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HEALTHSOURCE (BROMLEY) LIMITED

AUDITED

**DIRECTORS' REPORT
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 MARCH 2020**



HEALTHSOURCE (BROMLEY) LIMITED

COMPANY INFORMATION

Directors	Mr A T S Parry Mr A W Hopps Mr S J Johnston (resigned 1 November 2019)
Company secretary	Mr P W Noake
Registered number	04197976
Registered office	4 Greengate Cardale Park Harrogate North Yorkshire HG3 1GY
Independent auditors	Wellden Turnbull Limited Chartered Accountants & Statutory Auditors Albany House Claremont Lane Esher Surrey KT10 9FQ

HEALTHSOURCE (BROMLEY) LIMITED

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HEALTHSOURCE (BROMLEY) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

Principal activities

The Company's principal activities are to provide new hospital equipment and replacement and ongoing maintenance to the Princess Royal University Hospital and other sites under the control of King's College Hospital NHS Foundation Trust for a period of 30 years, under the Government's Private Finance Initiative ("PFI").

Directors

The directors who served during the year were:

Mr A T S Parry
Mr A W Hopps
Mr S J Johnston (resigned 1 November 2019)

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

HEALTHSOURCE (BROMLEY) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

Post balance sheet events

Subsequent to the year end date, global economies and financial markets experienced significant volatility as a result of the uncertainties arising from the COVID-19 virus pandemic. The Company earns income from a PFI contract with King's College Hospital NHS Foundation Trust which matures 2032. The Directors have assessed the impact and risk of the current market conditions on the Company and do not believe these to be material in nature. Details of the Directors' going concern assessment are included in note 2.4.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



Mr A T S Parry
Director

Date: 23 December 2020

HEALTHSOURCE (BROMLEY) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEALTHSOURCE (BROMLEY) LIMITED

Opinion

We have audited the financial statements of Healthsource (Bromley) Limited (the 'Company') for the year ended 31 March 2020, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, 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 Financial Reporting Standard 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 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Emphasis of matter

We draw attention to note 2.4 of the financial statements which sets out the basis for management's assessment of the Company's position as a going concern, including assessment of the impact of COVID-19 on the Company, and the subsequent preparation of the accounts on a going concern basis. Our opinion is not modified in this respect. We draw attention to note 2.18 of the financial statements, which describes the accounting treatment for fair value gains and losses on financial instrument swaps held by the Company. Our opinion is not modified in this respect.

HEALTHSOURCE (BROMLEY) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEALTHSOURCE (BROMLEY) LIMITED (CONTINUED)

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 Auditors' 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.

Opinion 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 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 in relation to which 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' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

HEALTHSOURCE (BROMLEY) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEALTHSOURCE (BROMLEY) LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 1, 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.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.



Mark Nelligan FCA (Senior Statutory Auditor)

for and on behalf of
Wellden Turnbull Limited

Chartered Accountants
Statutory Auditors

Albany House
Claremont Lane
Esher
Surrey
KT10 9FQ

Date: 23/12/2020

HEALTHSOURCE (BROMLEY) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £	2019 £
Turnover	4	4,994,211	4,934,568
Cost of sales		(1,414,903)	(1,513,958)
Gross profit		3,579,308	3,420,610
Administrative expenses		(1,699,163)	(1,745,328)
Operating profit		1,880,145	1,675,282
Interest receivable and similar income	7	3,108	1,288
Interest payable and similar expenses	8	(343,276)	(349,227)
Profit before tax		1,539,977	1,327,343
Tax on profit	10	(283,392)	(254,251)
Profit for the financial year		1,256,585	1,073,092

The notes on pages 10 to 25 form part of these financial statements.

HEALTHSOURCE (BROMLEY) LIMITED

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

	2020 £	2019 £
Profit for the financial year	1,256,585	1,073,092
Other comprehensive income		
Fair value gains on swaps	162,934	141,996
Deferred tax arising on fair value adjustments	(30,957)	(26,979)
Other comprehensive income for the year	131,977	115,017
Total comprehensive income for the year	1,388,562	1,188,109

The notes on pages 10 to 25 form part of these financial statements.

HEALTHSOURCE (BROMLEY) LIMITED
REGISTERED NUMBER: 04197976

BALANCE SHEET
AS AT 31 MARCH 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	11	6,101,319	6,270,568
Current assets			
Debtors: amounts falling due after more than one year	13	556,604	657,048
Debtors: amounts falling due within one year	13	1,146,348	1,057,791
Cash at bank and in hand	14	1,296,244	226,137
		<u>2,999,196</u>	<u>1,940,976</u>
Creditors: amounts falling due within one year	15	(1,427,287)	(1,445,998)
Net current assets		<u>1,571,909</u>	<u>494,978</u>
Total assets less current liabilities		<u>7,673,228</u>	<u>6,765,546</u>
Creditors: amounts falling due after more than one year	16	(1,861,855)	(2,108,621)
Provisions for liabilities			
Deferred taxation	20	(184,457)	(9,007)
		<u>(184,457)</u>	<u>(9,007)</u>
Net assets		<u><u>5,626,916</u></u>	<u><u>4,647,918</u></u>
Capital and reserves			
Called up share capital	21	100,000	100,000
Other reserves	22	(314,875)	(446,852)
Profit and loss account	22	5,841,791	4,994,770
Shareholders' funds		<u><u>5,626,916</u></u>	<u><u>4,647,918</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Mr A T S Parry
Director

Date: *23 December 2020*

The notes on pages 10 to 25 form part of these financial statements.

HEALTHSOURCE (BROMLEY) LIMITED

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

	Called up share capital £	Other reserves £	Profit and loss account £	Total equity £
At 1 April 2018	100,000	(387,622)	3,809,621	3,521,999
Comprehensive income for the year				
Profit for the year	-	-	1,073,092	1,073,092
Fair value gains on swaps	-	141,996	-	141,996
Deferred tax arising on fair value adjustments	-	(26,979)	-	(26,979)
Other comprehensive income for the year	-	115,017	-	115,017
Total comprehensive income for the year	-	115,017	1,073,092	1,188,109
Dividends: Equity capital	-	-	(62,190)	(62,190)
Transfer to/from profit and loss account	-	(174,247)	174,247	-
Total transactions with owners	-	(174,247)	112,057	(62,190)
At 1 April 2019	100,000	(446,852)	4,994,770	4,647,918
Comprehensive income for the year				
Profit for the year	-	-	1,256,585	1,256,585
Fair value gains on swaps	-	162,934	-	162,934
Deferred tax arising on fair value adjustments	-	(30,957)	-	(30,957)
Other comprehensive income for the year	-	131,977	-	131,977
Total comprehensive income for the year	-	131,977	1,256,585	1,388,562
Dividends: Equity capital	-	-	(409,564)	(409,564)
Total transactions with owners	-	-	(409,564)	(409,564)
At 31 March 2020	100,000	(314,875)	5,841,791	5,626,916

The notes on pages 10 to 25 form part of these financial statements.

HEALTHSOURCE (BROMLEY) LIMITED

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

1. General information

Healthsource (Bromley) Limited is a private Company, limited by shares and incorporated in England and Wales, registered number 04197976. The registered office address is 4 Greengate, Cardale Park, Harrogate, North Yorkshire, HG3 1GY.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

These financial statements are presented in sterling which is the functional currency of the Company rounded to the nearest £.

2.2 Compliance with accounting standards

The accounts have been prepared in accordance with the provisions of FRS 102, with the exception of matters disclosed in note 2.18. Management have concluded that the financial statements present a true and fair view of the Company's affairs as at 31 March 2020 and of its profit for the year then ended.

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Cardale PFI Investments Limited as at 31 March 2020 and these financial statements may be obtained from the registered office at 4 Greengate, Cardale Park, Harrogate, North Yorkshire, HG3 1GY.

HEALTHSOURCE (BROMLEY) LIMITED

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

2. Accounting policies (continued)

2.4 Going concern

The financial statements have been prepared on the going concern basis as the senior loan is repayable by 31 December 2028, with a repayment schedule supported by the future cash flows from the PFI contract. The loan is drawn down to fund the development and as a result the Company is able to meet its current liabilities as they fall due. In assessing the appropriateness of the going concern basis of preparation, the Directors have taken into account the key risks of the business, including the uncertainty in relation to the impact of COVID-19. In doing so the Directors have considered the Company's business model and availability of cash resources.

The directors acknowledge that the swaps are significantly out of the money but it is not the intention of management to close out these instruments before their maturity date. The required cash flows to service the swaps are being built into the cash flow models and therefore there is no impact on the Company's ability to meet its liabilities as they fall due. The company has a PFI contract with King's College Hospital NHS Foundation Trust which matures 2032. The directors have prepared projected cash flow information for at least twelve months from the date of their approval of these financial statements. On the basis of this cash flow information, the directors consider that the Company will continue to operate within the long term facility currently agreed. In addition, during the operational phase of the project, sufficient cash flow has been, and is, projected to continue to be generated to allow the Company to meet its liabilities as they fall due for payment.

Accordingly, the directors believe it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

The Company recognises income when it has fully fulfilled its contractual obligations. In accordance with FRS 102, the Company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the Company, within the financial statements as turnover and operating costs.

Transactions to which the Company does not have access to all the significant benefits and risks are excluded from the financial statements.

HEALTHSOURCE (BROMLEY) LIMITED

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

2. Accounting policies (continued)

2.6 Service concession arrangements - accounting by operators

Under transitional rules, the Company has elected not to apply FRS102 to Service concession arrangements that were entered into before the date of transition. These relate to PFI contracts which under FRS 5 Application Note F "Private Finance Initiative and Similar Contracts" the Directors are of the opinion that the Company bears the majority of the risks and benefits of the medical equipment and as a result this asset was correctly disclosed as a tangible fixed asset. Revenues received from King's College Hospital NHS Foundation Trust are credited to the profit and loss account as receivable.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

HEALTHSOURCE (BROMLEY) LIMITED

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

2. Accounting policies (continued)

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Medical equipment	- Between 5 and 19 years
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.13 Prepayments and accrued income

Expenditure relating to legal and professional fees incurred in setting up the contract are included in prepayments and accrued income when recovery can be regarded as virtually certain, to the extent that the contract is expected to result in future net cash inflows with a net present value no less than all amounts recognised as an asset. The costs are amortised over the expected project contract life or over the period in which revenue is reasonably expected to accrue, whichever is the shorter.

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

HEALTHSOURCE (BROMLEY) LIMITED

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

2. Accounting policies (continued)

2.16 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Derivatives, including interest rate and inflation rate swaps, are not basic financial instruments.

HEALTHSOURCE (BROMLEY) LIMITED

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

2. Accounting policies (continued)

2.17 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value at each reporting date. Fair value gains and losses are recognised in the statement of comprehensive income unless hedge accounting is applied and the hedge is a cash flow hedge.

To qualify for hedge accounting, the Company documents the hedged item, the hedging instrument and the hedging relationship between them and the causes of hedge ineffectiveness.

The Company elects to adopt hedge accounting for interest rate swaps and inflation rate swaps (the 'swaps') where:

- The swaps are a qualifying hedging instrument with an external party that hedges rate risk on a loan, part of the nominal amount of a loan, or a group of loans managed together that share the same risk and that qualify as a hedged item;
- The hedging relationship between the swaps and the interest rate risk on the loan is consistent with the risk management objectives for undertaking hedges (i.e. to manage the risk that fixed interest rates become unfavourable in comparison to current market rates or the variability in cash flows arising from variable interest rates); and
- The change in the fair value of the swaps is expected to move inversely to the change in the fair value of the interest rate risk on the loan.

2.18 Hedge accounting

The Company uses variable to fixed rate interest and inflation rate swaps to manage its exposure to interest and inflation rate cash flow risk on its variable rate debt. These derivatives are measured at fair value at each balance sheet date.

To better reflect the nature of the long term financing structure in operation, and in a modification to accounting standards, all cumulative hedging gains or losses on the hedged item are recognised as an asset or a liability, with a corresponding gain or loss recognised in the statement of comprehensive income. Management believe that this treatment better reflects the financing profile in operation across the life of the structure.

2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

HEALTHSOURCE (BROMLEY) LIMITED

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

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the actual results.

Critical areas of judgement

The Company makes judgements in applying its accounting policies as described below:

The recoverability of the amounts recoverable on long term contracts is based on the receipt of the unitary fee in accordance with the contractual payment mechanisms contained in the project agreement with its client, King's College Hospital NHS Foundation Trust.

The depreciation charge calculated for the fixed assets requires estimations and judgements on their useful lives. This will affect the values of assets and expenses in the accounts.

An estimation is required on future LIBOR rates when accounting for loan facilities held at amortised cost, based on current market data. Actual rates will vary from forecast over the loan lifetime, rendering the effective interest rate calculated as an estimate subject to these variations.

The valuation of the interest rate swaps held requires estimation of the cost of capital associated with the loan facility and future LIBOR rates over the lifetime of the swap which is based on current market data.

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

4. Turnover

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Unitary charge	<u>4,994,211</u>	<u>4,934,568</u>

All turnover arose within the United Kingdom.

HEALTHSOURCE (BROMLEY) LIMITED

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

5. Auditors' remuneration

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	5,450	5,450

6. Employees

The average monthly number of employees, including directors, during the year was 3 (2019 - 3).

During the year, no director received any emoluments (2019 - £Nil).

7. Interest receivable

	2020 £	2019 £
Other interest receivable	3,108	1,288

8. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	214,064	217,387
Other loan interest payable	129,212	131,840
	<u>343,276</u>	<u>349,227</u>

9. Dividends

	2020 £	2019 £
Dividends paid	409,564	62,190

Dividends of £409,564 (2019 - £62,190) were paid during the year. The directors have not recommended a final dividend to be paid (2019 - £nil).

HEALTHSOURCE (BROMLEY) LIMITED

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

10. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	120,952	174,928
Adjustments in respect of previous periods	(13,010)	-
Total current tax	<u>107,942</u>	<u>174,928</u>
Deferred tax		
Origination and reversal of timing differences	175,450	79,323
Total deferred tax	<u>175,450</u>	<u>79,323</u>
Taxation on profit on ordinary activities	<u>283,392</u>	<u>254,251</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>1,539,976</u>	<u>1,327,343</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	292,595	252,195
Effects of:		
Other timing differences leading to an increase (decrease) in taxation	(9,203)	2,056
Total tax charge for the year	<u>283,392</u>	<u>254,251</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

HEALTHSOURCE (BROMLEY) LIMITED

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

11. Tangible fixed assets

	Medical equipment £
Cost or valuation	
At 1 April 2019	14,150,697
Additions	1,048,006
Disposals	(1,384,881)
At 31 March 2020	<u>13,813,822</u>
Depreciation	
At 1 April 2019	7,880,130
Charge for the year on owned assets	1,189,973
Disposals	(1,357,600)
At 31 March 2020	<u>7,712,503</u>
Net book value	
At 31 March 2020	<u><u>6,101,319</u></u>
At 31 March 2019	<u><u>6,270,568</u></u>

HEALTHSOURCE (BROMLEY) LIMITED

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

12. Deferred taxation

	2020 £	2019 £
At beginning of year	104,817	202,113
Charged to profit or loss	-	(70,316)
Charged to other comprehensive income	(30,957)	(26,980)
At end of year	73,860	104,817

The deferred tax asset is made up as follows:

	2020 £	2019 £
Timing differences arising from fair value adjustments	73,860	104,817
	73,860	104,817

13. Debtors

	2020 £	2019 £
Due after more than one year		
Prepayments and accrued income	482,744	552,231
Deferred tax asset	73,860	104,817
	556,604	657,048
Due within one year		
Trade debtors	719,147	633,869
Prepayments and accrued income	427,201	423,922
	1,146,348	1,057,791

14. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	1,296,244	226,137

HEALTHSOURCE (BROMLEY) LIMITED

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

15. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	591,305	449,708
Amounts owed to group undertakings	123,584	123,584
Corporation tax	120,952	272,248
Other taxation and social security	146,547	89,691
Accruals and deferred income	444,899	510,767
	<u>1,427,287</u>	<u>1,445,998</u>

16. Creditors: Amounts falling due after more than one year

	2020 £	2019 £
Bank loans	269,346	300,443
Amounts owed to group undertakings	1,000,000	1,000,000
Accruals and deferred income	203,772	256,507
Swap instruments (after 1 year)	388,737	551,671
	<u>1,861,855</u>	<u>2,108,621</u>

Secured loans

Bank loans are secured over the assets of the company (see note 17). These are repayable by quarterly instalments. The interest rate has been fixed at 5.73% per annum. The Company has an interest rate swap on the above loan (see note 19).

Amounts owed to group undertakings are repayable in over 5 years. The interest being charged is at an average fixed rate of 11.5% p.a on a quarterly basis.

HEALTHSOURCE (BROMLEY) LIMITED

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

17. Loans

The minimum net (drawdown) and repayment profiles of the bank borrowings and borrower subordinated unsecured loan notes 2032 at the year end were as follows:

	2020 £	2019 £
Amounts falling due within one year		
Bank loans - repayment /(drawdown)	(1,239,187)	(1,760,040)
	<u>(1,239,187)</u>	<u>(1,760,040)</u>
Amounts falling due 1-2 years		
Bank loans - repayment /(drawdown)	(527,645)	384,985
	<u>(527,645)</u>	<u>384,985</u>
Amounts falling due 2-5 years		
Bank loans	1,766,833	1,206,133
	<u>1,766,833</u>	<u>1,206,133</u>
Amounts falling due after more than 5 years		
Bank loans	269,346	469,365
Borrower subordinated unsecured loan notes 2032	1,000,000	1,000,000
	<u>1,269,346</u>	<u>1,469,365</u>
	<u>1,269,347</u>	<u>1,300,443</u>

HEALTHSOURCE (BROMLEY) LIMITED

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

Loan issue costs of £100,500 in respect of the Bank borrowings have been deducted from the gross proceeds of the bank borrowings and are being amortised over the periods of the facilities as part of the finance cost.

The revolving facility is the principal facility for the payment of capital expenditure and costs relating to the raising of finance and professional advice. It can be drawn in full during the equipment installation period. It will be repaid based on a detailed schedule reflecting the initial purchase and life cycle replacement of new hospital equipment over the term of the facility. The maximum available revolving facility was £8,830,000 to 30 June 2019, falling away thereafter until 31 December 2028.

The debt service facility is available for the payment of VAT in respect of capital expenditure and costs relating to the raising of finance and professional advice. It can be drawn in full during the equipment installation period, and is available in exactly the same proportions as the revolving facility. The maximum available debt service facility was £320,000 to 30 June 2019, falling away thereafter until 31 December 2028.

Interest is charged on the amounts drawn on each of the facilities at rates based on LIBOR. The company has entered into an interest rate cash flow hedging agreement, comprising a swap agreement which fixes the interest rate on the Bank of Ireland borrowings at 5.73% per annum from 22 March 2002 to 31 December 2022.

The facilities are secured:

- i) by a legal mortgage over the PFI contract and underlying capital;
- ii) by a fixed charge over the share capital of the Company; and
- iii) by a floating charge over all assets of the Company.

The Borrower Subordinated Unsecured Loan Notes 2032 are provided by Healthsource (Bromley) Holdings Limited, the Company's immediate parent Company. The Notes are unsecured and bear interest at 11.5% per annum compounded. The Notes are repayable in units of £50,000 when permitted by the terms of the Bank borrowings documentation, and have a final redemption date of 31 December 2032.

18. Basic financial instruments

Financial assets held that are debt instruments measured at amortised cost amounted to £719,147 (2019 - £633,869).

Financial liabilities held that are debt instruments measured at amortised cost amounted to £1,984,236 (2019 - £1,873,737).

HEALTHSOURCE (BROMLEY) LIMITED

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

19. Complex financial instruments

The complex financial instrument comprises interest rate swaps.

The fair value of the company's derivatives are as follows:

	Principal		Fair Value	
	2020 £	2019 £	2020 £	2019 £
Interest rate swap contracts	(4,200,000)	(4,200,000)	(388,737)	(551,671)
	<u>(4,200,000)</u>	<u>(4,200,000)</u>	<u>(388,737)</u>	<u>(551,671)</u>

The Company uses derivatives to manage the exposure to interest rate movements on its senior debt. The fair value is based on market values of equivalent instruments at the balance sheet date.

The fair value of the interest swap is determined using the forward curve for 3 Month GBP LIBOR.

The swap meets the conditions for hedge accounting, as set out in the accounting policies.

20. Deferred tax liability

	Deferred tax £
At 1 April 2019	9,007
Charged to profit or loss	175,450
At 31 March 2020	<u>184,457</u>

The deferred tax liability at the year end is made up of accelerated capital allowances.

21. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
100,000 (2019 - 100,000) Ordinary shares of £1.00 each	<u>100,000</u>	<u>100,000</u>

HEALTHSOURCE (BROMLEY) LIMITED

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

22. Reserves

Other reserves

The other reserves relates to the hedging reserve which represents movements in the fair value of the interest rate swap derivatives and associated deferred tax.

Profit and loss account

The profit and loss account represents cumulative profits and losses net of dividends and other adjustments.

23. Post balance sheet events

Subsequent to the year end, global economies have been affected by the negative financial impact of the spread of the COVID-19 virus pandemic. This is considered a non-adjusting event at the year end date and details of the Directors' going concern assessments are included in note 2.4.

24. Related party transactions

The Company was under the control of Healthsource (Bromley) Holdings Limited during the current and previous period, being the immediate parent Company.

The Company has taken advantage of the exemption in section 33A of FRS 102 Section 1A from disclosing transactions with wholly owned group members.

25. Controlling party

The ultimate parent undertaking and controlling party is Cardale PFI Investments Limited.

Consolidated financial statements are available from the registered office at 4 Greengate, Cardale Park, Harrogate, North Yorkshire, HG3 1GY.