate repayments of the loan principal amounts represents a material uncertainty that casts significant doubt on the Group's ability to continue as a going concern and that therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after considering the uncertainties described above, the Directors have a reasonable expectation that the Group will continue in operational existence for the foreseeable future. Thus the Directors consider that it is appropriate to continue to prepare the financial statement on a going concern basis.

ALDER HEY HOLDCO 3 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

The Directors have also considered the potential impact to the business from the effects of the current pandemic (Covid-19) and have put in place plans to mitigate the currently known, and potential risks to business continuity. The unitary charge income received from the Trust is highly predictable and the content of the Cabinet Office Policy Note PPN 02/20 indicates that public bodies will continue to pay their suppliers, the Directors do not believe that there is any material risk to income or cashflows. The Directors have also looked at the effect of possible downside scenarios with reduced level of income and cashflows and are satisfied that no default on lending covenants would arise. On this basis, the Directors anticipate that the Group will continue to be able to meet its business obligations as they fall due over the coming twelve months. The Directors therefore consider it appropriate to continue to prepare the financial statements on a going concern basis.

After considering these matters and in light of the current forecasts for the Company, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Auditor

BDO LLP were appointed as auditor to the Group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

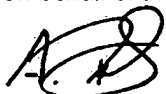
Each of the Directors in office at the date of approval of this annual report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Directors' report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the board



A Travis

Director

25 September 2020

ALDER HEY HOLDCO 3 LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

ALDER HEY HOLDCO 3 LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ALDER HEY HOLDCO 3 LIMITED

Opinion

We have audited the consolidated financial statements of Alder Hey Holdco 3 Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1.2 of the financial statements which explains that there is an Event of Default under the group's loan agreements with its lenders at the date of signing of this report. The implication of this Event of Default are that the Lenders have a number of rights/remedies available to them which include requiring that the amounts owing under the loan agreements are immediately repaid in full.

These events and conditions, along with the other matters explained in note 1.2, constitute a materiality uncertainty that may cast significant doubt on the group and the parent company's ability to continue as a going concern.

Our opinion is not modified in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

ALDER HEY HOLDCO 3 LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ALDER HEY HOLDCO 3 LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the group'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 group and the parent 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 group and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

ALDER HEY HOLDCO 3 LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ALDER HEY HOLDCO 3 LIMITED

BDO LLP

Stuart Barnsdall (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, United Kingdom

28 September 2020

ALDER HEY HOLDCO 3 LIMITED

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

	Notes	2020 £000	2019 £000
Turnover	3	6,911	6,031
Cost of sales		(6,770)	(9,160)
Gross profit/(loss)		141	(3,129)
Interest receivable and similar income	7	8,093	8,258
Interest payable and similar expenses	8	(7,900)	(7,753)
Profit/(loss) before taxation		334	(2,624)
Tax on profit/(loss)	9	(27)	446
Profit/(loss) for the financial year		307	(2,178)

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The accompanying notes form part of the financial statements.

ALDER HEY HOLDCO 3 LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020 £000	£000	Restated 2019 £000	£000
Current assets					
Debtors falling due after more than one year	12	116,388		119,159	
Debtors falling due within one year	12	3,083		4,119	
Cash at bank and in hand		9,526		12,709	
		<u>128,997</u>		<u>135,987</u>	
Creditors: amounts falling due within one year	13	<u>(130,132)</u>		<u>(137,429)</u>	
Net current liabilities			<u>(1,135)</u>		<u>(1,442)</u>
Capital and reserves					
Called up share capital	16		30		30
Profit and loss reserves	16		<u>(1,165)</u>		<u>(1,472)</u>
Total shareholders' funds			<u>(1,135)</u>		<u>(1,442)</u>

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

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



A Travis
Director

ALDER HEY HOLDCO 3 LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2020

		2020		2019	
	Notes	£000	£000	£000	£000
Fixed assets					
Investments	10		30		30
			<u>30</u>		<u>30</u>
Capital and reserves					
Called up share capital	16		30		30
			<u>30</u>		<u>30</u>
Total shareholders' funds			<u>30</u>		<u>30</u>

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £0 (2019: £0 profit).

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

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



A Travis
Director

Company Registration No. 08412311

ALDER HEY HOLDCO 3 LIMITED

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	30	706	736
	<hr/>	<hr/>	<hr/>
Year ended 31 March 2019:			
Loss and total comprehensive income for the year	-	(2,178)	(2,178)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	30	(1,472)	(1,442)
	<hr/>	<hr/>	<hr/>
Year ended 31 March 2020:			
Profit and total comprehensive income for the year	-	307	307
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020	30	(1,165)	(1,135)
	<hr/>	<hr/>	<hr/>

ALDER HEY HOLDCO 3 LIMITED

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

	Called up share capital £000	Profit and loss reserves £000	Total £000
Balance at 1 April 2018	30	-	30
	<hr/>	<hr/>	<hr/>
Year ended 31 March 2019:			
Profit and total comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	30	-	30
	<hr/>	<hr/>	<hr/>
Year ended 31 March 2020:			
Profit and total comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020	30	-	30
	<hr/>	<hr/>	<hr/>

ALDER HEY HOLDCO 3 LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £000	£000	2019 £000	£000
Cash flows from operating activities					
Cash generated from operations	20		5,145		10,973
Income taxes refunded/(paid)			74		(128)
Net cash inflow from operating activities			5,219		10,845
Investing activities					
Interest received		27		-	
Net cash generated from/(used in) investing activities			27		-
Financing activities					
Interest paid		(5,418)		(5,519)	
Repayment of bank loans		(3,011)		(2,925)	
Net cash used in financing activities			(8,429)		(8,444)
Net (decrease)/increase in cash and cash equivalents			(3,183)		2,401
Cash and cash equivalents at beginning of year			12,709		10,286
Cash and cash equivalents at end of year			9,526		12,687
Relating to:					
Cash at bank and in hand			9,526		12,709

ALDER HEY HOLDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

Company information

Alder Hey Holdco 3 Limited is a private company limited by shares, domiciled and incorporated in the United Kingdom and registered in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

The Group consists of Alder Hey Holdco 3 Limited and all of its subsidiaries.

1.1 Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

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

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £0 (2019: £0).

The Company has taken the small company exemption from preparing a strategic report.

1.2 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiaries undertakings drawn up to 31 March each year.

1.3 Going concern

The Group encountered service performance issues during the year to 31 March 2019, and the level of Service Failure Points (SFPs) applied by the Trust in the 12 months period to December 2018 was sufficient to trigger Events of Default under the terms of the main loan agreements (the "loan agreements") with Lenders being the European Investment Bank and Institutional Investor Lenders represented by Prudential Assurance Company Limited and Prudential Retirement Income Limited in the instance of the bank loans held by the Group, and the Ultimate parent company shareholders (John Laing Plc, Interserve Group Limited and Laing O'Rourke Plc) ("sub debt providers") and with Prudential Assurance Company Limited ("senior sub debt providers") in the instance of the sub debt held by another group Company, Alder Hey HoldCo 2 Limited. This was notified to Lenders on 7 December 2018. The implications of these Events of Default were that the Lenders have a number of rights/remedies available to them which include requiring that the amounts owing under the loan agreements are immediately repaid in full.

To resolve these issues written confirmation was received from Lenders to allow the Group to enter a settlement (the "settlement agreement") with the Trust, Interserve FM Limited and Laing O'Rourke Construction Limited (parent undertaking) on the 26th April 2019. The Settlement Agreement waived the Event of Default related to SFPs and required the Company to pay the Trust £3.5 million in return for the following key benefits:

- a wipe clean of all SFPs awarded prior to 26th April 2019, any associated Events of Default and right of the Trust to terminate the project agreement
- an increase in SFP thresholds that trigger Events of Defaults under the loan agreements and the Trust's termination rights.

The Event of Default relating to the Parent Company Guarantee (see next page) remained in place as at the date of the settlement agreement.

ALDER HEY HOLDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

The £3.5million payment to the Trust was accrued as at 31 March 2019 (see note 12) and was made in two parts with £2.0million paid in May 2019 and the remaining £1.5million paid in March 2020. These payments were funded through deferring the payment of subordinated debt interest between the SPV and Alder Hey HoldCo 1 Limited, between Alder Hey HoldCo 1 Limited and Alder Hey HoldCo 2 Limited, and finally between Alder Hey HoldCo 2 Limited and John Laing Plc, Interserve Group Limited and Laing O'Rourke Plc.

As a result of the high levels of SFPs experienced up to April 2019, the Directors sought advice from internal and external experts and implemented a plan of remedial actions (the "Plan") in order to increase service levels so that the number of SFPs is reduced going forward. The Plan involved the Group conducting additional monitoring as well as working with Interserve FM Limited, the Service Provider, to improve contractual performance. The Plan resulted in an improved performance from the Service Provider, with significantly lower SFPs relating to the service performance being applied in the period April to August 2019, compared to those accrued in 2018. However, due to identified latent construction defects, the SFPs awarded for the period between August 2019 and October 2019 exceeded the 6-month rolling SFP threshold which triggered an Event of Default under the terms of the loan agreements. The majority of these SFPs relate to a latent construction defect resulting in water ingress and were incurred due to unavailability of certain Hospital areas during the period when this defect was remedied rather than for poor performance by the service provider. This defect has been remedied and service performance for the period from November 2019 to date has resulted in low levels of SFPs. The Directors are aware of certain other latent construction defects for which remediation plans have been put in place, and these defects are monitored by the Group on an on-going basis. The Group does not expect significant numbers of SFPs to be incurred as a result of any disruption experienced during the remediation of the remaining issues given the nature of these defects. Costs incurred in remediating construction defects are borne by Laing O'Rourke Construction Limited, however should further issues arise in the future further SFPs may accrue which could lead to penalties, Events of Default consistent with the above.

This Event of default has been removed as the level of SFPs achieved over the most recent 6-month rolling periods are below the threshold stipulated in the loan agreement with no waiver required from the lenders.

Service Provider Administration

On the 15th of March 2019 the parent company of Interserve FM Limited, Interserve Plc, entered administration. All of Interserve Plc's business and assets were sold to a newly incorporated company which is controlled by the Interserve Plc's lenders – this included the sale of Interserve FM Limited.

Previously Interserve Plc provided a Parent Company Guarantee (PCG) which guaranteed to the Group the proper and punctual performance of Interserve FM Limited as well as all obligations, warranties, liabilities and agreements on the part of Interserve FM Limited. As Interserve Plc is no longer parent company of Interserve FM Limited the PCG is no longer in force. This has resulted in an Event of Default as defined in the loan agreements, the implications of which are consistent with those described on page 1. To remedy this Event of Default the Company is working with Interserve FM Limited and its parent company to obtain a new PCG on the same terms as the previous version. This Event of Default was not waived as at the date of signing these financial statements.

The impact of this on the balance sheet at 31 March 2020 is to classify the outstanding amounts of the external loans and associated amounts of interest payable as a current liability as the Group does not have an unconditional right to avoid repayment for at least 12 months at the balance sheet date. As a result, £93,137,000 of external loans which would otherwise be classified as Creditors: Amounts due after more than one year have been included in Creditors: Amounts due within one year.

ALDER HEY HOLDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

In addition, under the terms of the on the subordinated debt agreements (which sets out the terms and conditions on which the Group has borrowed amounts from Alder Hey Holdco 1 Limited) the Event of Default means that the Group's payables to group undertakings of £32,800,000 also become repayable on demand and hence this balance has been classified as amounts due within one year at 31 March 2020. However, it is noted that the terms of the loan agreements mean that the subordinated debt cannot be demanded by Alder Hey Holdco 1 Limited while the senior debt is outstanding.

As there is currently no PCG in place there is a risk that if Interserve FM Limited was unable to meet its obligations under the contract, then the Group would be unable to recover any financial liabilities from a parent company. The Directors consider this risk to be small as Interserve FM Limited is paid in arrears, the Group was not owed any money from Interserve FM Limited as at the balance sheet date and it is not deemed likely that this will be the case in the future.

If Interserve FM Limited were to fail in the future, then the Group would mitigate this risk through implementation of its Business Continuity Plan which details how the Group would deal with service provider failure. This includes both short-term contingency plans and longer-term replacement provider plans to ensure the Group's continuity of service to the Trust. The short-term contingency plans include directly employing staff and sub-contractors. The longer-term plans include appointing a new service provider through undertaking a competitive tender process.

Implication of the Event of Default

The implication of the Event of Default is that the lenders have a number of rights/remedies available to them which include requiring that the amounts owing under the loan agreements are immediately repaid in full. The Directors have discussed this issue with the lenders on an ongoing basis and have received no indication to date that the Lenders currently intend to exercise their rights following an Event of Default to require repayment of the outstanding borrowing immediately.

Taking into consideration reasonably possible changes to operations (and in the event that the lenders do not accelerate the repayments of principal due to the Event of Default), the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have also noted the existence of an Event of Default as at the date of approval of these accounts. The implications of the Event of Default are that the Lenders have a number of rights/remedies available to them which include requiring that the amounts owing under the loan agreements are immediately repaid in full.

The Directors have therefore concluded that until the Event of Default, triggered by the absence of a PCG as discussed on page 2, have been waived or deemed remedied by the Lenders, the ability of the lenders to accelerate repayments of the loan principal amounts represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and that therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after considering the uncertainties described above, the Directors have a reasonable expectation that the Group will continue in operational existence for the foreseeable future.

The Directors have considered the potential impact to the business from the effects of the current pandemic (Covid-19) and have put in place plans to mitigate the currently known, and potential risks to business continuity. The unitary charge income received from the Trust is highly predictable and the content of the Cabinet Office Policy Note PPN 02/20 indicates that public bodies will continue to pay their suppliers, the Directors do not believe that there is any material risk to income or cashflows. On this basis, the Directors anticipate that the Group will continue to be able to meet its business obligations as they fall due over the coming twelve months.

Thus, the Directors consider that it is appropriate to continue to prepare the financial statement on a going concern basis and these financial statements do not include any adjustments that would be necessary if this basis were inappropriate.

ALDER HEY HOLDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies (Continued)

1.4 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Income received in respect of the service concession is allocated between revenue and capital repayment of, and interest income on, the PFI financial asset using the effective interest rate method. Service revenue is recognised as a margin on non-pass-through operating and maintenance costs.

Pass through income represents the direct pass through of recoverable costs, as specified in the Project Agreement.

Variation income relates to the recharge of costs incurred for the alteration of the facilities or the services provided, requested by the Authority.

1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in profit or loss. Transaction costs are expensed to profit or loss as incurred.

1.6 Cash and cash equivalents

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

1.7 Financial instruments

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

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

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

Basic financial assets

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

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

ALDER HEY HOLDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Service Concession

The Group is a special purpose entity that has been established to provide services under certain private finance arrangements with Alder Hey Children's NHS Foundation Trust (the Trust). Under the terms of these Agreements, the Trust (as grantor) controls the services to be provided by the Group over the contract term. Based on the contractual arrangements the Group has classified the project as a service concession arrangement and has accounted for the principal assets of, and income streams from, the project in accordance with FRS102, Section 34.12 Service Concession Arrangements.

The Group has chosen to adopt the transitional arrangements available within FRS 102, Section 35.10 (i) and as such the service concession arrangement has continued to be accounted for using the same accounting policies being applied prior to the date of transition to FRS 102 (1 January 2014). The nature of the asset has therefore not changed; however, there was a change in the description from Finance Debtor to Financial Asset.

Under the terms of the arrangement, the Group has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor (the Trust), and as such the asset is accounted for as a financial asset. The financial asset has initially been recognised at the fair value of the consideration received, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

Impairment of financial assets

Financial assets 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.

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.

ALDER HEY HOLDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. The effective interest method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through the group statement of comprehensive income. Debt instruments may be designated as being measured at fair value through the group statement of comprehensive income 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.

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.

Derecognition of financial liabilities

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

1.8 Equity instruments

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

1.9 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the group statement of comprehensive income 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.

ALDER HEY HOLDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Deferred tax

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

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

1.10 Prior period adjustment

The following reclassification of comparative information has been made to more appropriately reflect its nature:

Note 3 - Variation income has been reclassified as passthrough income.

Note 12 – The amount receivable in respect of both the financial asset and deferred tax asset within one year have been separately disclosed.

2 Judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Services concession arrangement

As disclosed in Note 1, the Group accounts for the project as a service concession arrangement. The Directors use their judgement in selecting the appropriate financial asset rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the financial asset; and also the service margin that is used to recognise service revenue. The Directors have also used their judgement in assessing the appropriateness of the future maintenance costs that are included in the Group's forecasts. The Directors will continue to monitor the condition of the assets and undertake a regular review of maintenance spend.

ALDER HEY HOLDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

3 Turnover and other revenue

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

	2020	Restated 2019
	£000	£000
Turnover analysed by class of business		
Passthrough income	2,975	2,453
Services income	3,652	3,285
Rental income	281	293
Other income	3	-
	<u>6,911</u>	<u>6,031</u>
	<u>6,911</u>	<u>6,031</u>
Turnover analysed by geographical market		
United Kingdom	6,911	6,031
	<u>6,911</u>	<u>6,031</u>

4 Auditor's remuneration

	2020	2019
	£000	£000
Fees payable to the Group's auditor and associates:		
For audit services		
Audit of the financial statements of the Group and Company	1	1
Audit of the financial statements of the Company's subsidiaries	15	29
	<u>16</u>	<u>30</u>

5 Employees

The Group had no employees during the current or prior year.

6 Directors' remuneration

No directors received any remuneration for services to the Group during the current or prior year.

7 Interest receivable and similar income

	2020	2019
	£000	£000
Interest income		
Interest on bank deposits	27	-
Interest receivable on financial asset	8,066	8,258
	<u>8,093</u>	<u>8,258</u>

ALDER HEY HOLDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

8 Interest payable and similar expenses

	2020 £000	2019 £000
Interest on bank overdrafts and loans	4,556	4,686
Interest on invoice finance arrangements	46	45
Interest payable to group undertakings	3,298	3,022
	<u> </u>	<u> </u>
Total finance costs	<u>7,900</u>	<u>7,753</u>

9 Taxation

	2020 £000	2019 £000
Current tax		
UK corporation tax on profits for the current period	15	-
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	12	(446)
	<u> </u>	<u> </u>
Total tax charge/(credit)	<u>27</u>	<u>(446)</u>

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

	2020 £000	2019 £000
Profit/(loss) before taxation	<u>334</u>	<u>(2,624)</u>
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2019: 17.00%)	63	(446)
Adjustments in respect of prior years	16	-
Changes in tax rate on deferred tax balances	(52)	-
	<u> </u>	<u> </u>
Taxation charge/(credit)	<u>27</u>	<u>(446)</u>

For the year ended 31 March 2020, the UK corporation tax rate of 19% is applied.

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 15 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 deferred tax asset as at 31 March 2020 has been calculated based on a rate of 19%.

ALDER HEY HOLDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

10 Fixed asset investments

		Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
	Notes				
Investments in subsidiaries	11	-	-	30	30

The investment in subsidiaries is an equity instrument measured at cost less impairment.

The balance sheet value of investments held represents the purchase consideration. The value of investments is not less than the aggregate amounts at which they are shown in the balance sheet.

The Company holds a 100% investment in Alder Hey HoldCo 2 Limited, a company incorporated in England and Wales, with a registered address of 8 White Oak Square, London Road, Swanley, BR8 7AG. The investment held represents 30,000 ordinary shares of £1 each.

The Company also indirectly holds through Alder Hey HoldCo 2 Limited a 100% investment in Alder Hey HoldCo 1 Limited and Alder Hey (Special Purpose Vehicle) Limited, both companies are incorporated in England and Wales, with registered addresses of 8 White Oak Square, London Road, Swanley, BR8 7AG.

Movements in fixed asset investments Company

	Shares in group undertakings £000
Cost or valuation	
At 1 April 2019 and 31 March 2020	30
Carrying amount	
At 31 March 2020	30
At 31 March 2019	30

11 Subsidiaries

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

ALDER HEY HOLDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

11 Subsidiaries

(Continued)

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Alder Hey (Special Purpose Vehicle) Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG	100	Ordinary Shares	
Alder Hey Holdco 1 Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG	100	Ordinary Shares	
Alder Hey Holdco 2 Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG		Ordinary Shares	100

12 Debtors

	Group	Restated	Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	207	828	-	-
Corporation tax recoverable	-	89	-	-
Financial asset	2,645	2,987	-	-
Prepayments and accrued income	105	202	-	-
	<u>2,957</u>	<u>4,107</u>	<u>-</u>	<u>-</u>
Deferred tax asset (note 15)	126	12	-	-
	<u>3,083</u>	<u>4,119</u>	<u>-</u>	<u>-</u>
Amounts falling due after more than one year:				
	Notes			
Financial asset	116,080	118,725	-	-
Deferred tax asset	15 308	434	-	-
	<u>116,388</u>	<u>119,159</u>	<u>-</u>	<u>-</u>
Total debtors	<u>119,471</u>	<u>123,278</u>	<u>-</u>	<u>-</u>

ALDER HEY HOLDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

13 Creditors: amounts falling due within one year

	Notes	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Bank loans	14	95,808	98,421	-	-
Trade creditors		306	784	-	-
Gross amounts owed to contract customers		-	2,826	-	-
Amounts due to senior subordinated debt holders	14	10,764	11,063	-	-
Amounts due to subordinated debt holders		22,036	19,641	-	-
Other taxation and social security		80	334	-	-
Bank loan accrued interest		-	12	-	-
Accruals and deferred income		1,138	4,347	-	-
		<u>130,132</u>	<u>137,428</u>	<u>-</u>	<u>-</u>

14 Loans and overdrafts

	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Bank loans	95,808	98,421	-	-
Loans from senior subordinated and subordinated debt holders	32,800	30,705	-	-
	<u>128,608</u>	<u>129,126</u>	<u>-</u>	<u>-</u>
Payable within one year	128,608	129,126	-	-
	<u>128,608</u>	<u>129,126</u>	<u>-</u>	<u>-</u>

ALDER HEY HOLDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

14 Loans and overdrafts

(Continued)

The group has four debt facilities:

- European Investment Bank loan of £54.474 million repayable in instalments from September 2015 to September 2043, with a fixed rate of interest of 4.11%; and
- M&G loan of £55.183 million repayable in instalments from September 2015 to September 2043, with a fixed rate of interest of 4.91%.
- An on-loan of a Subordinated Secured Facility with Prudential of £12.12 million repayable in instalments from September 2015 to September 2043, with a fixed rate of interest of 7.81%
- Subordinated Debt with the shareholders John Laing Investments Limited, Laing O'Rourke Plc. and Interserve Development No.1 Limited of £16.468 million repayable in one off payment in September 2043, with a fixed rate of interest of 11.74%. Amounts owed to parent undertaking comprises of loans of £16.468 million, plus capitalised subordinated debt interest of £3.5 million (2019: £3.173 million). The increase in subordinated debt interest relative to the prior period relates to accrued interest amounts capitalised within the loan principal balances in order to fund the settlement agreement as detailed in the Directors' report.

15 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:

	Assets	Assets
	2020	2019
	£000	£000
Group		
Tax losses	434	446
	<u> </u>	<u> </u>
	Group	Company
	2020	2020
	£000	£000
Movements in the year:		
Asset at 1 April 2019	(446)	-
Charge to profit or loss	12	-
	<u> </u>	<u> </u>
Asset at 31 March 2020	(434)	-
	<u> </u>	<u> </u>

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

ALDER HEY HOLDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

16 Share capital

	Group and company	
	2020	2019
	£000	£000
Ordinary share capital		
Issued and fully paid		
30,000 Ordinary Shares of £1 each	30	30
	<u> </u>	<u> </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.

The profit and loss reserve represents cumulative profits or losses.

ALDER HEY HOLDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

17 Related party transactions

Transactions with related parties

During the year the Group entered into the following transactions with related parties:

	2020 £000	2019 £000
Group		
John Laing plc and Subsidiaries - Management and other fees	5	5
John Laing plc and Subsidiaries - Subordinated debt interest	958	847
Laing O'Rourke plc and Subsidiaries - Passthrough and Other fees	5	5
Laing O'Rourke plc and Subsidiaries - Subordinated debt interest	958	847
Interserve plc and Subsidiaries - Other fees	181	318
Interserve plc and Subsidiaries - FM Fees	2,432	2,369
Interserve plc and Subsidiaries - Subordinated debt interest	479	424
	<u>5,018</u>	<u>4,815</u>

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2020 £000	2019 £000
Group		
John Laing plc and Subsidiaries - Subordinated debt interest	827	422
John Laing plc and Subsidiaries - Subordinated loan notes	7,987	6,587
Laing O'Rourke plc and Subsidiaries - Subordinated debt interest	827	422
Laing O'Rourke plc and Subsidiaries - Subordinated loan notes	7,987	6,587
Interserve plc and Subsidiaries - Other fees	236	260
Interserve plc and Subsidiaries - Passthrough costs	20	-
Interserve plc and Subsidiaries - Sub debt interest	414	211
Interserve plc and Subsidiaries - Subordinated loan notes	3,994	3,294
	<u>22,292</u>	<u>17,783</u>

Group

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2020 £000	2019 £000
John Laing plc and Subsidiaries - Management and other fees	133	-
Laing O'Rourke plc and Subsidiaries - Construction fees	26	-
	<u>159</u>	<u>-</u>

No guarantees have been given or received.

ALDER HEY HOLDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

18 Controlling party

The Company is owned by John Laing Investments Limited (40%), Laing O'Rourke Plc (40%) and Interserve Developments No.1 Limited (20%). The companies are incorporated in Great Britain and registered in England and Wales. The financial statements are available to the public and can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ. The Directors consider there to be no ultimate controlling party or ultimate parent company.

19 Capital Commitments

On 21 March 2013, the Group entered into a 30 year contract with the Trust for the development of a Children's Health Park at Alder Hey Hospital. As part of this contract, the Group has pledged to the lenders all of their assets as security for their borrowings.

20 Cash generated from group operations

	2020 £000	2019 £000
Profit/(loss) for the year after tax	308	(2,177)
Adjustments for:		
Taxation charged/(credited)	26	(446)
Finance costs	7,900	7,753
Interest income	(27)	(68)
Movements in working capital:		
Decrease in debtors	3,705	1,892
(Decrease)/increase in creditors	(6,767)	4,019
Cash generated from operations	5,145	10,973

21 Analysis of changes in net debt - group

	1 April 2019 £000	Cash flows £000	Other non- cash changes £000	31 March 2020 £000
Cash at bank and in hand	12,709	(3,183)	-	9,526
Borrowings excluding overdrafts	(129,126)	3,012	(2,494)	(128,608)
	<u>(116,417)</u>	<u>(171)</u>	<u>(2,494)</u>	<u>(119,082)</u>

No subordinated debt interest payments were made in the year to March 2020 as a result of the Event of Default described in the Directors' Report. The capitalisation of the subordinated debt interest is the primary reason for the increase in borrowings from other non-cash changes.