

Company Registration No. 06307693 (England and Wales)

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

COMPANY INFORMATION

Directors	Mr D J Brooking Mr B M Acutt Mr B Dean Mr M Edwards
Secretary	Vercity Social Infrastructure (UK) Limited (formerly HCP Social Infrastructure (UK) Limited)
Company number	06307693
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	BDO LLP 55 Baker Street London W1U 7EU

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

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THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Fair Review of the Business

The principal activity of the company is the holding of investments in its wholly owned subsidiary, The Walsall Hospital Company PLC (together the "group").

The principal activity of the group is to design, build, finance and operate a hospital in accordance with a 33 year and 2 month contract (the "Project Agreement") with Walsall Healthcare NHS Trust (previously known as Walsall Hospitals NHS Trust) (the "Trust"). Contract negotiations were successfully completed on 20th November 2007 and construction commenced immediately. The project has been operational since May 2011.

The directors do not foresee any change in the activities of the group.

Principal risks and uncertainties

The group has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the group's performance. The directors have policies for managing each of these risks and they are summarised below:

Sole client

The Trust is the sole client of the group, but the directors consider that no significant risk arises from a single client base since the Secretary of State for Health has underwritten the Trust's obligations.

Lifecycle

The principal risk borne by the group is that lifecycle costs exceed those forecast in the financial model agreed at financial close. This risk is mitigated by future estimates of lifecycle expenditure being prepared by maintenance experts on an asset by asset basis and by periodic technical evaluations of the physical condition of the facilities. In addition, comparisons of actual expenditure are regularly compared to the lifecycle forecast.

Availability

Investment in the project is funded primarily by index-linked, secured, guaranteed bonds and unsecured subordinated loan stock (the "subordinated loan"). During the operational phase the principal source of funds available to meet its liabilities under the bonds will be unitary charge received from the Trust under the Project Agreement. Failure to achieve the forecast levels of availability would result in lower than forecast revenues and this may adversely affect the group's ability to make payments to bondholders. Deductions incurred in the year were recovered from the service provider, resulting in a net deduction of £nil (2020: £nil).

Service performance

Performance risk under the Project Agreement and related contracts are passed on to the service providers. The obligations of these subcontractors are underwritten by parent company guarantees. Ultimately, poor performance may result in the Trust having the right to terminate the Project Agreement. As noted in the discussion of the group's Key Performance Indicators below, the levels of deductions levied in the year were low and are not considered to pose a risk to the project.

Service provider failure

The likelihood of this risk is assessed through the review of service provider financial statements and through discussions with the service providers. The group currently considered the likelihood of this risk as being low. However, as continuity of service delivery is of paramount importance, the group has a business continuity plan which details how the group would deal with a service provider failure. This includes directly employing staff and sub-contractors until a replacement service provider is in place.

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

COVID-19

The group is exposed to the COVID-19 risk as a result of the inherent uncertainty around the impact of the pandemic on UK society and economy. Whilst the group itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the ability to continue to perform required services. The group is aware of the Government guidance for public bodies on payment to suppliers to ensure service continuity during and after the coronavirus outbreak, which provides additional assurance. Nevertheless, performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

Development and performance

The group made a profit of £477,000 (2020: £168,000) for the year on a turnover of £13,110,000 (2020: £12,540,000). At 31 December 2021 the group had net liabilities of £8,041,000 (2020: £8,518,000 net liabilities).

The group's turnover has increased by £570,000 due to higher pass-through income relating to small works and energy recharges. Cost of sales have increased by £549,000, also due to increased pass-through costs in relation to the above. The tax credit has increased by £439,000 due to the revaluation of the deferred tax asset, following the rate increase from 19% to 25%.

The group currently has net liabilities due to the bond debt financing creditor being in excess of the finance debtor which represents the future cash flows receivable. This position will reverse and is primarily driven operating profits being weighted more heavily towards the middle and end of the concession.

The finance debtor is being amortised over the life of the concession and the carrying value at the reporting date is £123,665,000 (2020: £127,259,000). The finance debtor amortisation during the year was £3,594,000 (2020: £3,408,000). The directors believe the finance debtor to be recoverable over the term of the Project Agreement. Financial covenants have been met during the year and having considered the anticipated future performance and position of the group, the directors are of the opinion that the covenants will continue to be met.

During the year, the group has repaid £6,510,000 of the bonds. Scheduled repayment dates are 31 March and 30 September each year. In the previous financial year, the group repaid a total of £6,394,000. The group has repaid £nil of the subordinated loans during the year (2020: £nil). Scheduled repayments do not commence until 2032.

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Key performance indicators

Financial penalties are levied by the Trust in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service providers, but the quantum is an indication of unsatisfactory performance. During the financial year deductions of £16,000 (2020: £24,000) were levied by the Trust and passed onto the service providers. This deduction amounts to 0.40% (2020: 0.60%) of the total fees charged by the service providers. The directors consider this low level of deductions to be satisfactory.

The directors have modelled the anticipated financial outcome of the project across the term of the contract. The directors monitor actual performance against this anticipated performance. As discussed above the group's performance as at 31 December 2021 against this measure was considered satisfactory.

The group is providing a hard facilities management service as required under the Project Agreement at a satisfactory level.

On behalf of the board



Mr B Dean
Director
24 June 2022

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Results and dividends

The results for the year are set out on page 11.

No interim dividends were paid. (2020: nil). The directors do not recommend payment of a final dividend.

Directors

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

Mr D J Brooking
Mr B M Acutt
Mr B Dean
Mr M Edwards

Going concern

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies in the notes to the financial statements.

Qualifying third party indemnity provisions

The group has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Financial risk management objectives and policies

Liquidity risk

The group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the group has sufficient liquid resources to meet the operating needs of the business. At the start of the PFI contract, the group negotiated debt facilities with an external party to ensure that the group has sufficient funds over the life of the PFI concession.

Interest rate risk

The group is exposed to interest rate risk on bank balances with floating interest rates, however the group does not consider this exposure to be significant. The bonds are linked to RPI inflation, however, the unitary charge income is also linked to RPI inflation, therefore mitigating the inflation risk on the bonds and other costs.

Credit risk

The group's principal financial assets are cash, finance debtor and trade and other receivables. The group's credit risk is primarily attributable to its trade receivables which are with one counterparty, although in the opinion of the board of directors this risk is limited as the receivables are with a local government authority.

Lifecycle risk

Lifecycle expenditure is the main risk to the business. The risk being that the allowance for lifecycle costs factored into the financial model is insufficient to cover future lifecycle expenditure, thus resulting in lower profitability and reduced distributions. This mitigated by regular lifecycle reviews undertaken by the management services provider and a detailed lifecycle review performed every five years.

Future developments

The directors are not aware, at the date of this report, of any major changes in the group's activities in the next year.

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Auditor

In accordance with the company's articles, a resolution proposing that BDO LLP be reappointed as auditor of the group will be put at a General Meeting.

Energy and carbon report

As the group has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

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 auditor of the group 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 auditor of the group is aware of that information.

On behalf of the board



Mr B Dean
Director

24 June 2022

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group and the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Walsall Hospital Company (Holdings) Limited (the 'Parent Company') and its subsidiary (the 'Group') for the year ended 31 December 2021 which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheet, the Group and Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent 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.

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 Group's and Parent 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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.

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

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 Group's and the Parent 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 Group or the Parent 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.

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

Extent to which the audit was capable of detecting 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. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates. We considered the significant laws and regulations to be Companies Act 2006 and the applicable accounting standards.

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 management bias in accounting estimates and posting inappropriate journal entries to manipulate the fair value of the Group's assets.

Audit procedures performed by the engagement team included:

- We considered the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud and how management monitors those processes and controls;
- We challenged assumptions and judgements made by management in areas involving significant estimates, with the key sources of estimation identified as the determination of service margins and lifecycle costs;
- We performed substantive testing on account balances and transactions, which were considered to be a greater risk of susceptibility to fraud;
- We targeted journal entry testing based on identified characteristics the audit team considered could be indicative of fraud, as well as a focus on large and unusual transactions based upon our knowledge of the business;
- We made enquiries of Management, those charged with governance and those responsible for legal and compliance procedures as to whether there was any correspondence from regulators in so far as the correspondence related to financial statements; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

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.

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Laura Pingree

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Laura Pingree (Senior Statutory Auditor)

For and behalf of BDO LLP, Statutory Auditor

London

24 June 2022

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

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Turnover	3	13,110	12,540
Cost of sales		(11,261)	(10,712)
Gross profit		1,849	1,828
Interest receivable and similar income	6	6,927	6,639
Interest payable and similar expenses	7	(8,952)	(8,513)
Loss before taxation		(176)	(46)
Tax on loss	8	653	214
Profit for the financial year		477	168

The group statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Current assets			
Debtors falling due after more than one year	11	134,933	137,691
Debtors falling due within one year	11	3,915	3,911
Short term deposits	12	11,500	-
Cash at bank and in hand	12	5,315	17,011
		<u>155,663</u>	<u>158,613</u>
Creditors: amounts falling due within one year	13	<u>(9,910)</u>	<u>(10,349)</u>
Net current assets		145,753	148,264
Creditors: amounts falling due after more than one year	14	<u>(153,794)</u>	<u>(156,782)</u>
Net liabilities		<u><u>(8,041)</u></u>	<u><u>(8,518)</u></u>
Capital and reserves			
Called up share capital	17	50	50
Profit and loss account		<u>(8,091)</u>	<u>(8,568)</u>
Total shareholders' funds		<u><u>(8,041)</u></u>	<u><u>(8,518)</u></u>

The financial statements were approved by the board of directors and authorised for issue on 24 June 2022 and are signed on its behalf by:



Mr B Dean
Director

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £'000	£'000	2020 £'000	£'000
Fixed assets					
Investments	9		50		50
			<u>50</u>		<u>50</u>
Capital and reserves					
Called up share capital	17		50		50
			<u>50</u>		<u>50</u>
Total shareholders' funds			<u>50</u>		<u>50</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £nil (2020 - £nil profit).

The financial statements were approved by the board of directors and authorised for issue on 24 June 2022 and are signed on its behalf by:



Mr B Dean
Director

Company Registration No. 06307693

THE WALSHALL HOSPITAL COMPANY (HOLDINGS) LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2020	50	(8,736)	(8,686)
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	168	168
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	50	(8,568)	(8,518)
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	477	477
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	50	(8,091)	(8,041)
	<hr/>	<hr/>	<hr/>

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £'000
Balance at 1 January 2020	50
	<hr/>
Year ended 31 December 2020:	
Profit and total comprehensive income for the year	-
	<hr/>
Balance at 31 December 2020	50
	<hr/>
Year ended 31 December 2021:	
Profit and total comprehensive income for the year	-
	<hr/>
Balance at 31 December 2021	50
	<hr/> <hr/>

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

		2021		2020	
	Notes	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash generated from operations	20		4,435		6,074
Net cash inflow from operating activities			4,435		6,074
Investing activities					
Interest received		6,927		6,639	
Net movement in amounts on short term deposit		(11,500)		-	
Net cash (used in)/generated from investing activities			(4,573)		6,639
Financing activities					
Interest paid		(5,048)		(5,134)	
Repayment of loans and borrowings		(6,510)		(6,394)	
Net cash used in financing activities			(11,558)		(11,528)
Net (decrease)/increase in cash and cash equivalents			(11,696)		1,185
Cash and cash equivalents at beginning of year			17,011		15,826
Cash and cash equivalents at end of year			5,315		17,011

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

The Walsall Hospital Company (Holdings) Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

The group consists of The Walsall Hospital Company (Holdings) Limited and its subsidiary, The Walsall Hospital Company Plc.

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 have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertaking drawn up to 31 December each year. The subsidiary has a year ended of 31 December 2021.

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.3 Going concern

Notwithstanding the group's net liabilities of £8,041,000 as at 31 December 2021, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts covering a period of at least 12 months from the signing date of these financial statements which indicate that the group will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement and the directors expect these amounts to be received even in severe but plausible downside scenarios. The group continues to provide the assets in accordance with the contract and are available to be used. As a result the group does not believe there is any likelihood of a material impact to the unitary payment. The directors have considered the potential impact of the emergence and spread of COVID-19, which includes the group's operating cash inflows which are largely dependent on the unitary charge payments. Throughout the pandemic and to date, all unitary charge payments have been received on time and in full and the directors expect this to continue.

The directors have assessed the viability of its main sub-contractors and reviewed the contingency plans of the sub-contractors and are satisfied in their ability to provide the services in line with the contract without significant additional costs to the group, even in downside scenarios, due to the underlying contractual terms. To date, there has been no adverse impact on the services provided by the group or its subcontractors arising from COVID-19. However, in the unlikely event of a subcontractor failure, the group has its own business continuity plans to ensure that service provision will continue.

In addition, although the group is in a net liabilities position as at 31 December 2021 due to the bond debt financing being in excess of the finance debtor, the directors have reviewed the group's forecasts and projections, taking into account future cash requirements and forecast receipts and considering different scenarios and stress tests. These show that the company can continue to meet its debts as they fall due.

Consequently, the directors at the time of approving the financial statements have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Income received in respect of the service concession is allocated between revenue and capital repayment of, and interest income on, the PFI financial asset using the effective interest rate method. Service revenue is recognised as a margin on non-pass-through operating and maintenance costs.

Pass through income represents the direct pass through of recoverable costs, as specified in the Project Agreement.

Variation income relates to the recharge of costs incurred for the alteration of the facilities or the services provided, requested by the Authority.

1.5 Fixed asset investments

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.6 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity of less than 3 months. Short term deposits comprise deposits with a maturity of more than 3 months.

1.7 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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 debtors, short term deposits 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.

Accrued service concession income

Accrued service concession income relates to future periods income for services already performed.

Loan and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Service concession

The group is an operator of a Private Finance Initiative ("PFI") contract. As the group entered into the contract prior to the date of transition to FRS102, the group has taken advantage of the exemption in section 35.10 (i) of FRS102 which permit it to continue to account for the service concession arrangements under the accounting policies adopted under old UK GAAP. In particular, the underlying asset is not deemed to be an asset of the group under old UK GAAP, 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 FRS102 section 23. The group recognises revenue in respect of the services provided, including lifecycle services, 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.

THE WALSHALL HOSPITAL COMPANY (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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 group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies, 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.

Derecognition of financial liabilities

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

1.8 Equity instruments

Equity instruments issued by the group 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 group.

1.9 Taxation

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

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income 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 group'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 statement of comprehensive income, 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 if, and only if, there is 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.

2 Judgements and key sources of estimation uncertainty

In the application of the group'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.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Service concession arrangement

As disclosed in Note 1, the group accounts for the project as a service concession arrangement. The directors use their judgement in selecting the appropriate financial asset rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the financial asset; and also the service margin that is used to recognise service revenue. The directors have also used their judgement in assessing the appropriateness of the future maintenance costs that are included in the group's forecasts. The directors will continue to monitor the condition of the assets and undertake a regular review of maintenance spend.

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

3 Turnover

An analysis of the group's turnover is as follows:

	2021 £'000	2020 £'000
Turnover analysed by class of business		
Services income	8,310	8,359
Use of facilities	63	7
Pass through income	4,737	4,174
	<u>13,110</u>	<u>12,540</u>

4 Auditor's remuneration

	2021 £'000	2020 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	5	4
Audit of the financial statements of the company's subsidiaries	24	23
	<u>29</u>	<u>27</u>
For other services		
Audit-related assurance services	-	3
	<u>-</u>	<u>3</u>

5 Directors' remuneration

No directors received any remuneration for services to the group during the year (2020: nil).

6 Interest receivable and similar income

	2021 £'000	2020 £'000
Interest income		
Interest on bank deposits	2	48
Interest receivable on finance debtor	6,925	6,591
	<u>6,927</u>	<u>6,639</u>

7 Interest payable and similar expenses

	2021 £'000	2020 £'000
Interest on bonds	6,788	6,346
Interest payable to parent undertaking	1,895	1,895
Amortisation of finance arrangement costs	269	272
	<u>8,952</u>	<u>8,513</u>

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

8 Taxation

	2021 £'000	2020 £'000
Deferred tax		
Effect of change in corporation tax rate	(653)	(214)

All tax has been charged to the Statement of comprehensive income with none charged through other comprehensive income.

A deferred tax asset in respect of tax losses has been recognised as the directors consider the balance to be recoverable over the life of the PFI contract.

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

	2021 £'000	2020 £'000
Loss before taxation	(176)	(46)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(33)	(9)
Utilisation of tax losses	33	9
Effect of change in corporation tax rate	(653)	(214)
Taxation credit	(653)	(214)

Factors that may affect the future tax charge

The group has tax losses of £10,335,000 (2020: £10,159,000) which have been carried forward and will be offset against future trading profits.

A deferred tax asset in respect of tax losses has been recognised as the directors consider the balance to be recoverable over the life of the PFI contract.

On 11 March 2021 the UK government published the Finance Bill 2021 in which it confirmed that the main rate of Corporation Tax would remain at 19% for periods starting 1 April 2021, rising to 25% on profits over £250,000 from 1 April 2023. The Bill was enacted in June 2021, therefore the deferred tax asset as at 31 December 2021 has been calculated using the future tax rate of 25%.

9 Fixed asset investments

	Notes	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Investments in subsidiaries	10	-	-	50	50

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

9 Fixed asset investments (Continued)

Movements in fixed asset investments Company

Shares in
subsidiaries
£'000

Cost

At 1 January 2021 and 31 December 2021

50

Carrying amount

At 31 December 2021

50

At 31 December 2020

50

10 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
The Walsall Hospital Company PLC	8 White Oak Square, London Road, Swanley, Kent, UK, BR8 7AG	Ordinary	100.00

11 Debtors

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Amounts falling due within one year:				
Trade debtors	2	72	-	-
Finance debtor	3,790	3,594	-	-
Prepayments and accrued income	123	245	-	-
	<u>3,915</u>	<u>3,911</u>	<u>-</u>	<u>-</u>

Amounts falling due after more than one year:

	Notes			
Finance debtor		119,875	123,665	-
Accrued service concession income		12,475	12,096	-
Deferred tax asset	16	2,583	1,930	-
		<u>134,933</u>	<u>137,691</u>	<u>-</u>
Total debtors		<u>138,848</u>	<u>141,602</u>	<u>-</u>

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Cash and short term deposits

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Short term deposits	11,500	-	-	-
Cash at bank	5,315	17,011	-	-
	<u>16,815</u>	<u>17,011</u>	<u>-</u>	<u>-</u>

Restricted cash

The group is obliged to keep separate cash reserves in respect of requirements in the group's funding agreements. The restricted cash balance shown on the balance sheet within the "short term deposits" balance amounts to £11,500,000 (2020: £nil) and within the "cash at bank" balance it amounts to £972,000 (2020: £12,325,000).

13 Creditors: amounts falling due within one year

	Notes	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Bank loans	15	6,502	6,120	-	-
Trade creditors		1,622	1,815	-	-
Amounts owed to parent undertakings	15	28	23	-	-
Other taxation		177	157	-	-
Accruals and deferred income		1,581	2,234	-	-
		<u>9,910</u>	<u>10,349</u>	<u>-</u>	<u>-</u>

14 Creditors: amounts falling due after more than one year

	Notes	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Bank loans	15	138,853	141,861	-	-
Amounts owed to parent undertaking	15	14,941	14,921	-	-
		<u>153,794</u>	<u>156,782</u>	<u>-</u>	<u>-</u>

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

14 Creditors: amounts falling due after more than one year (Continued)

Amounts included above which fall due after five years are as follows:

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Payable by instalments	112,097	115,848	-	-
Payable other than by instalments	14,800	14,827	-	-
	<u>126,897</u>	<u>130,675</u>	<u>-</u>	<u>-</u>

15 Loans and overdrafts

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Bank loans	145,355	147,981	-	-
Loans from parent undertakings	14,969	14,944	-	-
	<u>160,324</u>	<u>162,925</u>	<u>-</u>	<u>-</u>
Payable within one year	6,530	6,143	-	-
Payable after one year	153,794	156,782	-	-
	<u>160,324</u>	<u>162,925</u>	<u>-</u>	<u>-</u>

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

15 Loans and overdrafts

(Continued)

Bonds

The Walsall Hospital Company Plc, a subsidiary of the company, created £160,350,000 of 2.07% index-linked, guaranteed, secured bonds maturing in 2041 pursuant to a Trust Deed and Collateral Deed dated 20 November 2007, of which £145,350,000 were issued for cash on 20 November 2007 at par. The Walsall Hospital Company Plc retained £15,000,000 of bonds (the "variation bonds") which it may sell, subject to certain restrictions in the Collateral Deed, to fund variations to the project.

The bonds bear interest at 2.07% which, together with their principal repayment, is subject to indexation (RPI) in accordance with the terms of the Bond Trust Deed. The interest is payable semi-annually in arrears on 31 March and 30 September each year. The bonds are repayable in instalments which commenced in March 2012 and end in January 2041. At 31 December 2021, bonds totalling £56,002,000 (2020: £49,492,000) had been redeemed.

The bonds, excluding the variation bonds, have the benefit of an unconditional and irrevocable financial guarantee issued by Assured Guaranty (UK) Limited in favour of HSBC Trustee (C.I.) Limited as security trustee over all of the undertakings and assets of the Walsall Hospital Company plc and the shares held by Walsall Hospital Company (Holdings) Limited, including the rights attaching to these shares.

Subordinated loans

The shareholders of the company have undertaken to subscribe equally for £16,523,000 of unsecured debt as constituted by a deed poll (the "Deed") dated 20 November 2007 and made by the company. Each shareholder issued standby letters of credit in favour of the The Walsall Hospital Company plc for the full amount of the debt. There is an agreed schedule of subscription dates and as each amount has been subscribed the value of the standby letter of credit has been reduced. This amount was fully subscribed for by 31 December 2011.

The debt bears interest at 12.3% which is payable semi-annually in arrears on 31 March and 30 September each year. Interest on the debt accrues from the Actual Completion Date of the Phase 2 building works which occurred on 1 September 2010. The debt is repayable in instalments beginning in 2032 and ending in 2040, but the The Walsall Hospital Company Plc has the option to redeem the debt at any time subject to consent by Assured Guaranty (UK) Limited. The Walsall Hospital Company Plc repaid £nil of the subordinated unsecured debt during the year (2020: £nil).

16 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2021 £'000	Assets 2020 £'000
Group		
Tax losses	2,205	1,643
Restricted interest	378	287
	<u>2,583</u>	<u>1,930</u>

The company has no deferred tax assets or liabilities.

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

16 Deferred taxation

(Continued)

	Group 2021 £'000	Company 2021 £'000
Movements in the year:		
Liability at 1 January 2021	1,930	-
Effect of change in tax rate - profit or loss	653	-
Liability at 31 December 2021	<u>2,583</u>	<u>-</u>

17 Share capital

Group and company	2021 Number	2020 Number	2021 £'000	2020 £'000
Ordinary share capital				
Issued and fully paid				
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50</u>	<u>50</u>

Other reserves

The group's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses.

18 Related party transactions

Remuneration of key management personnel

	2021 £'000	2020 £'000
Directors' services	50	65
Chairman services	<u>40</u>	<u>37</u>

The group incurred the above fees from Innisfree Limited (50%) and BIIF Holdco III Limited (50%). Chairman fees of £15,000 were incurred from MFIM Limited and from 1 April 2021 fees of £25,000 were incurred from Vercity Social Infrastructure (UK) Limited.

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

18 Related party transactions

(Continued)

Transactions with related parties

	2021 £'000	2020 £'000
Management services	886	859
Chairman services	25	-
Variations	15	-
General expenses	10	13
	<u> </u>	<u> </u>

On 20 November 2007, the group entered into transactions in the ordinary course of business for the duration of the project agreement with its management service provider Vercity Social Infrastructure (UK) Limited. Vercity Holdings Limited, the parent company of Vercity Social Infrastructure (UK) Limited, is invested with funds under the management of Innisfree Limited, who also manage the funds invested in the group.

Amounts due to related parties	2021 £'000	2020 £'000
Vercity Social Infrastructure (UK) Limited	22	8
	<u> </u>	<u> </u>

19 Controlling party

In the directors' opinion, the company has no ultimate controlling party because the voting rights under the shareholder agreement of The Walsall Hospital Company (Holdings) Limited are held 50% by BIIF HoldCo III Limited and 50% by Innisfree PFI Secondary Fund and Innisfree PFI Secondary Fund 2 LP. The registered address of BIIF HoldCo III Limited is Cannon Place, 78 Cannon Street, London, EC4N 6AF. The registered address of Innisfree PFI Secondary Fund and Innisfree PFI Secondary Fund 2 LP is First Floor, Boundary House, 91/93 Charterhouse Street, London, EC1M 6HR.

THE WALSALL HOSPITAL COMPANY (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

20 Cash generated from group operations

	2021 £'000	2020 £'000
Profit for the year after tax	477	168
Adjustments for:		
Taxation credited	(653)	(214)
Finance costs	8,952	8,513
Investment income	(6,927)	(6,639)
Movements in working capital:		
Decrease in debtors	3,408	3,396
(Decrease)/increase in creditors	(822)	850
Cash generated from operations	<u>4,435</u>	<u>6,074</u>

21 Analysis of changes in net debt - group

	1 January 2021 £'000	Cash flows £'000	Other non- cash changes £'000	31 December 2021 £'000
Cash at bank and in hand	17,011	(11,696)	-	5,315
Short term deposits	-	11,500	-	11,500
Borrowings excluding overdrafts	(162,925)	6,510	(3,909)	(160,324)
	<u>(145,914)</u>	<u>6,314</u>	<u>(3,909)</u>	<u>(143,509)</u>