

Company Registration No. 04674817 (England and Wales)

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED

COMPANY INFORMATION

Directors	B D Adams A Irwin F D' Alonzo H Holman	(Appointed 1 April 2021)
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Company secretary	M Duggan
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Company number	04674817
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Registered office	3rd Floor, South Building 200 Aldersgate Street London EC1A 4HD
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Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW
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INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED

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INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The Company's principal activities during the year were the provision and maintenance of social and healthcare centres under a 28 year Private Finance Initiative (PFI) contract term with Kent 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 provision and maintenance of social and healthcare centres in Tenterden and Margate for Kent County Council.

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 and retail price 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 Kent County Council is the Company's sole counterparty and debtor. The directors consider Kent County Council is a financially secure counterparty. Clauses in the concession agreement ensure that the Company will be sufficiently compensated by Kent 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 and fluctuations in retail price indices. 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.

Key performance indicators

The key performance indicators for the Company are performing in line with the financial model and compliance with banking covenants. As at 31 December 2021 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.

Directors

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

P Would (Resigned 1 April 2021)

B D Adams

A Irwin

F D' Alonzo

H Holman

(Appointed 1 April 2021)

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Results and dividends

The profit for the year after taxation amounted to £382k (2020: £468k). The company paid interim dividends of £200k (2020: £264k) during the year. The directors do not recommend a final dividend to be paid (2020: £nil).

Qualifying third party indemnity provisions

The Company did not provide indemnity insurance for the directors during the year (2020: £nil).

Auditor

The auditor, UHY Hacker Young, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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;
- 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021


Going Concern & Covid-19

In light of the net liabilities of £2,658k (2020: £3,910k) primarily caused by the fair value liability of the interest rate and RPI swap contracts, the directors have reviewed the company's projected profits and cash flows by reference to a financial model covering accounting periods up to March 2033. 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.

In the annual review of the company's going concern, the directors have considered the long term impact of the corona virus, COVID-19, pandemic. Recent Government Procurement Policy Note sets out information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the current COVID-19 outbreak confirming that the suppliers will continue to be paid as normal. The company has entered into long-term contracts with its customer and suppliers, and after careful review of these contracts the directors are confident that the company can operate as normal for the next twelve months. The directors have committed to carrying out regular reviews of the company's cash flows to monitor the ongoing situation.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

DocuSigned by:

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H Holman
Director

16-Sep-2022 | 1:32 PM BST

Date:

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED

Opinion

We have audited the financial statements of Integrated Care Solutions (East Kent) Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 our audit:

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

Matters on which we are required to report by exception

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the acts by the company, which were contrary to applicable laws and regulations including fraud, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inflated revenue and profit.

Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, review of correspondence with and reports to Kent County Council, including correspondence with legal advisors, enquiries of management and review of the financial model and related audit reports in so far as they relate to the financial statements, and testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.



UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

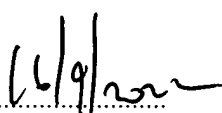
A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.



Marc Waterman (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young

Date:  16/9/2020

Chartered Accountants
Statutory Auditor

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £000	2020 £000
Turnover	3	2,927	3,332
Cost of sales		(2,197)	(2,422)
Gross profit		730	910
Administrative expenses		(175)	(279)
Operating profit	4	555	631
Interest receivable and similar income	5	1,030	1,050
Interest payable and similar expenses	6	(1,213)	(1,253)
Profit before taxation		372	428
Tax on profit	7	10	40
Profit for the financial year		382	468
Other comprehensive income			
Cash flow hedges gain arising in the year		919	50
Tax relating to other comprehensive income		151	122
Total comprehensive income for the year		1,452	640

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

The notes on pages 11 to 24 form an integral part of these financial statements.

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED**BALANCE SHEET****AS AT 31 DECEMBER 2021**

	Notes	2021 £000	2020 £000
Current assets			
Debtors	10	18,126	18,522
Cash at bank and in hand		2,578	2,699
		<u>20,704</u>	<u>21,221</u>
Creditors: amounts falling due within one year	11	(3,299)	(3,400)
Net current assets		17,405	17,821
Creditors: amounts falling due after more than one year	12	(20,063)	(21,731)
Net liabilities		<u>(2,658)</u>	<u>(3,910)</u>
Capital and reserves			
Called up share capital	15	130	130
Hedging reserve	16	(4,070)	(5,140)
Profit and loss reserves	16	1,282	1,100
Total equity		<u>(2,658)</u>	<u>(3,910)</u>

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

The notes on pages 11 to 24 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 16/09/2022 and are signed on its behalf by:

DocuSigned by:

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 H Holman
 Director

Company Registration No. 04674817

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2021**

		Share capital	Hedging reserve	Profit and loss reserves	Total
	Notes	£000	£000	£000	£000
Balance at 1 January 2020		130	(5,312)	896	(4,286)
Year ended 31 December 2020:					
Profit for the year		-	-	468	468
Other comprehensive income:					
Cash flow hedges gains		-	50	-	50
Tax relating to other comprehensive income		-	122	-	122
Total comprehensive income for the year		-	172	468	640
Dividends	8	-	-	(264)	(264)
Balance at 31 December 2020		130	(5,140)	1,100	(3,910)
Year ended 31 December 2021:					
Profit for the year		-	-	382	382
Other comprehensive income:					
Cash flow hedges gains		-	919	-	919
Tax relating to other comprehensive income		-	151	-	151
Total comprehensive income for the year		-	1,070	382	1,452
Dividends	8	-	-	(200)	(200)
Balance at 31 December 2021		130	(4,070)	1,282	(2,658)

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Integrated Care Solutions (East Kent) Limited is a private company limited by shares incorporated in England and Wales. The registered office is 3rd Floor, South Building, 200 Aldersgate Street, London, EC1A 4HD.

1.1 Accounting convention

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

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

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

The Company's parent undertaking, Integrated Care Solutions (East Kent) Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Integrated Care Solutions (East Kent) Holdings Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In the 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 (East Kent) 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.
- Service concession agreements — The Company entered into its service concession arrangement before the date of transition to this FRS. Therefore, its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS

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

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****1 Accounting policies****(Continued)****1.2 Going concern**

In light of the net liabilities of £2,658k (2020: £3,910k), primarily caused by the fair value liability of the interest rate and RPI swap contracts, the directors have reviewed the company's projected profits and cash flows by reference to a financial model covering accounting periods up to March 2033. 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.

In the annual review of the company's going concern, the directors have considered the long term impact of the corona virus, COVID-19, pandemic. Recent Government Procurement Policy Note sets out information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the current COVID-19 outbreak confirming that the suppliers will continue to be paid as normal. The company has entered into long-term contracts with its customer and suppliers, and after careful review of these contracts the directors are confident that the company can operate as normal for the next twelve months. The Directors have committed to carrying out regular reviews of the Company's cash flows to monitor the ongoing situation.

1.3 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 recognised 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.

1.4 Cash and cash equivalents

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

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 £1,789,000 at the year end (2020: £1,789,000).

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.5 Financial instruments

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.

Basic financial assets

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

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.

Other financial assets

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.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Basic financial liabilities

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

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

1.6 Equity instruments

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

1.7 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.8 Hedge accounting

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.

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

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 account 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 profit or loss immediately.

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Any gain or loss previously recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. This occurs when the hedging instrument expires or no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

1.9 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

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

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

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****1 Accounting policies (Continued)****1.10 Lifecycle costs**

Costs relating to lifecycle expenditure are capitalised into the finance debtor and expensed to the profit and loss account 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 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

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

3 Turnover and other revenue

	2021	2020
	£000	£000
Turnover analysed by class of business		
Costs re-charged including mark up	2,689	3,099
Pass through income	238	233
	<u>2,927</u>	<u>3,332</u>

All turnover arose from operations in the United Kingdom.

4 Operating profit

	2021	2020
	£000	£000
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	6	6
	<u>6</u>	<u>6</u>

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****5 Interest receivable and similar income**

	2021	2020
	£000	£000
Interest income		
Bank interest receivable	-	4
Finance debtor interest receivable	1,030	1,046
	<u>1,030</u>	<u>1,050</u>
Total income	<u>1,030</u>	<u>1,050</u>

6 Interest payable and similar expenses

	2021	2020
	£000	£000
Interest on bank loans	963	999
Interest payable on subordinated debt	222	223
Bank fees payable	28	31
	<u>1,213</u>	<u>1,253</u>

7 Taxation

	2021	2020
	£000	£000
Current tax		
UK corporation tax on profits for the current period	71	81
Adjustments in respect of prior periods	(81)	(121)
	<u>(10)</u>	<u>(40)</u>
Total current tax	<u>(10)</u>	<u>(40)</u>

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

	2021	2020
	£000	£000
Profit before taxation	<u>372</u>	<u>428</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	71	81
Under/(over) provided in prior years	(81)	(121)
	<u>(10)</u>	<u>(40)</u>
Taxation credit for the year	<u>(10)</u>	<u>(40)</u>

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

7 Taxation

(Continued)

In addition to the amount credited to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2021	2020
	£000	£000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	(151)	(122)
	<u> </u>	<u> </u>

8 Dividends

	2021	2020	2021	2020
	Per share	Per share	Total	Total
	Pence	Pence	£000	£000
Interim paid	154.00	203.00	200	264
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

9 Financial instruments

	2021	2020
	£000	£000
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	5,426	6,346
	<u> </u>	<u> </u>

Financial instruments measured at fair value

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

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****9 Financial instruments****(Continued)****Hedge accounting**

Derivative financial instruments designated as hedges of variable interest rate risk and inflation risk comprise interest rate swap and RPI 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 13, the Company has entered into floating to fixed interest rate swaps with the nominal value equal to the initial borrowings with the same term as the loans and interest payment dates. These result in the company paying 5.37% 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 below. The cash flows arising from the interest rate swaps will continue until their maturity in 2031, coincidental with the repayment of the term loans. The change in fair value in the period was a decrease of £1,541,000 (2020: increase of £167,000) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective.

In addition, the Company has also entered into an RPI-linked swap deal to hedge against potential movements in future revenue cash flows arising from changes in RPI. The nominal value of the deal is below that of the contracted revenues of the Company, but the term and re-pricing dates are identical to those of the contracted revenue. These result in the company effectively fixing the inflation on a determined portion of the concession period.

The derivatives are accounted for as a cash flow hedge in accordance with FRS 102 and have the fair values as described below. The cash flows arising from the RPI swaps will continue until their maturity in 2031. The change in fair value in the period was a increase of £621,000 (2020: decrease of £216,000) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective.

The fair value of the interest rate swap is £3,313,000 (2020: £4,853,000). The fair value of the RPI swap is £2,114,000 (2020: £1,493,000).

On 12th January 2022 the company signed agreements with the lender and SWAP provider to transfer the floating interest rate from LIBOR to SONIA. the SONIA rate will be determined five business days before the end of each calendar month. The transition will commence after the balance sheet date.

10 Debtors

	2021	2020
	£000	£000
Amounts falling due within one year:		
Corporation tax recoverable	158	-
Finance debtor	653	713
Prepayments and accrued income	416	397
	<u>1,227</u>	<u>1,110</u>

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****10 Debtors****(Continued)**

	2021	2020
	£000	£000
Amounts falling due after more than one year:		
Finance debtor	15,542	16,206
Deferred tax asset (note 14)	1,357	1,206
	<u>16,899</u>	<u>17,412</u>
Total debtors	<u>18,126</u>	<u>18,522</u>

11 Creditors: amounts falling due within one year

	Notes	2021	2020
		£000	£000
Bank loans	13	574	566
Trade creditors		131	90
Corporation tax		-	2
Other taxation		81	120
Accruals and deferred income		2,513	2,622
		<u>3,299</u>	<u>3,400</u>

12 Creditors: amounts falling due after more than one year

	Notes	2021	2020
		£000	£000
Bank loans	13	12,661	13,234
Subordinated debt	13	1,976	1,976
Other financial instruments		5,426	6,346
Accruals and deferred income		-	175
		<u>20,063</u>	<u>21,731</u>

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****13 Loans and overdrafts**

	2021	2020
	£000	£000
Bank loans	13,235	13,800
Subordinated debt	1,976	1,976
	<u>15,211</u>	<u>15,776</u>
Payable within one year	574	566
Payable after one year	<u>14,637</u>	<u>15,210</u>

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

Included within bank loan is an amount repayable after five years of £8,572,000 (2020: £9,837,000) and included within subordinated debt are amounts repayable after five years of £1,976,000 (2020: £1,976,000) respectively.

There is one term loan facility drawn down at 31 December 2019. The tenure of the term loan from NIBC Bank NV was originally 28 years and is repayable in 52 semi-annual instalments commencing 31 March 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. Details of all swap transactions can be found within note 9.

The subordinated debt is unsecured with a fixed rate of interest of 11.25% pa.

14 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon:

	Assets	Assets
	2021	2020
Balances:	£000	£000
Deferred Tax on revaluation of fair value of derivatives	<u>1,357</u>	<u>1,206</u>

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****14 Deferred taxation (Continued)**

	2021
	£000
Movements in the year:	
Asset at 1 January 2021	(1,206)
Credit to other comprehensive income	(151)
	<u> </u>
Asset at 31 December 2021	<u>(1,357)</u>

Reversal of the deferred tax asset is shown through the cash flow hedge reserve and other comprehensive income.

Deferred tax asset is recognised on the revaluation of the swap derivatives on both the RPI and the interest rate swap held by the Company. These are accounted for under cash flow hedges.

15 Share capital

	2021	2020
	£000	£000
Ordinary share capital		
Issued and fully paid		
130,000 Ordinary shares at £1 per share	130	130
	<u> </u>	<u> </u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

16 Reserves**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.

Profit and loss reserves

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

INTEGRATED CARE SOLUTIONS (EAST KENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

17 Ultimate controlling party

The Company is a wholly owned subsidiary of Integrated Care Solutions (East Kent) Holdings Limited, a company that is incorporated in England and Wales.

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

Kent Vanwall Limited is the parent company of Integrated Care Solutions (East Kent) Holdings Limited.

The directors consider Equitix Fund 1 LP to be the ultimate controlling entity.