Integrated Care Solutions (Shropshire) Limited

Annual report and financial statements

Registered number 05389525

31 December 2018

Contents

Company Information

The Board of Directors	P Would B D Adams
Company secretary	Imagile Secretariat Services Limited
Registered office	Third Floor Broad Quay Prince Street Bristol United Kingdom BS1 4DJ
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Directors' report
for the year ended 31 December 2018

The Directors have pleasure in presenting their annual report and the audited financial statements of Integrated Care Solutions (Shropshire) Limited (the "Company") for the year ended 31 December 2018.

Principal activities

The Company's principal activities during the year were the operation of social services and community buildings (incorporating library facilities) under a 30 year Private Finance Initiative (PFI) contract term with Shropshire County Council.

The Company has closely monitored the performance of the business during the year together with its technical advisors and the contract has been carried out in line with expectations.

The Company, during the coming year, will continue with the operation of the social services and community buildings in Shropshire for Shropshire County Council.

Key performance indicators

The key performance indicators for the Company are compliance with the financial model and compliance with banking covenants. As at 31 December 2018 the Company's financial performance and financial position was in line with that anticipated by the financial model and the Company was not in breach of any banking covenants imposed by lenders.

Principal risks and uncertainties

The Company is subject to certain risks during the operational phase of the contract. These risks wherever possible have been mitigated by passing the risk down to sub-contractors or by using interest rate swap instruments.

Liquidity risk

The Company builds up sufficient cash balances to ensure it is able to meet its loan obligations and other liabilities.

Credit risk

The Company's principal financial assets are its long-term debtors. The Directors consider that credit risk is mitigated by the fact that Shropshire County Council is the Company's sole counterparty and debtor. The Directors consider Shropshire County Council is a financially secure counterparty. Clauses in the concession agreement ensure that the Company will be sufficiently compensated by Shropshire County Council in the event of default or voluntary termination.

Interest rate cash flow risk

The Company has in place hedging arrangements to eliminate risk from interest rate movements. In order to ensure stability of cash flows and hence manage interest rate risk, the Company has a policy of maintaining all of its bank debt at a fixed rate.

Employees

The company has no employees (2017: £Nil).

Results and dividends

The profit for the year after taxation amounted to £549,000 (2017: £438,000). Interim dividends totalling £508,000 (2017: £477,000) were paid in the year. The directors do not recommend a final dividend to be paid (2017: £nil).

Directors' report *(continued)*
for the year ended 31 December 2018

Directors' Indemnity Insurance

The Company did not provide indemnity insurance to the Directors during the year (2017: £Nil).

Going Concern

In light of the net liabilities of £2,308,000 (2017: £2,773,000), primarily caused by the fair value liability of the interest rate swap contract, the Directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to September 2036. Having examined the current status of the Company's principal contracts and likely developments in the foreseeable future, the Directors consider that the Company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

Directors

The Directors who served the Company during the year and to the date of signing these financial statements are as follows:

M D Canham (resigned 18 December 2018)
N Poupard (resigned 18 December 2018)
B D Adams
P Would

Strategic Report exemption

The Directors' Report has been prepared in accordance with the special provisions relating to small companies under Section 415 of the Companies Act 2006. As such the Company is exempt from preparing a Strategic Report.

Political and charitable contributions

The Company made no political or charitable contributions during the current year (2017: £nil).

Disclosure of information to auditor

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all steps that he/she ought to have taken as a director 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 provision of Section 418(2) of the Companies Act 2006.

Auditor

BDO LLP are deemed to be reappointed under Section 487 of the Companies Act 2006 and will therefore continue in office.

Approved by the Directors on 24 APRIL 2019

B D Adams

Director

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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;
- 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 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.

Independent auditor's report to the members of Integrated Care Solutions (Shropshire) Limited

Opinion

We have audited the financial statements of Integrated Care Solutions (Shropshire) Limited ("the Company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Statement of Other Comprehensive Income, the Balance Sheet, and 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 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 December 2018 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 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.

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.

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.

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.

Independent auditor's report to the members of Integrated Care Solutions (Shropshire) Limited *(continued)*

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 Director's 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 and the Director's Report in accordance with the small companies regime and to take exemption from the requirement to prepare a Strategic Report.

Responsibilities of Directors
As explained more fully in the Statement of Directors' responsibilities, 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 determines 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 at the Financial Reporting Council's website at:
https://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 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.

BDO LLP

Paul Bailey *(Senior Statutory Auditor)*
For and on behalf of BDO LLP, statutory auditor
55 Baker Street, London, W1U 7EU

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

25 April 2019

Profit and Loss Account and Statement of Other Comprehensive Income
for year ended 31 December 2018

	Notes	Year ended 31 December 2018	Year ended 31 December 2017
		£'000	£'000
Turnover	*2*	**2,038**	1,521
Cost of sales		**(1,391)**	(1,124)
Gross profit		**647**	397
Administrative expenses		**(253)**	(104)
Operating profit	*3*	**394**	293
Interest receivable and similar income	*5*	**1,085**	1,111
Interest payable and similar charges	*6*	**(801)**	(862)
Profit on ordinary activities before taxation		**678**	542
Tax on profit on ordinary activities	*7*	**(129)**	(104)
Profit for the financial year		**549**	438
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Effective portion of fair value change in cash flow hedges	*14*	**512**	405
Tax recognised in relation to change in fair value cash flow hedges	*7*	**(87)**	(69)
Other comprehensive income for the year		**425**	336
Total comprehensive income for the year		**974**	774

The notes on pages 10 to 22 form an integral part of these financial statements

Balance Sheet
as at 31 December 2018

	Notes	2018 £'000	2017 £'000
Current assets			
Debtors due after more than one year	*8*	**11,371**	11,741
Debtors due less than one year	*8*	**731**	758
Cash at bank and in hand		**2,203**	2,433
Total current assets		**14,305**	14,932
Current liabilities			
Creditors: amounts falling due within one year	*9*	**(1,993)**	(2,071)
Net current assets		**12,312**	12,861
Creditors: amounts falling due after more than one year	*10*	**(14,620)**	(15,634)
Net liabilities		**(2,308)**	(2,773)
Capital and reserves			
Called up share capital	*13*	**50**	50
Profit and loss account		**133**	92
Cash flow hedge reserve		**(2,491)**	(2,915)
Total shareholder's deficit		**(2,308)**	(2,773)

The notes on pages 10 to 22 form an integral part of these financial statements

These financial statements were approved and authorised for issue by the board of directors on 24 APRIL 2019 and were signed on its behalf by:

B D Adams
Director

Company registered number: 05389525

Statement of Changes in Equity

	Note	Called up share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total Equity £'000
Balance at 1 January 2017		**50**	**(3,251)**	**131**	**(3,070)**
Total comprehensive income for the period					
Profit for the financial year		-	-	438	438
Other comprehensive income		-	336	-	336
Total comprehensive income for the period		-	**336**	**438**	**774**
Dividends	17	-	-	(477)	(477)
Total contributions by and distributions to owners		-	-	**(477)**	**(477)**
Balance at 31 December 2017		**50**	**(2,915)**	**92**	**(2,772)**

	Note	Called up share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total Equity £'000
Balance at 1 January 2018		**50**	**(2,915)**	**92**	**(2,772)**
Total comprehensive income for the period					
Profit for the financial year		-	-	549	549
Other comprehensive income		-	425	-	425
Total comprehensive income for the period		-	**425**	**549**	**974**
Dividends	17	-	-	(508)	(508)
Total contributions by and distributions to owners		-	-	**(508)**	**(508)**
Balance at 31 December 2018		**50**	**(2,490)**	**133**	**(2,307)**

The notes on pages 10 to 22 form an integral part of these financial statements

Notes
(forming part of the financial statements)

1 Accounting policies

Integrated Care Solutions (Shropshire) Limited is a Company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) and the requirements of the Companies Act 2006. The presentation currency of these financial statements is sterling.

The Company's parent undertaking, Integrated Care Solutions (Shropshire) Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Integrated Care Solutions (Shropshire) Holdings Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, 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 the following disclosures:

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

As the consolidated financial statements of Integrated Care Solutions (Shropshire) Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

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

Accounting estimates and judgements

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

Certain critical accounting judgements in applying the Company's accounting policies are described below:

- Accounting for the service concession contract and finance debtors requires an estimation of service margins, finance debtors interest rates and associated amortisation profile which is based on forecasted results of the PFI contract.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention

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

1.2 Going concern

In light of the net liabilities of £2,308,000 (2017: £2,773,000), including the fair value liability of the swap transaction of £3,001,000 (2017: £3,513,000), the Directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to September 2036. Having examined the current status of the Company's principal contracts and likely developments in the foreseeable future, the Directors consider that the Company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

1.3 Classification of financial instruments issued by the Company

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

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.4 Basic financial instruments

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Basic financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Restricted cash

The Company is obligated to keep a separate cash reserve in respect of future major maintenance costs, change in law, debt service reserving and change in FM provider. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £1,388,237 at the year end (2017: £1,308,581).

1.5 Other financial instruments

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

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

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

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

Cash flow hedges

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

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in Other Comprehensive Income is included in the initial cost or other carrying amount of the asset or liability. Alternatively, when the hedged item is recognised in the profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the profit or loss immediately.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Impairment excluding stocks and deferred tax assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Accounting for the service contracts and finance receivables requires estimation of service margins, finance receivable interest rates and finance receivable amortisation profile which is based on forecasted results of the PFI contract.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.7 Turnover

The Company is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company under FRS 102, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS 102. The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

1.8 Expenses

Interest receivable and payable

Interest payable and similar charges include interest payable that is recognised in profit and loss.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.9 Taxation

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Taxation (continued)

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

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

1.10 Lifecycle costs

Costs relating to lifecycle expenditure are capitalised into the finance debtor and expensed to the Profit and Loss on the basis of a 30:70 split respectively. This is based on the original profile modelled at financial close of spend on lifecycle costs.

2. Turnover

	2018	2017
	£'000	£'000
Costs recharged including mark up	**1,874**	1,395
Pass through income including utilities	**164**	126
Service income	**2,038**	1,521

All turnover originated in the United Kingdom

3. Operating profit

The operating profit is stated after charging:

	2018	2017
Auditor's remuneration:	**£'000**	£'000
Audit of these financial statements	**6**	6

4. Directors' remuneration

The Directors received no remuneration for their services during the year (2017: £nil). See note 15 for directors' fees charged by shareholder companies.

There were no employees during the period under review (2017: £nil)

Notes *(continued)*

5. Interest receivable and similar income

	2018	2017
	£'000	£'000
Finance debtor interest receivable	**1,076**	1,106
Bank interest receivable	**9**	5
	1,085	1,111

6. Interest payable and similar charges

	2018	2017
	£'000	£'000
Interest payable on bank loans	**626**	654
Interest payable on subordinated debt	**158**	190
Bank fees payable	**17**	18
	801	862

Interest payable and similar charges includes interest payable on bank loans and overdrafts of £626,000 (2017: £654,000). Of the above amount £158,000 (2017: £190,000) was payable to group undertakings.

7. Taxation

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

	2018		2017	
	£'000	**£'000**	£'000	£'000
Current tax		**129**		104
Total current tax		**129**		104
Deferred tax				
Origination and reversal of timing differences	**87**		69	
Total deferred tax charge		**87**		69
Total tax charge		**216**		173

Notes *(continued)*

7. Taxation *(continued)*

	2018			2017		
	Current tax	**Deferred tax**	**Total tax**	Current tax	Deferred tax	Total tax
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Recognised in Profit and loss account	**129**	**-**	**129**	104	-	104
Recognised directly in other comprehensive income	**-**	**87**	**87**	-	69	69
Total tax	**129**	**87**	**216**	104	69	173

Reconciliation of effective tax rate

	2018	2017
	£'000	£'000
Profit on ordinary activities after tax	**549**	438
Total tax expense	**129**	104
Profit excluding taxation	**678**	542
Taxation using the UK corporation tax rate of 19% (2017: 19.25%)	**129**	104
	129	104

A reduction in the rate to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

8. Debtors

	2018	2017
	£'000	£'000
Finance debtor	**11,290**	11,543
Trade debtors	**-**	2
Other receivables	**-**	59
Prepayments and accrued income	**302**	298
Deferred Tax Asset (note 12)	**510**	597
	12,102	12,499
Due within one year	**731**	758
Due after more than one year	**11,371**	11,741
	12,102	12,499

Debtors include finance debtor of £10,861,000 (2017: £11,114,000) due after more than one year.

Notes *(continued)*

9. Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Bank loan (note 11)	**501**	480
Subordinated debt	**-**	202
Trade creditors	**1**	59
Amounts payable to related parties	**36**	42
Corporation tax	**129**	104
Other taxation	**99**	109
Accruals and deferred income	**1,227**	1,075
	1,993	2,071

10. Creditors: amounts falling due after more than one year

	2018	2017
	£'000	£'000
Bank loan (note 11)	**10,199**	10,701
Subordinated debt (note 11)	**1,319**	1,319
Other financial instruments (note 14)	**3,001**	3,513
Accruals and deferred income	**101**	101
	14,620	15,634

11. Interest-bearing loans and borrowings

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

	2018	2017
	£'000	£'000
Creditors falling due more than one year		
Bank loan	**10,199**	10,702
Subordinated debt	**1,319**	1,319
Creditors falling due within less than one year		
Bank loan	**501**	480
Subordinated debt	**-**	202

Included within Bank loan is an amount repayable after five years of £8,095,000 (2017: £8,639,000) and included within subordinated debt are amounts repayable after five years of £1,319,000 (2017: £1,319,000) respectively.

Notes *(continued)*

11. Interest-bearing loans and borrowings *(continued)*

	2018 £'000	2017 £'000
Debt can be analysed as falling due as follows:		
In one year or less, or on demand	**501**	682
Between one and two years	**507**	501
Between two and five years	**1,597**	1,560
In five years or more	**9,414**	9,959
	12,019	12,702

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of Maturity	Repayment schedule	2018	2017
Bank loan	GBP	LIBOR + 1.0514%	2033	Semi-annual	**10,700**	11,182
Subordinated debt	GBP	11.00%	2033	Interest semi-annual	**1,319**	1,521

There is one term loan facility drawn down at 31 December 2018. The tenure of the term loan from NIBC Bank NV was originally 30 years and is repayable in 60 semi-annual instalments commencing 30 September 2006. Interest charged on amounts drawn is based on LIBOR rate plus 1.0514%. All amounts drawn under the facilities are secured by a fixed charge over all leasehold interests, book debts, project accounts and intellectual property of the Company and by a floating charge over the Company's undertakings and assets

An interest rate swap transaction has been entered into to hedge against movements in the interest rate (see note 14).

12. Deferred tax asset

Deferred tax asset is attributable to the following:

	2018 £'000	2017 £'000
Deferred Tax on revaluation of fair value of derivatives	**510**	597

Deferred tax asset is recognised on the revaluation of the swap derivatives on the interest rate swap held by the Company. This is accounted for under cash flow hedges (see note 14).

Reversal of the deferred tax asset is shown through the cash flow hedge reserve.

Notes *(continued)*

13. Capital and reserves

Share capital

	2018	2017
	No. ('000)	No. ('000)
Ordinary Shares at £1 per share		
In issue at 1 January and 31 December	**50**	50
	£'000	£'000
Value of shares at £1 per share	**50**	50

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.

Profit and loss account

The profit and loss account comprises the cumulative distributable profits of the Company less any dividends paid to the parent Company.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred, net of any deferred tax provided on this.

14. Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2018	2017
	£'000	£'000
Assets measured at amortised cost		
- Finance debtor	**11,290**	11,543
- Accrued income	**287**	283
- Trade debtors	**-**	2
- Other debtors	**-**	59
	11,577	11,887
Assets measured at cost less impairment		
- Cash and cash equivalents	**2,203**	2,433
	2,203	2,433
Liabilities measured at amortised cost		
- Trade and other payables	**(1)**	(59)
- Bank loan	**(10,700)**	(11,183)
- Amounts owed by related parties	**(36)**	(42)
- Accruals	**(1,328)**	(1,176)
- Subordinated debt	**(1,319)**	(1,521)
	(13,384)	(13,981)
Liabilities measured at fair value through profit and loss		
- Interest rate swaps	**(3,001)**	(3,513)

Notes *(continued)*

14. Financial instruments *(continued)*

(b) Financial instruments measured at fair value

Derivative financial instruments

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

(c) Hedge accounting

Derivative financial instruments designated as hedges of variable interest rate risk comprise of an interest rate swap.

To hedge the potential movement in the interest cash flows associated with the LIBOR rate used for the bank term loan described in note 11, the Company has entered into floating to fixed interest rate swaps with a nominal value equal to the initial borrowings with the same term as the loans and interest payment dates. These result in the company paying 4.805% per annum and receiving LIBOR.

The derivatives are accounted for as a cash flow hedge in accordance with FRS 102 and have the fair values as described in note 14 (d). The cash flows arising from the interest rate swaps will continue until their maturity in 2033, coincidental with the repayment of the term loans. The change in fair value in the period was a decrease of £511,000 (2017: decrease £405,000) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective.

(d) Fair values

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

	2018	2017
	£'000	£'000
Amounts falling due after more than one year		
Financial liabilities designated as fair value through profit or loss		
- Interest rate swap contract	**3,001**	3,513

Notes *(continued)*

15. Related parties

The details of the related party transactions are detailed as follows:

	Transactions		Payable to	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Term Loan Principal				
- NIBC Bank N.V.	**480**	457	**10,700**	11,181
Term Loan interest & swap interest				
- NIBC Bank N.V.	**634**	661	**153**	160
Subordinated debt interest & principal				
- NIBC European Infrastructure Fund 1 C.V.	**82**	236	**-**	781
- Equitix Healthcare Limited	**82**	236	**1,355**	781
Commitment & agency fees				
- NIBC Bank N.V.	**18**	18	**-**	-
Directors' fees				
- Equitix Healthcare Limited	**40**	18	**10**	-
- NIBC European Infrastructure Fund 1 C.V.	**30**	18	**-**	-
Group relief				
- Equitix Capital Eurobond Limited	**52**	59	**-**	52
	1,418	1,703	**12,218**	12,955

The following companies, together with undertakings within their individual groups of companies, are considered to be related parties to the Company, as defined in FRS 102 Related Party Disclosures.

During the year, NIBC European Infrastructure Fund 1 C.V. transferred their interest in Integrated Care Solutions (Shropshire) Holdings Limited to Equitix Healthcare Limited, thereby making Equitix Healthcare the sole shareholder as at 31 December 2018. Prior to this transfer on 18 December 2018, NIBC European Infrastructure Fund 1 C.V. and Equitix Healthcare Limited were 50% Joint Venture Partners. NIBC European Infrastructure Fund 1 C.V. is the 100% owner of NEIF Project Investments Limited. NIBC Bank N.V. is a lender to the project and is a limited partner (circa 28%) in NIBC European Infrastructure Fund 1 C.V.

Notes *(continued)*

16. Ultimate controlling party

The Company is a wholly owned subsidiary of Integrated Care Solutions (Shropshire) Holdings Limited, a Company that is incorporated in the United Kingdom and registered in England and Wales.

Integrated Care Solutions (Shropshire) Holdings Limited is the smallest and largest group in which the results are consolidated. Copies of the consolidated accounts are available from Companies House, Crown Way, Cardiff CF14 3UZ.

The directors consider Equitix Fund I LP to be the ultimate controlling entity.

17. Dividends

	2018	2017
	£'000	£'000
Interim dividend of 1016p per ordinary share (2017: 954p per ordinary share)	**508**	477