

CARING 4 CROYDON LIMITED

AUDITED

**DIRECTORS' REPORT
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 MARCH 2023**

CARING 4 CROYDON LIMITED

COMPANY INFORMATION

Directors	Mr A T S Parry Mr A W Hopps Mr D Nixon
Company secretary	Pario Limited
Registered number	05773905
Registered office	Unit 18 Riversway Business Village Navigation Way Ashton-on-Ribble Preston PR2 2YP
Independent auditors	Wellden Turnbull Limited Chartered Accountants & Statutory Auditors Albany House Claremont Lane Esher Surrey KT10 9FQ

CARING 4 CROYDON LIMITED

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CARING 4 CROYDON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023

The directors present their report and the financial statements for the year ended 31 March 2023.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The Company's principal activities are to provide for the design, construction and refurbishment of existing buildings and management services, including related financing arrangements, for serviced accommodation for three elderly care homes and a home to provide sheltered housing in the Croydon area for a period of 32 years under the Government's Private Finance Initiative ("PFI").

Results and dividends

The profit for the year, after taxation, amounted to £41,863 (2022 - £21,153).

No dividends (2022 - £Nil) were paid during the year and the directors have not recommended a final dividend to be paid (2022 - £Nil).

Directors

The directors who served during the year were:

Mr A T S Parry
Mr A W Hopps
Mr D Nixon

CARING 4 CROYDON LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023**

Disclosure of information to auditors

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

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

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

Post balance sheet events

Subsequent to the year end date, economies and financial markets have continued to be affected by the global uncertainties. The Company earns income from a PFI contract with Croydon Council which matures in 2038. The Directors have assessed the impact and risk of the current market conditions on the Company and do not believe these to be material in nature. Details of the Directors going concern assessment are included in note 2.4.

Small companies note

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

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

Mr A T S Parry

Director

Date: 20 December 2023

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARING 4 CROYDON LIMITED

Opinion

We have audited the financial statements of Caring 4 Croydon Limited (the 'Company') for the year ended 31 March 2023, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter

We draw attention to note 2.4 of the financial statements which sets out the basis for management's assessment of the Company's position as a going concern and the subsequent preparation of the accounts on a going concern basis. Our opinion is not modified in this respect. We draw attention to note 2.15 of the financial statements, which describes the accounting treatment for fair value gains and losses on financial instrument swaps held by the Company. Our opinion is not modified in this respect.

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 AUDITORS' REPORT TO THE MEMBERS OF CARING 4 CROYDON LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' 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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARING 4 CROYDON LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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. 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. We have identified the greatest risk of a material impact on the financial statements from irregularities, including fraud, to relate to the timing and recognition of revenue, and the override of controls by management. We have obtained an understanding of the legal and regulatory frameworks that the Company operates within including both those that directly have an impact on the financial statements and more widely those for which non-compliance could have a significant impact on the Company's operations and reputation. The Companies Act 2006, employee legislation, health and safety legislation, and data protection are those we have identified in this regard. Auditing standards limit the required procedures as to non-compliance with laws and regulations to enquiries of those charged with governance and review of any applicable correspondence. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance as to actual and potential litigation and claims;
- Enquiry of management and those charged with governance to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
- Assessing the reasonableness of revenue and finance income recognised in the period based on PFI contract terms and obligations and the requirement of accounting standards;
- Reviewing and challenging assumptions and judgements in respect of significant accounting estimates, regarding the valuation of finance debtors and related recoverability, including valuation methodology and financial models and key inputs such as forward cash flow forecasts and associated growth rates and discount rates.
- Verifying the Company's fair value swap positions to independent third party commercial valuations;
- Reviewing and challenging the underlying assumptions and valuation methodology used for the valuation of the Company's group and third party loans including assessing the reasonableness of valuation inputs and assumptions in the context of market available data to assess for indicators of management bias;
- Reviewing the tax provisions of the Company with the assistance of our independent tax specialists; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARING 4 CROYDON LIMITED (CONTINUED)

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

This report is made solely to the Company's members, 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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Nelligan FCA (Senior Statutory Auditor)

for and on behalf of

Wellden Turnbull Limited

Chartered Accountants

Statutory Auditors

Albany House

Claremont Lane

Esher

Surrey

KT10 9FQ

20 December 2023

CARING 4 CROYDON LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2023**

	Note	2023 £	2022 £
Turnover	4	2,838,939	2,621,437
Cost of sales		(2,101,594)	(1,921,712)
Gross profit		<u>737,345</u>	<u>699,725</u>
Administrative expenses		(769,936)	(730,266)
Operating loss		<u>(32,591)</u>	<u>(30,541)</u>
Interest receivable and similar income	6	1,426,348	1,422,904
Interest payable and similar expenses	7	(1,342,075)	(1,366,249)
Profit before tax		<u>51,682</u>	<u>26,114</u>
Tax on profit	8	(9,819)	(4,961)
Profit for the financial year		<u><u>41,863</u></u>	<u><u>21,153</u></u>

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

CARING 4 CROYDON LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

		2023 £	2022 £
Profit for the financial year		41,863	21,153
Other comprehensive income			
Fair value gains on swaps	16	3,135,554	2,131,412
Deferred tax arising on fair value adjustments	9	(783,888)	(156,602)
Other comprehensive income for the year		2,351,666	1,974,810
Total comprehensive income for the year		<u>2,393,529</u>	<u>1,995,963</u>

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

CARING 4 CROYDON LIMITED
REGISTERED NUMBER: 05773905

BALANCE SHEET
AS AT 31 MARCH 2023

	Note	2023 £	2022 £
Current Assets			
Debtors: amounts falling due after more than one year	10	18,988,922	20,426,225
Debtors: amounts falling due within one year	10	721,251	623,157
Cash at bank and in hand	11	2,448,983	2,516,897
Net current assets		<u>22,159,156</u>	<u>23,566,279</u>
Creditors: amounts falling due within one year	12	(2,897,949)	(2,780,563)
Net current assets		<u>19,261,207</u>	<u>20,785,716</u>
Total assets less current liabilities		<u>19,261,207</u>	<u>20,785,716</u>
Creditors: amounts falling due after more than one year	13	(19,389,665)	(23,307,703)
Net liabilities		<u>(128,458)</u>	<u>(2,521,987)</u>
Capital and reserves			
Called up share capital	17	10,000	10,000
Other reserves	18	(752,911)	(3,104,577)
Profit and loss account	18	614,453	572,590
Shareholders' deficit		<u>(128,458)</u>	<u>(2,521,987)</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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

Mr A T S Parry
Director

Date: 20 December 2023

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

CARING 4 CROYDON LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023**

	Called up share capital £	Other reserves - Hedging reserve £	Profit and loss account £	Total equity £
At 1 April 2021	10,000	(5,079,387)	551,437	(4,517,950)
Comprehensive income for the year				
Profit for the year	-	-	21,153	21,153
	<hr/>	<hr/>	<hr/>	<hr/>
Fair value gains on swaps	-	2,131,412	-	2,131,412
Deferred tax arising on fair value adjustments	-	(156,602)	-	(156,602)
	<hr/>	<hr/>	<hr/>	<hr/>
Other comprehensive income for the year	-	1,974,810	-	1,974,810
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	1,974,810	21,153	1,995,963
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 April 2022	10,000	(3,104,577)	572,590	(2,521,987)
Comprehensive income for the year				
Profit for the year	-	-	41,863	41,863
	<hr/>	<hr/>	<hr/>	<hr/>
Fair value gains on swaps	-	3,135,554	-	3,135,554
Deferred tax arising on fair value adjustments	-	(783,888)	-	(783,888)
	<hr/>	<hr/>	<hr/>	<hr/>
Other comprehensive income for the year	-	2,351,666	-	2,351,666
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	2,351,666	41,863	2,393,529
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2023	<u>10,000</u>	<u>(752,911)</u>	<u>614,453</u>	<u>(128,458)</u>

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

CARING 4 CROYDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1. General information

Caring 4 Croydon Limited is a private Company, limited by shares, and incorporated in England and Wales, registered number 05773905. The registered office address is Unit 18 Riversway Business Village, Navigation Way, Ashton-on-Ribble, Preston, PR2 2YP.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

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

The following principal accounting policies have been applied:

2.2 Compliance with accounting standards

The accounts have been prepared in accordance with the provisions of FRS 102, with the exception of matters disclosed in note 2.15. Management have concluded that the financial statements present a true and fair view of the Company's affairs as at 31 March 2023 and its profit for the year then ended.

2.3 Financial Reporting Standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of Cardale PFI Investments Limited as at 31 March 2023 and these financial statements may be obtained from the registered office at 4 Greengate, Cardale Park, Harrogate, North Yorkshire, HG3 1GY.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.4 Going concern

The financial statements have been prepared on a going concern basis as although the Company is in a net liability position, it has been profitable in the period and has generated sufficient cash from operations to meet its liabilities as they fall due. In assessing the appropriateness of the going concern basis of preparation, the Directors have taken into account the key risks of the business, including the current economic global uncertainties. In doing so the Directors have considered the Company's business model and availability of cash resources. The Directors have prepared projected cash flow information for at least twelve months from the date of their approval of these financial statements. On the basis of this cash flow information, the Directors consider that the Company will continue to operate within the long term facility currently agreed. In addition, during the operational phase of the project, sufficient cash flow is projected to be generated to allow the Company to meet continue to meet its liabilities as they fall due for payment.

The Company's senior loan is repayable by 31 January 2037 and is supported by the future cash flows from a PFI contract with Croydon Council which matures 2038. The balance sheet of the Company includes swap liability positions to manage the Company's exposure to interest rate risk. It is not the intention of management to close out these instruments before their maturity date and the required cash flows to service the swaps are built into forward cash flow models supporting management's going concern assessment. Having undertaken this assessment the Directors consider it is appropriate to prepare the financial statements on a going concern basis.

2.5 Revenue

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

Rendering of services

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

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

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

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

2.6 Finance debtor

The Company operates a PFI contract. During the operational phase, income is allocated between interest receivable and the finance debtor using an asset specific interest rate. The remainder of the PFI unitary charge is included within turnover.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.7 Interest income

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

2.8 Finance costs

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

2.9 Current and deferred taxation

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

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

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

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

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

2.10 Debtors

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

2.11 Cash and cash equivalents

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

2.12 Creditors

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.13 Financial instruments

The Company has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

The Company has elected to apply the recognition and measurement provisions of IFRS 9 Financial Instruments (as adopted by the UK Endorsement Board) with the disclosure requirements of Sections 11 and 12 and the other presentation requirements of FRS 102.

Financial instruments are recognised in the Company's Balance Sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, 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.

Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

Other financial assets

Other financial assets, which includes investments in equity instruments which are not classified as subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the recognised transaction price. Such assets are subsequently measured at fair value with the changes in fair value being recognised in the profit or loss. Where other financial assets are not publicly traded, hence their fair value cannot be measured reliably, they are measured at cost less impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date.

Financial assets are impaired when events, subsequent to their initial recognition, indicate the estimated future cash flows derived from the financial asset(s) have been adversely impacted. The impairment loss will be the difference between the current carrying amount and the present value of the future cash flows at the asset(s) original effective interest rate.

If there is a favourable change in relation to the events surrounding the impairment loss then the impairment can be reviewed for possible reversal. The reversal will not cause the current carrying amount to exceed the original carrying amount had the impairment not been recognised. The impairment reversal is recognised in the profit or loss.

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 the deduction of all its liabilities.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

2. Accounting policies (continued)

2.13 Financial instruments (continued)

Basic financial liabilities, which include trade and other payables, bank loans and other loans are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial.

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

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Derecognition of financial instruments

Derecognition of financial assets

Financial assets are derecognised when their contractual right to future cash flow expire, or are settled, or when the Company transfers the asset and substantially all the risks and rewards of ownership to another party. If significant risks and rewards of ownership are retained after the transfer to another party, then the Company will continue to recognise the value of the portion of the risks and rewards retained.

Derecognition of financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.14 Derivatives

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

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

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

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

2.15 Hedge accounting

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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

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

Critical accounting estimates and assumptions

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

Critical areas of judgement

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

The recoverability of the amounts recoverable on long term PFI contracts is based on the receipt of the unitary fee in accordance with the contractual payment mechanisms contained in the project agreement with its client, Croydon Council.

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

As set out in note 14, the Group's bank borrowings attract interest at a variable rate based on SONIA, the risk free rate administered by the Bank of England. Bank loans are held at amortised cost which requires the Directors to forecast the expected interest payable over the life of the loan and recognise, in the profit and loss account, interest annually at an effective rate. Each year end the Directors update their forecasts and recognise any difference between actual and forecast interest payable as an adjustment to the effective interest expense. Forecasts require an estimation as to future SONIA rates, based on current market data. Actual rates will vary from forecast over the loan lifetime, rendering the effective interest rate calculated an estimate subject to these variations. If interest payable over the life of the loan were to be considerably different to the Directors' forecasts there could be a material impact on the carrying value of the bank loans and associated interest payable expense.

An estimation is required on the reasonableness of future costs when accounting for lifecycle maintenance requirements. This is assessed based on historical costs which have been incurred and the future forecast of maintenance work contractually required. Actual costs will vary from forecast over the contract's life rendering the lifecycle costs as an estimate subject to these variations.

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

CARING 4 CROYDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

4. Turnover

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

	2023 £	2022 £
Unitary charge	<u>2,838,939</u>	<u>2,621,437</u>

All turnover arose within the United Kingdom.

5. Employees

The average monthly number of employees, including the directors, during the year was as follows:

	2023 No.	2022 No.
Directors	<u>3</u>	<u>3</u>

During the year, no director received any emoluments (2022 - £Nil).

6. Interest receivable

	2023 £	2022 £
Bank and other interest receivable	<u>1,426,348</u>	<u>1,422,904</u>

7. Interest payable and similar expenses

	2023 £	2022 £
Bank interest payable	983,661	1,003,515
Other loan interest payable	358,414	362,734
	<u>1,342,075</u>	<u>1,366,249</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

8. Taxation

	2023 £	2022 £
Corporation tax		
Current tax on profits for the year	9,819	4,961
Total current tax	<u>9,819</u>	<u>4,961</u>

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2022 - the same as) the standard rate of corporation tax in the UK of 19% (2022 - 19%) as set out below:

	2023 £	2022 £
Profit on ordinary activities before tax	<u>51,681</u>	<u>26,113</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022 - 19%)	9,819	4,961
Other differences leading to an increase (decrease) in the tax charge	-	-
Total tax charge for the year	<u>9,819</u>	<u>4,961</u>

Factors that may affect future tax charges

The Chancellor of the Exchequer announced an increase in the corporation tax rate from 19% to 25% with effect from 1 April 2023. Deferred taxation has been provided at 25%.

9. Deferred taxation

	2023 £	2022 £
At beginning of year	1,034,859	1,191,461
Charged to other comprehensive income	(783,888)	(156,602)
At end of year	<u>250,971</u>	<u>1,034,859</u>

The deferred tax asset is made up as follows:

	2023 £	2022 £
Timing differences arising from fair value adjustments	<u>250,971</u>	<u>1,034,859</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

10. Debtors

	2023 £	2022 £
Due after more than one year		
Finance debtor	18,737,951	19,391,366
Deferred tax asset	250,971	1,034,859
	<u>18,988,922</u>	<u>20,426,225</u>
	2023 £	2022 £
Due within one year		
Trade debtors	-	326
Finance debtor	721,251	622,669
Prepayments and accrued income	-	162
	<u>721,251</u>	<u>623,157</u>

11. Cash and cash equivalents

	2023 £	2022 £
Cash at bank and in hand	<u>2,448,983</u>	<u>2,516,897</u>

The Company is obligated to keep cash reserves as at the balance sheet date in respect of requirements in the Company's funding agreements. This restricted cash balance, which is shown within the cash at bank and in hand balance, amounts to £1,175,229 (2022 - £1,213,083).

CARING 4 CROYDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

12. Creditors: Amounts falling due within one year

	2023 £	2022 £
Bank loans	782,484	718,861
Trade creditors	120,109	242
Amounts owed to group undertakings	729,840	874,716
Group relief payable	9,819	4,961
Other taxation and social security	93,878	112,264
Accruals and deferred income	1,161,819	1,069,519
	<u>2,897,949</u>	<u>2,780,563</u>

The Company has a contractual obligation to provide for lifecycle renewal and maintenance of the properties under the PFI contract. The Company has accrued for costs, based on historical costs incurred and future maintenance and renewal works required over the life of the PFI contract, as set out and supported in the project financial model. The model is reviewed and updated biannually. Included within accruals is an amount of £1,120,258 (2022 - £1,029,958) in relation to lifecycle renewal and maintenance, an amount of £90,300 being charged to profit and loss in the period. The balance has been reviewed and is deemed reasonable in accordance with expected costs for the repair and/or renewal of the properties.

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

	2023 £	2022 £
Bank loans	15,988,031	16,770,515
Amounts owed to group undertakings	2,397,752	2,397,752
Fair value of derivative contracts	1,003,882	4,139,436
	<u>19,389,665</u>	<u>23,307,703</u>

Secured and other loans

Bank loans are secured over the assets of the Company (see note 14). These are repayable by quarterly instalments. The interest rate margin over 3 Month GBP SONIA is 4.685%. The Company has an interest rate swap on the above loan (see note 16).

Included within creditors falling due after more than one year are bank loans £12,591,484 (2022 - £13,522,421) which fall due for payment after more than five years from the balance sheet date.

Amounts owed to group undertakings are repayable in over 5 years. The interest is being charged partly at 12.63% p.a and partly at 7.26% p.a on a quarterly basis. These amounts arose as follows:

On 10 June 2010 Caring 4 Croydon Holdings Limited subscribed for £2,595,025 of 12.63% and £199,000 of 7.26% coupon unsecured loan notes issued by the Company. Caring 4 Croydon Holdings Limited has in return received corresponding commitments from its shareholders in proportion to their shareholdings. During the year the Company repaid £Nil (2022 - £Nil).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

14. Loans

Analysis of the maturity of loans is given below:

	2023 £	2022 £
Amounts falling due within one year		
Bank loans	782,484	718,861
Amounts owed to group undertakings	729,840	874,716
	<u>1,512,324</u>	<u>1,593,577</u>
Amounts falling due 1-2 years		
Bank loans	788,544	782,484
	<u>788,544</u>	<u>782,484</u>
Amounts falling due 2-5 years		
Bank loans	2,608,003	2,465,609
	<u>2,608,003</u>	<u>2,465,609</u>
Amounts falling due after more than 5 years		
Bank loans	12,591,484	13,522,421
Amounts owed to group undertakings	2,397,752	2,397,752
	<u>14,989,236</u>	<u>15,920,173</u>
	<u>19,898,107</u>	<u>20,761,843</u>

Bank borrowings relate to term loan facilities granted by Allied Irish Banks P.L.C. The loan facility comprises a senior facility of £30,296,574 (2022 - £30,296,574). During the year £730,147 (2022 - £606,763) of the senior loan facility has been repaid. The company has an additional standby facility of £1,000,000 which has not been drawn down as at 31 March 2023 (2022 - £1,000,000).

The senior loan facility is repayable based on a detailed schedule commencing in 2010. Interest is charged on amounts drawn under the facilities based on floating SONIA. The Company has entered into interest hedging agreements to be applied to the expected future borrowings under the facilities. These are swap agreements that fix the interest rate at 4.685% plus applicable margins per annum to 31 January 2037 in respect of 100% of the facilities.

The facilities are secured by a fixed charge over all leasehold interest, book debts, investments, un-subscribed loan notes and goodwill, intellectual property and plant and machinery of the Company and its parent undertaking, and by a floating charge over the undertaking and assets of the Company and its parent undertaking and by an assignment of all insurances, all bank accounts, certain contracts and all freehold and leasehold property (except that secured by a charge) of the Company and its parent undertaking.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

15. Basic financial instruments

Financial assets held that are debt instruments measured at amortised cost amounted to £19,459,202 (2022 - £20,014,361).

Financial liabilities held that are debt instruments measured at amortised cost amounted to £20,018,216 (2022 - £20,762,086).

16. Complex financial instruments

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

	Principal	Fair Value		
	2023	2022	2023	2022
	£	£	£	£
Interest rate swap contracts	<u>(16,614,858)</u>	<u>(17,744,722)</u>	<u>(1,003,882)</u>	<u>(4,139,436)</u>

The Company uses derivatives to manage the exposure to interest rate and inflation movements on its senior debt. The fair values are calculated using valuation techniques, the inputs for which are based on market data at the balance sheet date.

The fair value of the swaps are determined using the forward curve for 3 Month GBP SONIA and the UK Retail Price Index.

All swaps meet the conditions for hedge accounting, as set out in the accounting policies.

17. Share capital

	2023	2022
	£	£
Allotted, called up and fully paid		
10,000 (2022 - 10,000) Ordinary shares of £1.00 each	<u>10,000</u>	<u>10,000</u>

18. Reserves**Other reserves**

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

Profit and loss account

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

19. Related party transactions

The Company was under the control of Caring 4 Croydon Holdings Limited during the current and previous year, being the immediate parent company and sole shareholder.

Facility management charges of £2,101,594 (2022 - £1,921,712) were charged by Eldon Housing Association Limited, the minority shareholder of the parent Company, during the year. At the balance sheet date, the amount due to Eldon Housing Association Limited was £111,709 (2022 - £242).

The Company has taken advantage of FRS102 section 33 paragraph 1A not to disclose balances and transactions with wholly owned group members.

20. Controlling party

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

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

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