



**Harrogate Healthcare
Facilities Management**

A wholly-owned company of Harrogate and District NHS Foundation Trust

**Harrogate Healthcare Facilities Management Limited
Annual Report and Financial Statements.
Registered company number: 11048040
12 Months Ended 31 March 2020**



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Officers and professional advisers

Directors

Philip Severs (appointed 28 March 2018 - Resigned 18 December 2019).
Lucy Hind (appointed 1 September 2018).
Roger Taylor (appointed 1 June 2019).
Christopher Thompson (appointed 29 November 2017).
Jonathan Coulter (appointed 6 November 2017).
Sarah Armstrong (appointed 1 January 2020).
Philip Sturdy (appointed 25 September 2019).

Company Secretary

Katherine Roberts (appointed 6 November 2017 - resigned 1 July 2019).
Andrew Forsyth (appointed 26 July 2018 - resigned 10 February 2020).
Lynn Hughes (appointed 10 February 2020).

Registered Office Address

Harrogate District Hospital
3rd Floor Strayside Wing
Lancaster Park Road
Harrogate
North Yorkshire
HG2 7SX

External Auditor

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
West Yorkshire
LS1 4DA

Bankers

Barclays Bank Plc
25 James Street
Harrogate
North Yorkshire
HG1 1QX

Legal Advisors

The Company has not required legal advice during the financial period.

Strategic Report

The Directors present the Strategic Report for the period ending 31 March 2020.

Principal activities and review of the business

Harrogate Healthcare Facilities Management Limited (the company) is a company incorporated and domiciled in the UK. The company's registered office is at Harrogate District Hospital, 3rd Floor Strayside Wing, Lancaster Park Road, North Yorkshire, HG2 7SX.

The company was incorporated on 6 November 2017, however it did not start trading until 1 March 2018. The company is wholly owned by Harrogate and District NHS Foundation Trust (the Trust).

The principal activities of the company are to provide and operate health care establishments and health care facilities and the provision of related services. The company has the intention to create safe, efficient, sustainable and modern healthcare and working environments.

The company also receives income from the provision of car parking (both staff and patient parking) from the Harrogate District Hospital site.

The company managed its responsibilities and effectively delivered the services that it intended to its customers during the period of accounts to the 31 March 2020.

Key Performance Indicators

The operating profit of £426k (2019: £302k) resulted from turnover of £17.7m (2019: £18.5m), other operating income of £0.1m (2019: £0.1m) and operating expenditure of £17.3m (2019: £18.3m) during the period.

The Corporation tax accrual from the previous period of £44k was not required and there is no corporation tax liability from the period ending 31 March 2020. There was a loss reported for the period of £240k (2019: £220k gain) after tax, however this is attributable to the £680k interest charged on the finance lease for the HDH site as a result of the implementation of IFRS 16.

The company had a positive cash balance at the end of the period of £0.5m (2019: £1.1m).

Principal risk and uncertainties

The Company's risk register is reviewed periodically by the HHFM Board. It is important that the HHFM risk management strategy dovetails with the risk management arrangements of the parent organisation, Harrogate and District NHS Foundation Trust (the Trust). All risks and uncertainties are recorded and given a rating in line with the group policy.

Strategic Report (continued)

Future developments

HHFM along with many organisations is currently responding to the CoVid-19 pandemic and the impact on the business and services it provides. The company is supporting the NHS in Harrogate by ensuring that the healthcare facility is safe and available for use by the clinical teams. This response and recovery will necessarily be the immediate focus of the company. Our strategic ambition remains to be a key player within the local economy, build a strong reputation, and develop the business in new areas across the community, and this will continue to be the long term strategic direction of the company.

Events since the balance sheet date

No material events have occurred since the balance sheet date.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they have adopted the going concern basis in preparing these financial statements.

Further details regarding the adoption of the going concern basis can be found in the Accounting Policies (see 1.3).

Signed on behalf of the Board



Mr Jonathan Coulter - Group Finance Director

Date 27 October 2020

Harrogate District Hospital
3rd Floor Strayside Wing
Lancaster Park Road
Harrogate
North Yorkshire.
HG2 7SX

Directors' Report

The Directors present their Directors' report and financial statements for the period (12 months) ended 31 March 2020.

Dividends

The Company is a wholly owned subsidiary of Harrogate and District NHS Foundation Trust and is committed to paying a dividend on 95% of its profits, however as the Company made a loss for the financial period ended 31 March 2020 so no dividend is payable.

Directors

The following persons served as directors during the period:

Philip Severs (appointed 28 March 2018 - Resigned 18 December 2019).

Lucy Hind (appointed 1 September 2018).

Roger Taylor (appointed 1 June 2019).

Christopher Thompson (appointed 29 November 2017).

Jonathan Coulter (appointed 6 November 2017).

Sarah Armstrong (appointed 1 January 2020).

Philip Sturdy (appointed 25 September 2019).

Political and charitable donations

The company made no political or charitable donations during the period.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Credit risk

The Company's principal financial assets are cash at bank or in hand and trade and other debtors.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. No impairments have been recognised in the period and substantially all debtors are due from the company's parent undertaking.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in interest rates. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Directors' Report (continued)

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long term and short term debt finance.

Further details regarding liquidity risk and going concern can be found in the accounting policies in the financial statements (see pages 13-16).

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date this report.

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

KPMG LLP were appointed as the company's first auditors, pursuant to Section 487 of the Companies Act 2006.

Signed on behalf of the Board



Mr Jonathan Coulter - Group Finance Director

Date 27 October 2020

Harrogate District Hospital
3rd Floor Strayside Wing
Lancaster Park Road
Harrogate
North Yorkshire
HG2 7SX

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have elected to prepare the Financial Statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 and loss of the company for that period. In preparing these Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HARROGATE HEALTHCARE FACILITIES MANAGEMENT
LIMITED**

Opinion

We have audited the financial statements of Harrogate Healthcare Facilities Management Limited ("the company") for the year ended 31 March 2020 which comprise the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- Give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

• in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

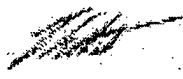
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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 in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Clare Partridge (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
5 January 2020

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**Profit and Loss Account and Other Comprehensive Income
for the 12 Month Period to 31 March 2020**

	Note	12 Months Ended 31 March 2020	17 Months Ended 31 March 2019 £000
Turnover	2	17,653	18,487
Operating expenses	3	(17,332)	(18,289)
Other operating income	4	105	104
Operating profit		<u>426</u>	<u>302</u>
Interest payable and similar expense	5	(710)	(38)
Profit/(Loss) on ordinary activities before taxation		<u>(284)</u>	<u>264</u>
Tax on profit/(loss) on ordinary activities	6	44	(44)
Profit/(Loss) for the financial period		<u>(240)</u>	<u>220</u>
Other comprehensive income/(expense)		-	(5)
Total comprehensive income/(expense)		<u>(240)</u>	<u>215</u>

All profits and loss categories comprise continuing operations.

The notes on pages 13 to 24 form part of these financial statements.

Balance Sheet
as at 31 March 2020

	Note	31 March 2020 £000	31 March 2019 £000
Non-current assets			
Tangible Assets	10	<u>18,989</u>	<u>1,578</u>
Total non-current assets		<u>18,989</u>	<u>1,578</u>
Current assets			
Stock	11	115	126
Debtors	12	483	1,837
Cash at bank and in hand		<u>465</u>	<u>1,146</u>
Total current assets		<u>1,063</u>	<u>3,109</u>
Current liabilities			
Creditors: amounts falling due within one year	13	(2,110)	(3,076)
Lease liabilities: amounts falling due within one year	14	(1,119)	-
Total current liabilities		<u>(3,229)</u>	<u>(3,076)</u>
Total assets less current liabilities		<u>16,823</u>	<u>1,611</u>
Non-current liabilities			
Creditors: amounts falling due after more than one year	13	(400)	(600)
Lease liabilities: amounts falling due after more than one year	14	(15,652)	-
Total non-current liabilities		<u>(16,052)</u>	<u>(600)</u>
Net assets		<u>771</u>	<u>1,011</u>
Capital and reserves			
Called-up share capital		1,000	1,000
Profit and loss account		(229)	11
Shareholders' funds		<u>771</u>	<u>1,011</u>

The notes on pages 13 to 24 form part of these financial statements.

These financial statements were approved by the board of directors on 27 October 2020 and were signed on its behalf by:

J. Coulter

Signed: Mr Jonathan Coulter - Group Finance Director

**Statement of Changes in Equity for the 12 Month Period Ended
31 March 2020**

	Called up share capital	Profit and loss account	Total Equity
	£000	£000	£000
Balance as at 1 April 2019	1,000	11	1,011
Total comprehensive income for the period			
Total comprehensive income/(expense)	-	(240)	(240)
	<u>1,000</u>	<u>(229)</u>	<u>771</u>
Transactions with owners recorded directly in equity			
Issue of shares	-	-	-
Dividend payable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 March 2020	<u>1,000</u>	<u>(229)</u>	<u>771</u>

**Statement of Changes in Equity for the 17 Month Period Ended
31 March 2019**

	Called up share capital	Profit and loss account	Total Equity
	£000	£000	£000
Balance as at 6 November 2017	-	-	-
Total comprehensive income for the period			
Total comprehensive income/(expense)	-	215	215
	<u>-</u>	<u>215</u>	<u>215</u>
Transactions with owners recorded directly in equity			
Issue of shares	1,000	-	1,000
Dividend payable	-	(204)	(204)
	<u>1,000</u>	<u>(204)</u>	<u>796</u>
Balance at 31 March 2019	<u>1,000</u>	<u>11</u>	<u>1,011</u>

The notes on pages 13 to 24 form part of these financial statements.

1 ACCOUNTING POLICIES

Harrogate Healthcare Facilities Management Ltd (the Company) is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS's"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's parent undertaking, Harrogate and District NHS Foundation Trust, includes the Company in its consolidated financial statements. The consolidated financial statements of Harrogate and District NHS Foundation Trust are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the following website address www.hdft.nhs.uk.

These are the Company's second set of financial statements, they cover a 12 month period. The comparative figures stated within the financial statements cover a period of 17 month with only 13 months of these being trading.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRS's;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of the parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

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

1.1 Accounting estimates and judgements

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

Finance lease and amounts payable under other arrangements containing a lease.

The Company has a lease in place with its parent Harrogate and District NHS Foundation Trust for the sites operated by the Company. It is judged that following the implementation of IFRS 16 Leases (implemented 1 April 2019) that the assets included within the lease should be classed as right of use assets and therefore are included as property, plant and equipment on the balance sheet of Harrogate Healthcare Facilities Management Ltd.

1.2 Measurement convention

These Financial Statements are prepared on the historical cost basis, where depreciated replacement cost has been used as a proxy for fair value.

1.3 Going concern

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 for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides including Covid-19, the company will have sufficient funds, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's immediate parent organisation not seeking repayment of the amounts currently due to the group, which at 31 March 2020 amounted to £600,000. Harrogate and District NHS Foundation Trust has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.4 Turnover

The Company's Principal activity is the provision of fully managed healthcare facilities. Turnover on operating services represents the fair value of the work performed in the period under the contract, together with any additional services provided which constitute a variation to the contractual arrangements. Turnover is accrued or deferred in line with the completion of the services.

Turnover from other contracts/services is recognised as the service is performed. Turnover from property rentals is recognised on a straight line basis over the period of the rent agreement.

1.5 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable and finance leases recognised in profit or loss using the effective interest method, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

1.6 Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value deferred tax is provided at the rate applicable to the sale of the property except for that part of property that is depreciable and the Company's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income is used.

1.7 Foreign currency

Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange profits and losses are taken to the profit and loss account. At the balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing.

1.8 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

1.9 Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

	Years
Plant and machinery	5-16
Transport equipment	11
Information technology	5-11
Furniture and fittings	5-11
Buildings and Dwellings (Assessed by a RICS qualified valuer when a valuation takes place)	1-90

Residual value is calculated on prices prevailing at the date of acquisition.

1.10 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first in and first out principle and includes expenditure incurred in acquiring the stocks and other costs in bringing them to their existing location and condition.

1.11 Financial asset

The Company has an unconditional right to receive specified or determinable amounts of cash from clients in return for the provision of fully managed healthcare facilities.

Operational income is recognised by allocating a proportion of total cash received over the life of the Master Service Agreement to forecast service costs by means of a deemed constant rate of return on those costs. Residual cash flows are allocated to the financial asset using the effective interest method giving rise to interest income. Due to the nature of the contractual arrangements the projected cash flows can be estimated with a high degree of certainty.

Interest on the financial asset is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

1.12 Post retirement benefits

Defined contribution plans

A defined contribution plan is a post employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Defined benefit plans

A number of employees are members of the NHS Pension Scheme which is an unfunded defined benefit scheme. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by IAS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

1.13 Impairment excluding stocks, investment properties and deferred tax assets

Financial assets (including trade and other debtors)

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if not impairment loss had been recognised.

2 Turnover

All of the company's turnover is derived from its principal activity and is all driven from the value of services performed in the period under the contract with Harrogate and District NHS Foundation Trust for the provision of a managed healthcare facilities.

	12 Months Ended 31 March 2020 £000	17 Months Ended 31 March 2019 £000
Managed healthcare facilities	15,841	16,673
Car Parking Income	787	818
Rental Income - staff accommodation	146	76
Sterile Services Income	19	26
Catering Income	860	894
	<u><u>17,653</u></u>	<u><u>18,487</u></u>

All of the above arises in the UK.

3 Operating expenses

	12 Months Ended 31 March 2020 £000	17 Months Ended 31 March 2019 £000
Staff costs	8,201	8,511
Site lease costs (see *note below)	-	1,119
Administration - corporate support services agreement	786	852
Other expenses	8,335	7,795
Auditors remuneration - audit of these financial statements	10	12
	<u><u>17,332</u></u>	<u><u>18,289</u></u>

4 Other operating income

	12 Months Ended 31 March 2020 £000	17 Months Ended 31 March 2019 £000
Other income	105	104
	<u><u>105</u></u>	<u><u>104</u></u>

5 Interest payable and similar expense

	12 Months Ended 31 March 2020 £000	17 Months Ended 31 March 2019 £000
Interest payable on group working capital loan	30	38
Interest expense on finance lease (site cost see note* below)	680	-
	<u><u>710</u></u>	<u><u>38</u></u>

*Following the implementation of IFRS 16 Leases (1 April 2019), the lease agreement covering the sites leased to the Company from its parent have been classified as right of use assets. As such they now appear on the Company's Balance Sheet. The previously recognised Site lease costs are now recognised as depreciation and interest expense.

6 Tax on profit on ordinary activities

Tax recognised in the profit and loss account comprises:

	12 Months Ended 31 March 2020 £000	17 Months Ended 31 March 2019 £000
Current Tax		
UK corporation tax	(44)	44
Total current tax	<u>(44)</u>	<u>44</u>
Deferred tax		
Total on profit/(loss) on ordinary activities	<u><u>(44)</u></u>	<u><u>44</u></u>
Reconciliation of effective tax rate:		
	12 Months Ended 31 March 2020 £000	17 Months Ended 31 March 2019 £000
Profit/(Loss) for the period	(240)	220
Total tax charge	(44)	44
Profit/(Loss) excluding taxation	<u>(284)</u>	<u>264</u>
Tax using the UK corporation tax rate of 19%	(49)	49
Change in tax rate (2018 19.25%)	5	(5)
Total tax charge	<u>(44)</u>	<u>44</u>

Factors that may affect the future current and total tax charges.

A reduction in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) was substantively enacted on the 26 October 2015. A further reduction to 17% over riding the previous reduction (effective 1 April 2020) was substantively enacted on the 6 September 2016. This will reduce the company's future current tax charges accordingly.

The Corporation tax accrual from the previous period of £44k was not required and there is no corporation tax liability from the period ending 31 March 2020. There was a loss reported for the period of £240k after tax, however this is attributable to the £680k interest charged on the finance lease for the HDH site as a result of the implementation of IFRS 16.

7 Remuneration of directors

	12 Months Ended 31 March 2020 £000	17 Months Ended 31 March 2019 £000
Directors' remuneration	70	11
Contribution to directors' pensions	9	-
	<u>79</u>	<u>11</u>

On the 25 September 2019 the Company Managing Director was appointed to the Companies Board of Directors (therefore these costs are disclosed here). The remuneration of highest paid Director was £92k.

8 Staff costs and numbers.

Their aggregate remuneration (including directors) comprised of:

	12 Months Ended 31 March 2020 £000	17 Months Ended 31 March 2019 £000
Salaries and wages	6,418	6,628
Employers National Insurance costs	507	485
Apprenticeship levy	33	30
Employer contributions to NHS Pensions Agency	519	651
Employer pension cost - other	69	20
Agency/contract staff	655	697
	<u>8,201</u>	<u>8,511</u>

The average monthly number of employees (including directors) comprised of:

	12 Months Ended 31 March 2020	17 Months Ended 31 March 2019
Administration and estates	55	51
Healthcare assistants and other support staff	204	196
Nursing, midwifery and health visiting staff	1	1
Other	3	1
Agency/contract staff	27	27
	<u>290</u>	<u>276</u>

9 Retirement pension schemes

Defined contribution plans

The company operates defined contribution retirement benefit schemes for all new employees (The People's Pension). The assets of the schemes are held separately from those of the company in funds under control of B&CE a not-for-profit organisation.

The total costs charged to income of £69k (2019 £20k) in respect of these schemes represents contributions payable by the company at rates specified in the rules of the plans. As at 31 March 2020, contributions of £7k (2019 £4k) were outstanding and are recorded within creditors.

9 Retirement pension schemes (continued)

Defined benefit plans

Employees who transferred into the company on the 1 March 2018 under Transfer of Undertakings Protection of Employment (TUPE) regulations are covered by the provisions of the two NHS Pensions Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions.

Both are unfunded defined benefit schemes that cover NHS employers, GP Practices and other bodies, allowed under the direction of the Secretary of State for Health in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the Financial Reporting Manual (FRM) requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2020, is based on valuation data as 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FRM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from 1 April 2019. The Department of Health and Social Care have recently laid Scheme Regulations confirming that the employer contribution rate will increase to 20.6% of pensionable pay from this date.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgement from the Court of Appeal in December 2018 the Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

The total costs charged to income of £519k (2019 £651k) in respect of these schemes represents contributions payable by the company at rates specified in the rules of the plans. As at 31 March 2019, contributions of £40k (2019 £43k) were outstanding and are recorded within creditors.

10.1 Tangible assets - current year

	Finance lease right of use assets	Dwellings	Buildings excluding dwellings	Assets under construction	Plant and Machinery	Transport Equipment	Furniture & fittings	Total as at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2019	-	-	409	198	1,031	77	2	1,717
Additions - purchased	17,209	91	280	737	168	-	25	18,510
Impairments charged to operating expenses	-	(106)	(148)	-	-	-	-	(254)
Reclassifications	-	50	119	(203)	22	-	12	-
Transfer to revaluation reserve	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Cost or valuation At 31 March 2020	17,209	35	660	732	1,221	77	39	19,973
Depreciation at 1 April 2019	-	-	-	-	130	9	-	139
Provided during the year	719	7	13	-	115	10	1	865
Impairments charged to operating expenses	-	(7)	(13)	-	-	-	-	(20)
Disposals	-	-	-	-	-	-	-	-
Depreciation at 31 March 2020	719	-	-	-	245	19	1	984
Net book value at 31 March 2020	16,490	35	660	732	976	58	38	18,989

The Company has a lease in place with its parent Harrogate and District NHS Foundation Trust for the sites operated by the Company. It is judged that following the implementation of IFRS 16 Leases (implemented 1 April 2019) that the assets included within the lease should be classed as right of use assets and therefore are included as property, plant and equipment on the balance sheet of Harrogate Healthcare Facilities Management Ltd.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16. The Company has elected to not separate non-lease components and account for the lease and non-lease components as a single lease component. The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

10.2 Tangible assets - prior year

	Buildings excluding dwellings £000	Assets under construction £000	Plant and Machinery £000	Transport Equipment £000	Furniture & fittings £000	Total as at 31 March 2019 £000
Cost or valuation at 6 November 2017	-	-	-	-	-	-
Additions - purchased	463	198	1,031	83	2	1,777
Impairments charged to operating expenses	(54)	-	-	-	-	(54)
Reclassifications	-	-	-	-	-	-
Transfer to revaluation reserve	-	-	-	-	-	-
Disposals	-	-	-	(6)	-	(6)
Cost or valuation At 31 March 2019	409	198	1,031	77	2	1,717
Depreciation at 6 November 2017	-	-	-	-	-	-
Provided during the year	5	-	130	10	-	145
Impairments charged to operating expenses	(5)	-	-	-	-	(5)
Disposals	-	-	-	(1)	-	(1)
Depreciation at 31 March 2019	-	-	130	9	-	139
Net book value at 31 March 2019	409	198	901	68	2	1,578

11 Stock

	Total as at 31 March 2020 £000	Total as at 31 March 2019 £000
Consumables	<u>115</u>	<u>126</u>

12 Debtors

	Total as at 31 March 2020 £000	Total as at 31 March 2019 £000
Trade debtors	21	39
Amounts owed by group undertakings	212	1,703
Prepayments and accrued income	240	60
Other debtors	10	35
	<u>483</u>	<u>1,837</u>

13 Creditors

	Total as at 31 March 2020 £000	Total as at 31 March 2019 £000
Creditors: amounts falling due within one year		
Trade creditors	1,014	833
Amounts owed to group undertakings	-	422
Group Loan (See below *)	200	200
VAT	65	252
Other creditors including taxation and social security	134	171
Accruals and deferred income	697	1,198
	<u>2,110</u>	<u>3,076</u>
Creditors: amounts falling due after more than one year		
Group Loan (See below *)	400	600
	<u>400</u>	<u>600</u>

*During the period ending 31 March 2019 the Company signed a 5 year working capital loan agreement to borrow £1m from the Trust, this was drawn down in full during the period. The interest rate on the loan is 4%, interest accrued is paid every six months, please see Note 5 Interest Payable and Similar Expense. There have been no defaults or breaches in relation to this loan during the period.

14 Finance lease payables

Finance lease payables are presented in the Statement of Financial Position as follows:

	Total as at 31 March 2020 £000	Total as at 31 March 2019 £000
Current	1,119	-
Non-current	15,652	-
	<u>16,771</u>	<u>-</u>

The Company has a lease in place with its parent Harrogate and District NHS Foundation Trust for the sites operated by the Company. It is judged that following the implementation of IFRS 16 Leases (implemented 1 April 2019) that the assets and liabilities arising from the lease are disclosed on the balance sheet of Harrogate Healthcare Facilities Management Ltd.

15 Called-up share capital

	Total as at 31 March 2020 £000	Total as at 31 March 2019 £000
Allotted, called-up and fully-paid 1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

16 Reconciliation of movements in shareholders' funds

	Total as at 31 March 2020 £000	Total as at 31 March 2019 £000
Profit/(loss) for the financial period	(240)	220
Loss on disposal	-	(5)
New shares issued	-	1,000
Dividend Payable	-	(204)
Net addition/(reduction) to shareholders' funds	<u>(240)</u>	<u>1,011</u>
Opening shareholders' funds	1,011	-
Closing shareholders' funds	<u>771</u>	<u>1,011</u>

17 Related party transactions

The Directors believe that the company is eligible to take advantage of the exemption in Financial Reporting Standard 8 relating to the disclosure of transactions with group companies and have elected not to disclose full details of transactions with Harrogate and District NHS Foundation Trust.

18 Controlling party

The Company is controlled by and is a wholly owned subsidiary of Harrogate and District NHS Foundation Trust, a public benefit corporation.