COMPANY REGISTRATION NUMBER: 03696260

HpC King's College Hospital Limited

Annual Report and Financial Statements

31 March 2019

HpC King's College Hospital Limited

Annual Report and Financial Statements

Year Ended 31 March 2019

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HpC King's College Hospital Limited

Officers and Professional Advisers

The board of directors	Stuart Carter Jonathan Cowdell Peter Sheldrake John Cavill
Company secretary	Infrastructure Managers Limited
Registered office	Cannon Place 78 Cannon Street London EC4N 6AF
Independent auditors	Johnston Carmichael LLP Chartered Accountants & Statutory Auditors 7-11 Melville Street Edinburgh EH3 7PE
Bankers	National Westminster Bank Plc PO Box 12263 1 Princes Street London EC2R 8PH

HpC King's College Hospital Limited

Strategic Report

Year Ended 31 March 2019

The directors present their strategic report on HpC King's College Hospital Limited ("the Company") for the year ended 31 March 2019.

Principal Activities

The Company's principal activity is a 38 year contract with King's College Hospital NHS Foundation Trust ("The Trust") ending on the 30 November 2037 for the design and construction of a new building, the refurbishment of the hospital's Ruskin Wing, and for the provision of certain non-clinical services at the hospital.

In 2012, the Trust and the Company agreed to novate the Soft Facilities Management ("FM") services to the Trust, with the transaction taking effect on 1 May 2013. Prior to May 2013 the Company had been responsible for providing Soft FM services which covered portering, waste, laundry and linen, catering, cleaning and pest control services across the site. The Company is now only responsible for the provision of Hard FM (comprising estates and maintenance) and lifecycle services.

Review of the Business

As the Company is in the full operational phase it faces operational risks and actively monitors financial performance against loan covenants. During the year the Company was fully compliant with the contractual terms and incurred no penalty points. From a financial perspective the Company has been performing in line with the forecasting model and has been compliant with the covenants laid out in the group loan agreement. The Company is also forecasting compliance with the covenants laid out in the group loan agreement for the next 12 months.

The directors intend for the business to continue to operate in line with the financial forecast model, contractual terms and do not expect any strategic changes.

Key Performance Indicators

The performance of the Company from a cash perspective is assessed six-monthly on a group basis by the testing of the covenants of the senior debt provider. The key indicator being the debt service cover ratio, which was 1.22 as at 31 March 2019. The Company has been performing well and has been compliant with the covenants laid out in the group loan agreement. The directors believe that the analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the performance or position of the Company.

Going Concern

The directors acknowledge that King's College Hospital NHS Foundation Trust were placed in special measures by NHS Improvement in December 2017 in view of its forecast financial deficit, however the likelihood of non-recovery of the Group's finance debtor is deemed to be low in light of the Trust's invoice settlement performance, the operationally critical nature of the Group's services and the NHS Trusts being supported by Government funding. After reviewing the Group's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, therefore, the Company continues to adopt the going concern basis in preparing its financial statements.

Future Developments

The directors intend for the business to continue to operate in line with the financial forecast model, contractual terms and do not expect any strategic changes.

Principal Risks and Uncertainties

Due to the nature of the Company's business, the financial risks the directors consider relevant to this Company are price, credit and cash flow risk.

Price risk

The Company's price risk is managed through a thirty eight year contract with The Trust providing for payments that are fixed subject to performance, inflation and earnings indices and through sub-contracts with suppliers that largely mirror the provisions of the project agreement with The Trust. The other key business risks affecting the Company are considered to relate to increases in insurance and lifecycle costs. These costs are reviewed on a regular basis by the Board and strategies are in place to control these costs lines.

Credit and cash flow risk

Many of the cash flow risks are addressed by means of contractual provisions. The Company's liquidity risk is principally managed through financing the Company by means of long-term borrowings. In addition, the Company holds a Deed of Safeguard to mitigate any cash flow risk.

This report was approved by the board of directors and signed on behalf of the board by:

Peter Sheldrake
Director

Date: 20 December 2019

HpC King's College Hospital Limited

Directors' Report

Year Ended 31 March 2019

The directors present their report and the audited Annual Report and Financial Statements of the Company for the year ended 31 March 2019.

Directors

The directors who served the Company during the year and up to the date of this report were as follows:

Stuart Carter	
Jonathan Cowdell	
John Cavill	
Peter Sheldrake	(Appointed 29 June 2018)
Philip Ashbrook	(Resigned 29 June 2018)

Performance Review

The loss for the year, after taxation, amounted to £(313,984) (2018: £(1,364,754)).

The loss for the year will be transferred to reserves.

The directors are satisfied with the overall performance of the Company and do not foresee any significant change in the Company's activities in the coming financial year.

Dividends

The directors do not recommend the payment of a 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.

Disclosure of Information to Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The directors appointed Johnston Carmichael LLP to act as auditor of the financial statements for the financial year ended 31 March 2019.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Johnston Carmichael LLP will therefore continue in office.

HpC King's College Hospital Limited

Directors' Report *(continued)*

Year Ended 31 March 2019

This report was approved by the board of directors on 20 December 2019 and signed by order of the board by:

Infrastructure Managers Limited
Company Secretary

HpC King's College Hospital Limited

Directors' Responsibilities Statement

Year Ended 31 March 2019

The directors are responsible for preparing the Strategic Report, Directors' Report and the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Annual Report and Financial Statements for each financial year. Under that law the directors have prepared the Annual Report and Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law).

Under company law the directors must not approve the Annual Report and Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing the Annual Report and Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the Annual Report and Financial Statements; and
- prepare the Annual Report and 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 Annual Report and 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 HpC King's College Hospital Limited

Opinion

We have audited the financial statements of HpC King's College Hospital Limited (the 'company') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, 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 March 2019, and of its loss 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report 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 our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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.

Independent Auditor's Report to the Members of HpC King's College Hospital Limited *(continued)*

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report to the Members of HpC King's College Hospital Limited *(continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Johnston Carmichael LLP

Irvine Spowart (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP
Chartered Accountants
Statutory Auditor

20 December 2019

7-11 Melville Street
Edinburgh
EH3 7PE

HpC King's College Hospital Limited

Statement of Comprehensive Income

Year Ended 31 March 2019

	Note	2019 £	2018 *(restated)* £
Turnover	4	**6,897,497**	6,151,842
Cost of sales		**(2,227,280)**	(1,973,989)
Gross profit		**4,670,217**	4,177,853
Administrative expenses		**(508,440)**	(465,017)
Operating profit	5	**4,161,777**	3,712,836
Other interest receivable and similar income	7	**3,113,556**	3,162,727
Interest payable and similar expenses	8	**(7,071,679)**	(7,959,600)
Profit/(loss) before taxation		**203,654**	(1,084,037)
Tax on profit/(loss)	9	**(517,638)**	(280,717)
(Loss)/(loss) for the financial year and total comprehensive expense		**(313,984)**	(1,364,754)

All the activities of the Company are from continuing operations.

The notes on pages 14 to 27 form part of the Annual Report and Financial Statements.

HpC King's College Hospital Limited

Statement of Financial Position

As at 31 March 2019

	Note	2019 £	2018 (restated) £
Fixed assets			
Investments	11	**50,000**	50,000
Current assets			
Debtors: amounts falling due within one year	12	**3,059,583**	4,413,422
Debtors: amounts falling due after more than one year	12	**64,292,795**	67,106,536
Cash at bank and in hand		**15,985,939**	13,261,283
		83,338,317	84,781,241
Creditors: amounts falling due within one year	13	**(3,882,898)**	(3,082,871)
Net current assets		**79,455,419**	81,698,370
Total assets less current liabilities		**79,505,419**	81,748,370
Creditors: amounts falling due after more than one year	14	**(87,878,208)**	(90,324,813)
Provisions for liabilities			
Taxation including deferred taxation	15	**(618,006)**	(100,368)
Net liabilities		**(8,990,795)**	(8,676,811)
Capital and reserves			
Called up share capital	19	**150,000**	150,000
Retained earnings	20	**(9,140,795)**	(8,826,811)
Total shareholders' deficit		**(8,990,795)**	(8,676,811)

The Annual Report and Financial Statements were approved by the board of directors and authorised for issue on 20 Dec 2019, and are signed on behalf of the board by:

Peter Sheldrake
Director

Company registration number: 03696260

The notes on pages 14 to 27 form part of the Annual Report and Financial Statements.

HpC King's College Hospital Limited

Statement of Changes in Equity

Year Ended 31 March 2019

	Called up share capital £	Retained earnings £	Total £
At 1 April 2017 (As restated)	150,000	(7,462,057)	(7,312,057)
Loss for the financial year		(1,364,754)	(1,364,754)
Total comprehensive expense for the year	–	(1,364,754)	(1,364,754)
At 31 March 2018	150,000	(8,826,811)	**(8,676,811)**
Loss for the financial year		(313,984)	**(313,984)**
Total comprehensive expense for the year	–	(313,984)	**(313,984)**
At 31 March 2019	150,000	(9,140,795)	**(8,990,795)**

The notes on pages 14 to 27 form part of the Annual Report and Financial Statements.

HpC King's College Hospital Limited

Notes to the Annual Report and Financial Statements

Year Ended 31 March 2019

1. General information

HpC King's College Hospital Limited ("the Company") is a private company limited by shares and is incorporated, registered and domiciled in England. The address of its registered office is Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The Company's principal activity is a 38 year contract with King's College Hospital NHS Foundation Trust ("The Trust") ending on the 30 November 2037 for the design and construction of a new building, the refurbishment of the hospital's Ruskin Wing, and for the provision of certain non-clinical services at the hospital.

The Company's functional and presentation currency is the pound sterling. Monetary amounts in these financial statements are rounded to the nearest pound.

2. Statement of compliance

The individual financial statements of HpC King's College Hospital Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

(b) Prior period restatement

The accounting policy in relation to the finance debtor and revenue recognition has been amended in the year. It was agreed that the treatment of income in previous financial statements did not follow the expected treatment under PFI contracts. There was a mismatch between the revenue and the costs included in the calculation as indexation was not applied to the revenue recognised. There was also no margin applied to any costs. The adjustments to the prior periods in relation to this change can be found in note 18 of the financial statements. The new method applies a service margin to all costs, excluding financing, within the Company and allocates the management service income between turnover finance debtor interest and the reimbursement of the finance debtor so as to generate a constant rate of return over the life of the contract. The accounting now aligns with other PFI projects.

(c) Going concern

The directors acknowledge that the Company is in a net liability position at the balance sheet date, and that the King's College Hospital NHS Foundation Trust were placed in special measures by NHS Improvement in December 2017 in view of its forecast financial deficit, however the likelihood of non-recovery of the Group's finance debtor is deemed to be low in light of the Trust's invoice settlement performance, the operationally critical nature of the Group's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, therefore, the Company continues to adopt the going concern basis in preparing its financial statements.

(d) Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of HpC King's College Hospital (Holdings) Limited which can be obtained from the Company Secretary at c/o Infrastructure Managers Limited, 11 Thistle Street, Edinburgh, EH2 1DF. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

(a) No cash flow statement has been presented for the Company.

(b) Certain disclosures required by FRS 102.11 Basic Financial Instruments have not been presented.

The Company is wholly owned by HpC King's College Hospital (Holdings) Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

(e) Consolidation

The Company is a wholly owned subsidiary of HpC King's College Hospital (Holdings) Limited, a company incorporated in the EEA. In accordance with Section 400 of the Companies Act 2006, the Company is not required to produce, and has not published, consolidated accounts.

3. Accounting policies *(continued)*

(f) Judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. These estimates and judgments are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgments

i) Deferred taxation

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Judgment is required in the case of the recognition of deferred taxation assets, the Directors have to form an opinion as to whether it is probable that the deferred taxation asset recognised is recoverable against future taxable profits arising. This exercise of judgment requires the Directors to consider forecast information over a long-time horizon having regard to the risks that the forecasts may not be achieved and then form a reasonable opinion as to the recoverability of the deferred taxation asset.

ii) Market rate of interest

The Directors have reviewed the interest rates applied to the unsecured subordinated loan stock and consider these to be at market rate.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

i) Impairment of assets

The carrying value of those assets recorded in the Company's Statement of Financial Position, at amortised cost, could be materially reduced where circumstances exist which might indicate that an asset has been impaired, and an impairment review is performed. Impairment reviews consider the fair value and/or value in use of the potentially impaired asset or assets and compares that with the carrying value of the asset or assets in the Statement of Financial Position. Any reduction in value arising from such a review would be recorded in the Statement of Comprehensive Income. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

ii) Accounting for service concession arrangements

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

3. Accounting policies *(continued)*

(g) Revenue recognition

Turnover represents the services' share of the management services income received by the Company for the provision of a PFI asset to the customer. This income is received over the life of the concession period. Management service income is allocated between turnover, finance debtor interest and reimbursement of finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.

(h) Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity. In this case tax is also recognised in Other Comprehensive Income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences 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.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is also recognised on the revaluations of derivative financial instruments, with the movements going through the Statement of Comprehensive Income.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability.

(i) Finance debtor

The Company has taken the transition exemption in FRS 102 Section 35.10(i) that allows the Company to continue the service concession arrangement accounting policies from previous UK GAAP.

The Company is accounting for the concession asset based on the ability to substantially transfer all the risks and rewards of ownership to the customer, with this arrangement the costs incurred by the Company on the design, refurbishment and construction of the assets have been treated as a finance debtor within these financial statements.

3. **Accounting policies** *(continued)*

(j) Cash and cash equivalents

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

(k) Borrowings

Borrowings are recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Statement of Comprehensive Income over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities.

(l) Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and Machinery - 7 years straight line

(m) Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

(n) Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

3. Accounting policies *(continued)*

(o) Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the Statement of Financial Position and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in the Statement of Comprehensive Income unless the provision was originally recognised as part of the cost of an asset.

(p) Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' of FRS 102 in full to all of its financial instruments. A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price and subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at the transaction price and subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in the Statement of Comprehensive Income.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

3. Accounting policies *(continued)*

Financial instruments *(continued)*

Any reversals of impairment are recognised in the Statement of Comprehensive Income immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. 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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Statement of Financial Position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

4. Turnover

The whole of the turnover is attributable to the principal activity of the Company wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

	2019	2018
	£	£
Fees payable for the audit of the annual report and financial statements	**14,750**	17,000

The audit fee of £14,750 from Johnston Carmichael LLP (2018: £17,000 from KPMG LLP) includes the fee for HpC King's College Hospital (Holdings) Limited and HpC Kings College Hospital (Issuer) plc. No recharge of these fees will be made.

6. Particulars of employees and directors

The average number of persons employed by the Company during the financial year, including the directors, amounted to nil (2018: nil). The directors did not receive any remuneration from the Company during the year (2018: £nil).

7. Other interest receivable and similar income

	2019	2018 *(restated)*
	£	£
Interest on cash and cash equivalents	**61,558**	17,627
Finance receivable interest	**3,050,595**	3,145,100
Other interest receivable and similar income	**1,403**	–
	3,113,556	3,162,727

8. Interest payable and similar expenses

	2019	2018 *(restated)*
	£	£
Interest due to Group undertakings	**938,069**	637,718
Interest on amounts due to subsidiary undertakings	**5,713,115**	6,404,648
Loan stock redemption premium	**138,095**	633,384
Other interest payable and similar expenses	**282,400**	283,850
	7,071,679	7,959,600

9. Tax on profit/(loss)

Major components of tax expense

	2019	2018 *(restated)*
	£	£
Deferred tax:		
Origination and reversal of timing differences	**517,638**	280,717
Tax on profit/(loss)	**517,638**	280,717

Reconciliation of tax expense

The tax assessed on the loss for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019	2018 *(restated)*
	£	£
Profit/(loss) before taxation	**203,654**	(1,084,037)
Profit/(loss) by rate of tax	**38,694**	(205,967)
Effect of expenses not deductible for tax purposes	**602,471**	581,516
Effect of change in tax rate	**(123,527)**	(94,832)
Total tax charge	**517,638**	280,717

10. Tangible assets

	Land and buildings £	Plant and machinery £	Total £
Cost			
At 1 April 2018	1,007,000	87,582	**1,094,582**
Disposals	–	(87,582)	**(87,582)**
At 31 March 2019	1,007,000	–	**1,007,000**
Depreciation			
At 1 April 2018	1,007,000	87,582	**1,094,582**
Disposals	–	(87,582)	**(87,582)**
At 31 March 2019	1,007,000	–	**1,007,000**
Carrying amount			
At 31 March 2019	–	–	–
At 31 March 2018	–	–	–

11. Investments

	Shares in group undertakings £
Cost	
At 1 April 2018 and 31 March 2019	**50,000**
Impairment	
At 1 April 2018 and 31 March 2019	**–**
Carrying amount	
At 31 March 2019	**50,000**
At 31 March 2018	50,000

Subsidiaries, associates and other investments

The company owns 99.998% of the issued share capital of HpC King's College Hospital (Issuer) plc, a Company registered at 78 Cannon Street, London, EC4N 6AF.

	2019 £	2018 £
Aggregate capital and reserves	**50,000**	50,000
Profit for the year	**–**	–

The directors believe that the carrying value of the investments is supported by their underlying net assets.

12. Debtors

Debtors amounts falling due within one year are as follows:

	2019	2018 *(restated)*
	£	£
Trade debtors	**11,112**	–
Prepayments and accrued income	**130,701**	132,719
Corporation tax repayable	**68,001**	170,000
Finance debtor	**2,813,740**	4,014,475
Other debtors	**36,029**	96,228
	3,059,583	4,413,422

Debtors amounts falling due after more than one year are as follows:

	2019	2018 *(restated)*
	£	£
Finance debtor	**64,292,795**	67,106,536

The movement in the finance debtor is analysed as follows:

	2019	2018 Restated
	£	£
At beginning of year	**71,121,011**	75,256,489
Movement in the year	**(4,014,476)**	(4,135,478)
At end of year	**67,106,535**	71,121,011

Included in the movement in the year is amortisation of the finance debtor amounting to £2,259,802 (2018: £2,165,297).

On completion of the construction, borrowing costs of £8,423,000 were capitalised within the finance receivable.

13. Creditors: amounts falling due within one year

	2019	2018 *(restated)*
	£	£
Trade creditors	**237,125**	218,484
Amounts owed to Group undertakings	**50,000**	50,000
Accruals and deferred income	**186,876**	51,399
Taxation and social security	**573,583**	533,045
Loans due to immediate parent company	**492,146**	490,959
Loan due to subsidiary company	**2,343,168**	1,738,984
	3,882,898	3,082,871

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

	2019	2018 *(restated)*
	£	£
Loans due to immediate parent company	**6,867,542**	6,970,979
Loan due to subsidiary company	**81,010,666**	83,353,834
	87,878,208	90,324,813

Loans due to immediate parent company

Amounts due to immediate parent company relates to unsecured loan stock with a value of £2,603,275 (2018: £2,702,986) due 2037, bearing interest at LIBOR plus 13.45% and another unsecured loan with a value of £4,291,987 (2018: £4,291,987) due 2037, bearing interest at 13.04%. The balance also includes accrued interest of £464,426 (2018: £466,965).

Loan due to subsidiary company

The loan due to subsidiary company relates to a 3.443% index-linked guaranteed secured bond due 2004-2036. Both the interest and the principal balances are adjusted for the increase in the Retail Price Index at six monthly intervals, which at 31 March 2019 amounted cumulatively to 70.52% (2018: 65.19%). The un-indexed principal balance outstanding at 31 March 2019 is £49,368,926 (2018: £52,062,743). The loan is secured by way of a fixed and floating charge over the assets of the company and its immediate parent company.

15. Provisions for liabilities

	Deferred tax (note 16)
	£
At 1 April 2018 (as restated)	**100,368**
Deferred tax	**517,638**
At 31 March 2019	**618,006**

16. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2019	2018 *(restated)*
	£	£
Included in provisions for liabilities (note 15)	**618,006**	100,368

The deferred tax account consists of the tax effect of timing differences in respect of:

	2019	2018 *(restated)*
	£	£
Accelerated capital allowances	**5,392,187**	5,535,507
Unused tax losses	**(4,754,153)**	(5,411,773)
Other timing differences	**(20,028)**	(23,366)
	618,006	100,368

16. Deferred tax *(continued)*

The net deferred tax liability expected to reverse in 2020 is £731,877. This primarily relates to the reversal of timing differences on capital allowances offset by expected utilisation of tax losses and short-term timing differences.

17. Financial instruments

The finance debtor is held at amortised cost.

18. Prior period restatement

(a) Prior period restatement for material error - RPI loan principal adjustment

During the year it was identified that the index-linked element of the loan due to subsidiary company had been under provided for by £410,592.

To correct this an adjustment of £396,333 as at 1 April 2017 was processed to increase the loan due to subsidiary company with a related deferred tax credit of £67,375. The corresponding entry was processed to retained earnings as at 1 April 2017 of £328,958. A further adjustment of £14,259 as at 31 March 2018 was processed to increase the loan due to subsidiary company with the corresponding entries increasing the index-linked interest element in the Statement of Comprehensive Income with a related deferred tax charge in 2018 of £232,421 resulting in an adjustment of £246,680 to the total comprehensive income through the year to 31 March 2018.

(b) Prior period restatement for change in accounting policy - Finance debtor recalculation

During the year the accounting treatment of the finance debtor was changed to reflect more traditional PFI projects as detailed in the prior period restatement accounting policy. Therefore, the amounts held as long term trade debtors relating to the Ruskin Ward have been reclassified into the finance debtor balance.

An adjustment of £4,014,053 was made to increase the finance debtor as at 1 April 2017 which reduced the deferred tax debit balance at the same date by £464,294. This meant there was an overall credit to retained earnings as at 1 April 2017 of £3,549,759.

The amount held in trade debtors falling due within one year at 31 March 2018 of £346,876 has been reallocated to the finance debtor balance. Also, the amount held in trade debtors falling due after more than one year at 31 March 2018 of £14,603,810 was also reallocated to the finance debtor balance.

In 2018 the finance debtor balance was decreased by £1,697,679 which was a result of reducing the finance debtor interest received in the year. The adjustment to deferred tax was £27,151. The combined adjustment in 2018 was an overall credit of £1,724,830 through the Statement of Comprehensive Income.

£3,853,479 of finance debtor interest was reallocated to turnover.

(c) Prior period restatement - Corporation tax charge

In 2018 it had been believed that the Company would be considered part of the BIIF tax Group. In this respect losses were restricted in line with legislation and a tax charge processed. During the current year further investigation resulted in a different conclusion whereby the SPV is not part of the BIIF tax group, rather it's own tax group and this loss restriction removed. As a result of this there was no corporation tax due for the year to 31 March 2018 reducing the charge through the profit and loss by £233,894.

A summary of the adjustments made are detailed below.

18. Prior period restatement *(continued)*

Retained earnings	**31 Mar 2017**
	£
As previously reported	(10,682,858)
RPI loan principal adjustment	(328,958)
Finance debtor recalculation	3,549,759
As restated	**(7,462,057)**

Profit for the financial year	**31 Mar 2018**
	£
As previously reported	372,862
RPI loan principal adjustment	(14,259)
Deferred tax charge	(232,421)
Finance debtor recalculation	(1,697,679)
Deferred tax credit	(27,151)
Corporation tax	233,894
As restated	**(1,364,754)**

Retained earnings	**31 Mar 2018**
	£
As previously reported	(10,309,997)
RPI loan principal adjustment	(575,637)
Finance debtor recalculation	1,824,929
Corporation tax	233,894
As restated	**(8,826,811)**

19. Called up share capital

Issued, called up and fully paid

	2019		2018 *(restated)*	
	No.	**£**	No.	£
Ordinary shares of £1 each	**150,000**	**150,000**	150,000	150,000

20. Reserves

Retained earnings records retained earnings and accumulated losses.

21. Related party transactions

The Company is wholly owned by HpC King's College Hospital (Holdings) Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

The Company paid £45,072 (2018: £64,488) to Sodexo Investment Services Limited, an indirect shareholder, for the provision of 2 directors. As at 31 March 2019 £nil (2018: £26,014) remained outstanding.

The Company paid £102,435 (2018: £98,538) to BIIF Bidco Limited for the provision of 2 directors. As at 31 March 2019 £nil (2018: £26,014) remained outstanding.

The Company sub-contracted Sodexo Limited, part of the Sodexo Group, an indirect shareholder, to provide non-clinical services to King's College Hospital Trust until 15 December 2009. The amount invoiced by Sodexo Limited in the year for these services amounted to £nil (2018: £nil). As at 31 March 2019 £9,012 (2018: £9,012) remained outstanding.

The Company sub-contracted Sodexo Limited, part of the Sodexo Group, an indirect shareholder, to manage the lifecycle and estate services. The amount invoiced by Sodexo Limited in the year for these services amounted to £2,224,750 (2018: £3,589,620). As at 31 March 2019 £180,319 (2018: £114,560) remained outstanding.

22. Controlling party

The immediate parent undertaking is HpC King's College Hospital (Holdings) Limited, a Company registered at Cannon Place, 78 Cannon Street, London, EC4N 6AF, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of HpC King's College Hospital (Holdings) Limited consolidated financial statements can be obtained from the Company Secretary at c/o Infrastructure Managers Limited, 11 Thistle Street, Edinburgh, EH2 1DF.

The ultimate parent and controlling party is BIIF L.P., a limited partnership registered at 16 Palace Street, London, SW1E 5JD. BIIF L.P. is owned by a number of investors with no one investor having individual control.