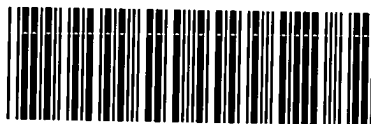


Company Registration No. 08387797 (England and Wales)

ALDER HEY HOLDCO 2 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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ALDER HEY HOLDCO 2 LIMITED

COMPANY INFORMATION

Directors	A Travis A S Pearson A Sutton (Appointed 15 June 2020)
Secretary	HCP Management Services Limited
Company number	08387797
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 2 LIMITED

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ALDER HEY HOLDCO 2 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

Alder Hey HoldCo 2 Limited is the holding company of Alder Hey HoldCo 1 Limited, which in turn is the holding company of Alder Hey (Special Purpose Vehicle) Limited.

The principal activity of the Group is the design, construction, financing and operation of a new 270 bed specialist paediatric centre hospital with multi-storey car park for the Alder Hey Children's NHS Foundation Trust.

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 Travis	
A S Pearson	
T Meredith	(Resigned 15 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)

Going concern and Covid-19

The Directors assessment of going concern and the impact of Covid-19 can be found in the accounting policies note in the financial statements.

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 Company 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.

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The Directors do not recommend payment of a final dividend.

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.

Financial risk management objectives and policies

Liquidity Risk

The Company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Company has sufficient liquid resources to meet the operating needs of the business. At the start of the PFI contract, the Company negotiated debt facilities with an external party to ensure that the Company has sufficient funds over the life of the PFI concession.

ALDER HEY HOLDCO 2 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Brexit Risk

The Company 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 Company itself is not considered to be significantly exposed, the Company's subsidiary's principal service provider, Interserve, may have exposure in relation to supply of labour which may impact the subsidiary's service performance. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

Auditor

BDO LLP were appointed as auditor to the Company 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 Company'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 Company'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 2 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 Company and of the profit or loss of the Company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ALDER HEY HOLDCO 2 LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ALDER HEY HOLDCO 2 LIMITED

Opinion

We have audited the financial statements of Alder Hey Holdco 2 Limited (the 'company') for the year ended 31 March 2020 which comprise the statement of comprehensive income, the balance sheet, the 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 company's affairs as at 31 March 2020 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1.2 to the financial statements which explains the Event of Default incurred by a subsidiary of the Company's subsidiary that was present at the date of signing this report. The implication of this Event of Default is that the loans payable by the Company to the subordinated debt providers may be recalled, and that were this to happen the Company may not be able to recover sufficient funds from its subsidiary in order to settle the amounts owed.

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 company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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 respect in this regard.

ALDER HEY HOLDCO 2 LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ALDER HEY HOLDCO 2 LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' report for 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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 3 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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.

ALDER HEY HOLDCO 2 LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ALDER HEY HOLDCO 2 LIMITED

Use of our report

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

A handwritten signature in black ink, appearing to read 'BDO LLP', is written over the printed text of the auditor's name and firm.

Stuart Barnsdall (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, United Kingdom

28 September 2020

ALDER HEY HOLDCO 2 LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £000	2019 £000
Interest receivable and similar income	6	3,255	2,999
Interest payable and similar expenses	7	(3,255)	(2,999)
Profit before taxation		-	-
Tax on profit		-	-
Profit for the financial year		-	-

The profit and loss account has been prepared on the basis that all operations are continuing operations.

ALDER HEY HOLDCO 2 LIMITED

BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020 £000	£000	2019 £000	£000
Fixed assets					
Investments	8		30		30
Current assets					
Debtors	9	32,800		30,705	
Creditors: amounts falling due within one year	10	(32,800)		(30,705)	
Net current assets			-		-
Total assets less current liabilities			30		30
Capital and reserves					
Called up share capital	12		30		30

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

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. 08387797

ALDER HEY HOLDCO 2 LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Share capital £000
Balance at 1 April 2018	30
Year ended 31 March 2019:	
Profit and total comprehensive income for the year	-
Balance at 31 March 2019	30
Year ended 31 March 2020:	
Profit and total comprehensive income for the year	-
Balance at 31 March 2020	<u>30</u>

ALDER HEY HOLDCO 2 LIMITED

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

1 Accounting policies

Company information

Alder Hey Holdco 2 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.

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

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

The financial statements contain information about Alder Hey HoldCo 2 Limited as an individual company and do not contain consolidated financial information as the Parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the financial statements of its Parent, Alder Hey HoldCo 3 Limited. Accounts are available from its registered address disclosed in note 15.

In the consolidated financial statements of Alder Hey Holdco 3 Limited, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of Cash Flow Statement and related notes.

The Company is also considered to be a qualifying entity for the disclosure exemptions relating to the requirements of Section 11 paragraphs 11.39 to 11.48A as the equivalent disclosures required by this FRS are included in the consolidated financial statements of the Group in which the Company is consolidated.

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

ALDER HEY HOLDCO 2 LIMITED

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

1 Accounting policies

(Continued)

1.2 Going concern

In 2013 the Company borrowed subordinated debt of £16.47m from sub debt providers and a senior subordinated debt facility of £12.1m from senior sub debt providers as documented in note 11 of the accounts. This debt has been advanced to Alder Hey (Special Purpose Vehicle) Limited (the "SPV") via Alder Hey Holdco 1 Limited.

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 SPV 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 held by the SPV and by the Company (the "loan agreements") with Lenders. The Lenders are 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 SPV, 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 the Company.

To remedy this Event of Default the SPV is working with Interserve FM Limited and its parent company Interserve Group Limited to provide 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 SPV would be unable to recover any financial liabilities from a parent company, bringing into question its ability to make repayments of its loan to the Company as they fall due. The Directors consider this risk to be small as Interserve FM Limited is paid in arrears, the SPV 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 SPV would mitigate this risk through implementation of its Business Continuity Plan which details how the SPV would deal with service provider failure. This includes both short-term contingency plans and longer-term replacement provider plans to ensure the SPV'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.

ALDER HEY HOLDCO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Implication of 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. If the loan agreements are required to be repaid in full, then this creates a risk that the SPV has insufficient funds to repay the subordinated debt due to Alder Hey HoldCo 1 Limited and from Alder Hey HoldCo 1 Limited to the Company and therefore a risk that the Company is unable to repay its sub debt and senior sub debt liabilities as they fall due. The SPV 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 borrowings immediately.

The impact of this on the balance sheet at 31 March 2020 is to classify the outstanding amounts of sub debt and senior sub debt from Alder Hey Holdco 1 Limited and the Company's payables to sub debt and senior sub debt providers both valued at £32,800,000 as current in Debtors and Creditors. However, it is noted that the terms of the relevant loan agreements mean that the subordinated debt cannot be demanded by sub debt and senior sub debt providers while the senior debt owed by the SPV to the lenders is outstanding.

The Company's going concern is dependent on its ability to repay debt owed to subordinated debt providers. Taking into consideration reasonably possible changes to the SPV's operations (and in the event that the lenders do not accelerate the repayments of principal due to the Event of Default), the SPV has adequate resources to continue in operational existence for the foreseeable future and to continue to be able to discharge its obligations to the Alder Hey Holdco 1 Limited and therefore for Alder hey Holdco 1 Limited to discharge its obligation to the Company, in turn allowing the Company to discharge its obligations to the sub debt and senior sub debt providers.

The Directors have therefore concluded that until the Event of Default has 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 SPV's ability to realise its assets and discharge its liabilities in the normal course of business. Consequently, the Alder Hey Holdco 1 Limited, as a holding company for the SPV, will not be able to settle its liabilities with the Company which further will cause Company to not be able to settle its liabilities with sub debt and senior sub debt providers, and as such this issue represents a material uncertainty that casts significant doubt on the Company to continue as a going concern. Nevertheless, after considering the uncertainties described above, the Directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future.

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 predicable 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 Company 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 and these financial statements do not include any adjustments that would be necessary if this basis were inappropriate.

ALDER HEY HOLDCO 2 LIMITED

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

1 Accounting policies

(Continued)

1.3 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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

1.4 Financial instruments

The Company 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 Company'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 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.

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.

ALDER HEY HOLDCO 2 LIMITED

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

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 Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

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 Company after deducting all of its liabilities.

Basic financial liabilities

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

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

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 profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.5 Equity instruments

Equity instruments issued by the Company 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 Company.

1.6 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 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 Company'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 2 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 when the Company has 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.

2 Judgements and key sources of estimation uncertainty

In the application of the Company'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.

The Directors consider there to be no critical judgements and no key sources of estimation uncertainty.

3 Operating profit

	2020	2019
	£000	£000
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	1	1
	<u>1</u>	<u>1</u>

4 Employees

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

5 Directors' remuneration

No Directors received any remuneration for services to the Company during the current or prior year. The Company is managed by secondees from the shareholders under a shareholder agreement.

ALDER HEY HOLDCO 2 LIMITED

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

6 Interest receivable and similar income

	2020	2019
	£000	£000
Interest income		
Interest receivable from group companies	3,255	2,999

7 Interest payable and similar expenses

	2020	2019
	£000	£000
Interest on invoice finance arrangements	861	881
Interest payable to parent undertakings	2,394	2,118
Total interest expense	3,255	2,999

8 Fixed asset investments

	2020	2019
	£000	£000
Investments in subsidiaries	30	30

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

Movements in fixed asset investments

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

9 Debtors

	2020	2019
	£000	£000
Amounts falling due within one year:		
Amounts owed by group undertakings	32,800	30,705

ALDER HEY HOLDCO 2 LIMITED

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

10 Creditors: amounts falling due within one year

		2020 £000	2019 £000
Amounts due to senior subordinated debt holders	11	10,764	10,764
Amounts due to subordinated debt holders	11	22,036	19,941
		<u>32,800</u>	<u>30,705</u>

11 Loans and overdrafts

		2020 £000	2019 £000
Loans from senior subordinated and subordinated debt holders		<u>32,800</u>	<u>28,878</u>
Payable within one year		<u>32,800</u>	<u>28,878</u>
		<u>32,800</u>	<u>28,878</u>

The loan consists of the following:

- Senior Subordinated Debt from Prudential Assurance Company Limited of £12.1 million repayable in instalments from September 2015 to September 2043, with a fixed rate of interest of 7.81%. The facility was fully drawn down at financial close and on-loaned to the Company's subsidiary undertaking, Alder Hey Holdco 1 Limited.

- Subordinated Debt of £16.47 million from John Laing Plc, Interserve Group Limited and Laing O'Rourke Plc (shareholder loan) repayable in one-off payment in September 2043, with a fixed rate of interest of 11.74%. The facility was fully drawn down at financial close and on-loaned to the Company's subsidiary undertaking, Alder Hey Holdco 1 Limited. Amounts due to parent undertaking comprises of loans of £16.47 million (2019: £16.47 million), capitalised interest subordinated interest of £3.5 million (2019: £3.17 million) and interest payable of £2.07 million (2019: £nil).

12 Share capital

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

13 Related party transactions

As a wholly owned subsidiary of Alder Hey Holdco 3 Limited, the Company has taken advantage of the exemption under FRS 102 Section 33 not to provide information on related party transactions with other undertakings in the Alder Hey Holdco 3 Limited group. A copy of the published financial statements of Alder Hey Holdco 3 Limited can be obtained from Companies House.

ALDER HEY HOLDCO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

14 Ultimate controlling party

The Company's immediate parent company is Alder Hey HoldCo 3 Limited, a Company incorporated in Great Britain.

The smallest and largest group in which its results are consolidated and the Company's ultimate parent and controlling entity is Alder Hey HoldCo 3 Limited, a company incorporated in Great Britain, with a registered address at 8 White Oak Square, London Road, Swanley, BR87AG. Copies of the consolidated accounts of Alder Hey HoldCo 3 Limited can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.