King's Facilities Management

KCH INTERVENTIONAL FACILITIES MANAGEMENT LLP
(trading as King's Facilities Management)

Annual Report & Financial Statements

Registered Number OC412121
Year ended 31st March 2019

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KCH Interventional Facilities Management LLP Information

Designated members

King's College Hospital NHS Foundation Trust, a public benefit corporation, with a main office at Denmark Hill, London SE5 9RS.

KCH Commercial Services Ltd, a company incorporated in England and Wales, company number 06023863, with a registered office at KCH Business Park Coldharbour Lane, Unit 7, First Floor, London, England, SE5 9NY.

Registered Office

Unit 1, 129 Coldharbour Lane, London, England, SE5 9NY

LLP number

OC412121

Auditors

Deloitte LLP, 3 Victoria Square, Victoria Street, St Albans AL1 3TF

The Members' report

The members present their report and audited consolidated financial statements of KCH Interventional Facilities Management LLP for the year ended 31 March 2019.

Principal activity and review of the business

Principal activity

KCH Interventional Facilities Management LLP ("**LLP**") is a limited liability partnership incorporated and domiciled in the UK. The LLP, which trades as King's Facilities Management (King's FM) is wholly owned by the King's College Hospital NHS Foundation Trust group ("**Group**").

The principal activities of the LLP are the provision of fully managed diagnostic and treatment services covering Theatres, endoscopy, radiology, renal dialysis, critical care, catheter laboratory services, liver laboratories to King's College Hospital NHS Foundation Trust ("**Trust**") . The service also includes procurement, equipment and supply chain. The services are provided across all sites within the Trust, including King's College Hospital, Princess Royal University Hospital, Queen Mary's Sidcup, Beckenham Beacon and Orpington Hospital. In the year, the company expanded the service provision to additional service areas under the Enhanced Supply Chain project. This resulted in providing managed services across predominantly all areas of the hospital.

Business review and results

The results for the year are set out in the Statement of Comprehensive Income on page 10. Turnover for the year is £117m (12 months period ending 31st March 2018: £95m). The LLP reported a profit for the year ended March 2019 of £2.5m (2018 – loss £5.7m).

Principal risk and uncertainties

All of the LLP's income is secured under contracts with the Trust, a government-funded entity. These contracts currently end on 30 June 2021.

The LLP lacks a diversified customer base with the Trust as the sole customer. The Trust, like many NHS Trusts, is currently experiencing financial difficulties and this provides a specific customer risk to the LLP. This risk is mitigated by the fact that the Trust is government funded and the LLP's business is intrinsically linked with the continuing provision of essential health services at the Trust.

Financial risk

The LLP's cash assets are held within the Government Banking Service. The LLP does not hold investments other than cash and does not utilise complex financial instruments such as derivatives in its operations.

The LLP trade receivable is with the Trust, a government funded entity.

The LLP manages liquidity risk by continuously monitoring cash flow requirements and managing its borrowings via a loan facility provided by the Trust. The interest payable is Bank of England base rate plus 2%.

Pension liabilities

Details of the pension liabilities and administration of the pension schemes are shown in the notes to the accounts – Note 1, paragraph 'j' and note 4.

Employees

Employees are encouraged to maximise their contribution to the LLP and wider NHS. The LLP encourages openness and transparency. Employees are provided with regular information regarding entity policies, business performance and other matters of concern to them as employees. The views of employees are taken into account when making decisions that might affect their interests.

All employees are eligible to participate in a defined contribution pension scheme. Details of the pension arrangements are set out in note 1j and note 4 of the financial statements.

Equality and diversity

The LLP maintains a policy of employing the best candidates available in every position, regardless of gender, ethnic group or background. This includes equality in recruitment and ongoing promotion within the LLP.

The LLP supports the recruitment of staff with disabilities having full regard to their aptitudes and abilities. The LLP will offer individual support to staff who become disabled during the course of their employment and where appropriate offer opportunities for retraining and redeployment.

Political and charitable contributions

No political or charitable contributions were made by the LLP during the year ended 31 March 2019, (2018 – Nil).

Going concern

The management board of the LLP ("**Board**") have considered the financial position and prospects of the LLP and have concluded that the accounts should be prepared on a going concern basis. In reaching this conclusion, they have considered the forward looking prospects for the LLP, its long term contract and relationship with the Trust, and the letter of support provided by the Trust to the LLP.

The Board does however recognise the continued financial deficit of the Trust, the Trust's ongoing reliance on additional funding from the Department of Health and Social Care which has not been confirmed for the whole of the period considered by the board of the LLP, and that its regulator, NHS Improvement, has placed it in financial special measures. This has led the Trust's directors to identify a material uncertainty in the finances of the Group that may cast significant doubt as to the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. As the Group includes the LLP, and because the LLP is reliant on support from the Trust, and reliant on the Trust for the whole of its revenue, this material uncertainty also applies to the LLP. As directed by the 2018/19 Department of Health and Social Care Group Accounting Manual, the Board have prepared the financial statements on a going concern basis as they consider that the services currently provided by the Trust will continue to be provided in the foreseeable future. While the Trust remains dependent on continuing financial support from the Department of Health and Social Care (which has not been confirmed for the whole of the period considered by the board of the LLP), the boards of both the Trust and the LLP have a reasonable expectation that this will be provided and have prepared their financial statements on a going concern basis.

Future plans

The LLP is actively looking to increase the scope of services it provides to the Trust and continues to successfully expand the portfolio of services provided. On 30th September 2019, Outpatient Pharmacy was successfully transitioned to the LLP.

Designated Members

The designated members of the LLP throughout the year were King's College Hospital NHS Foundation Trust and KCH Commercial Services Ltd.

Results and profit allocation to members

The results for the year are shown in the Statement of Comprehensive Income on page 10. There have been no drawings by the members during the year.

Members' capital

The LLP issued £100 of members' capital for a consideration of £100 on 27 June 2016.
The total members' capital is £100. The Trust own £99 of the members' capital and KCH Commercial Services Ltd own £1 of the issued members' capital.

Details of the members' capital are set out in note 9 of the financial statements.

Auditors

All of the members as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The members are not aware of any relevant audit information of which the LLP's auditor is unaware.

Approval

The report was approved by the Board on 7th February 2020 and signed for and on behalf of the Board by

Andrew Lockwood

Andrew Lockwood
Managing Director

7th February 2020

Statement of members' responsibilities

The members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are also required by law to be prepared in accordance with the Companies Act 2006, as applicable to limited liability partnerships.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the firm's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, members are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the firm and enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to limited liability partnerships. They are also responsible for safeguarding the assets of the firm and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These responsibilities are exercised by the Board on behalf of the members.

Independent auditor's report to the members of KCH Interventional Facilities Management LLP

Report on the audit of the financial statements

Opinion

In our opinion the financial statements KCH Interventional Facilities Management LLP (the 'limited liability partnership'):

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of cash flows;
- the statement of changes in members' interests; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that given the financial performance and position of the limited liability partnership's parent, King's College Hospital NHS Foundation Trust, and the need for the Trust to secure additional borrowing within the 12 month period after year end, a material uncertainty exists that may cast significant doubt on the Trust's ability to continue as a going concern. Because of the limited liability partnership's reliance on the Trust for the whole of the limited liability partnership's revenue, this material uncertainty also applies to the limited liability partnership. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the limited liability partnership's ability to continue as a going concern. Our opinion is not modified in respect of this matter

Other Information

The members 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 we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of members

As explained more fully in the members' responsibilities statement, the members 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 members 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 members are responsible for assessing the limited liability partnership'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 members either intend to liquidate the limited liability partnership 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report in respect of the following matters 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
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the limited liability partnership'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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Gooding

Jonathan Gooding FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
St Albans, United Kingdom
10th February 2020

Statement of comprehensive income
for the year ended 31 March 2019

	Notes	2019 £000	2018 Restated £000
Operating revenue		117,542	95,366
Direct expenses	2	(104,445)	(92,177)
Administrative expenses	3	(10,084)	(8,561)
Operating profit/(loss)		**3,013**	**(5,372)**
Finance income		91	57
Finance costs		(559)	(385)
profit/(loss) before tax		**2,545**	**(5,700)**
Taxation expense		-	-
profit/(loss) for the year		**2,545**	**(5,700)**

The above relates wholly to continuing operations.

Statement of financial position
as at 31 March 2019

	Notes	2019 £000	2018 Restated '£000	2017 Restated '£000
Non-current assets				
Intangible assets	5	34	278	-
Trade and other receivables	6	14,422	6,329	7,239
Total Non-current assets		**14,456**	**6,607**	**7,239**
Current assets				
Trade and other receivables	6	52,438	28,138	24,908
Cash and cash equivalents		5,829	3,238	2,009
Inventory		10,572	7,530	7,033
Total Current assets		**68,839**	**38,906**	**33,950**
Total assets		**83,295**	**45,513**	**41,189**
Current liabilities				
Trade and other payables	7	57,475	33,955	23,931
Total current liabilities		**57,475**	**33,955**	**23,931**
Total assets less current liabilities		**25,820**	**11,558**	**17,258**
Non-current liabilities				
Borrowings	8	27,917	16,200	16,200
Total Non-current liabilities		**27,917**	**16,200**	**16,200**
Total liabilities		**85,392**	**50,155**	**40,131**
Net assets		**(2,097)**	**(4,642)**	**1,058**
Members' interests				
Members' capital		-	-	
Members' Reserves	9	(2,097)	(4,642)	1,058
Total members' interests		**(2,097)**	**(4,642)**	**1,058**

These financial statements were approved and authorised for issue by the Board of Directors on **7th February 2020** and signed for and on its behalf by:

Andrew Lockwood
Managing Director

Date: 7th February 2020

KCH Interventional Facilities Management LLP
Company registered number: OC412121

Statement of cash flows
for the year ended 31 March 2019

	Notes	2019 £000	2018 Restated £000
Cash flow from operating activities			
Profit/(Loss) for the year/period		2,545	(5,700)
Adjustments for non-cash transactions:			
Amortisation	5	244	49
Adjustments for:			
Interest received		(91)	(57)
Interest paid		559	385
Increase in inventories		(3,043)	(497)
Increase in trade and other receivables	6	(32,393)	(2,319)
Increase in trade and other payables	7	23,520	10,022
Net cash inflow/(outflow) from operating activities		**(8,658)**	**1,883**
Investing activities			
Interest received		91	57
Purchase of Intangible assets		(0)	(326)
Net cash outflow from investing activities		**91**	**(269)**
Financing activities			
Increase in loans	8	11,717	-
Interest paid		(559)	(385)
Net cash inflow/(outflow) from financing activities		**11,158**	**(385)**
Increase in cash and cash equivalents for the year/period		**2,591**	**1,229**
Cash and cash equivalents at start of year/period		**3,238**	**2,009**
Cash and cash equivalents at end of year/period		**5,829**	**3,238**

Statement of changes in members' interests
for the year ended 31 March 2019

	Members' capital	Members' other interests as restated
	£000	£000
At 1 April 2017	-	1,058
Loss for the year	-	(5,700)
Other comprehensive income	-	-
Total comprehensive income for the year	-	(5,700)
Allocated profit in period	-	-
Issue of capital	-	-
Transactions with owners	-	-
At 31 March 2018	-	**(4,642)**
Profit for the year	-	2,545
Other comprehensive income	-	-
Total comprehensive income for the year	-	2,545
Allocated profit in period	-	-
Issue of capital	-	-
Transactions with owners	-	-
At 31 March 2019	-	**(2,097)**

Notes to the accounts

1. Corporate Information and accounting policies

KCH Interventional Facilities Management LLP (the LLP) is a limited liability partnership incorporated in England and Wales under the Limited Liability Partnership Act 2000. The LLP's registered office is at Unit 1, 129 Coldharbour Lane, London SE5 9NY.

The LLP was incorporated on 3 June 2016 and commenced trading on 1 July 2016. The LLP has two members: King's College Hospital NHS Foundation Trust; and KCH Commercial Services Limited.

The principal activities of the LLP are to provide fully managed services for diagnostic and treatment facilities to hospitals and other associated health care providers.

Statement of compliance

The LLP's financial statements have been prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union and applied in accordance with the Companies Act 2006, as applied to Limited Liability Partnerships.

Going concern

The Directors of King's Facilities Management LLP ('the LLP') have considered the financial position and prospects of the LLP and have concluded that the accounts should be prepared on a going concern basis. In reaching this conclusion, they have considered the forward looking prospects for the LLP, its long term contract and relationship with King's College Hospital NHS Foundation Trust, and the letter of support provided by the Trust to the LLP.

The Directors do however recognise the continued financial deficit of King's College Hospital NHS Foundation Trust, its reliance on continuing additional financial support from the Department of Health and Social Care which has not been confirmed for the whole of the period considered by the board of the LLP and that its regulator, NHS Improvement, has placed it in financial special measures. This has led the Trust Directors to identify a material uncertainty in the finances of the Group that may cast significant doubt as to the Group's ability to continue as a going concern. As working capital is managed on a group basis and because the LLP is reliant on the Trust for the whole of its revenue, the parent's circumstances also represent a material uncertainty which casts significant doubt on the ability of the LLP to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result if the going concern basis were not appropriate. As directed by the 2017/18 Department of Health and Social Care Group Accounting Manual, the Directors have prepared the financial statements on a going concern basis as they consider that the services currently provided by the Trust will continue to be provided in the foreseeable future. While the Trust remains dependent on continuing financial support from the Department of Health and Social Care (which has not been confirmed for the whole of the period considered by the board of the LLP), the boards of both the Trust and the LLP have a reasonable expectation that this will be provided and have prepared their financial statements on a going concern basis.

Accounting policies

The financial statements have been prepared on the historical cost basis.

The LLP's financial statements are presented in Sterling, which is the LLP's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

a) Segmental reporting

The Directors are of the opinion that the LLP is engaged in a single segment of business, being the provision of fully managed services for diagnostic and treatment facilities at hospitals and other associated health care providers.

b) Income

All revenue is derived from income from contracts with customers.

Income is recognised to the extent that performance has been provided and it is probable that economic benefits will flow to the LLP which can be reliably measured. Income is measured at the fair value of the consideration receivable. All income is generated by the provision of services in the UK and is derived from the provision of fully managed services in hospital diagnostic and treatment facilities.

c) Leases

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are initially recognised as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the LLP's net investment in leases. Finance lease income is allocated to accounting periods so as to reflect a constant rate of return on the LLP's net investment outstanding in respect of the leases.

d) Finance income and expenses

Finance costs are comprised of interest expense on borrowings.

Interest income and interest payable is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

e) Other expenses

Operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

f) Intangible Assets

Amortisation

Intangible assets, which relate wholly to software licences, are included at cost and are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The LLP amortises intangibles over the following useful lives range:

Software license 3 - 10 years

Amortisation is charged monthly, and additions are amortised from the beginning of the month following the date it is brought into use.

g) Inventories

Inventories relate to medical consumables and are valued at the lower of cost and net realisable value. The cost of inventories is measured using the First In, First Out method. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks.

h) Financial assets

Financial assets are recognised when the LLP becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Cash and cash equivalents

Cash and cash equivalents are defined as cash balances with original maturities of three months or less. The LLP has no other investments with the banks or bank overdrafts.

Trade and other receivables

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount.

A receivable is impaired when there is objective evidence that the LLP will not be able to collect amounts due according to the original terms of the receivable. Balances are written off when the probability of recovery is assessed as being remote.

i) Financial liabilities

Financial liabilities are recognised on the statement of financial position when the LLP becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Trade and other payables

Trade and other payables are recorded at their face value.

Borrowings

Borrowings are recognised initially at fair value, net of any transaction costs incurred, and then measured at amortised cost using the effective interest rate method.

j) Employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

Pension Costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme.
Employers pension cost contributions are charged to operating expenses as and when they become due.
Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to operating expenses at the time the foundation trust commits itself to the retirement, regardless of the method of payment.

Defined benefit pension scheme

Employees who have been TUPE transferred over to the LLP are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable participating employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme. The cost to the LLP of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the LLP commits itself to the retirement, regardless of the method of payment.

Defined contribution pension plan

Employees who join the LLP directly are automatically contracted into the Aviva group personal pension scheme. This is a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which the LLP 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 statement of comprehensive income in the periods during which services are rendered by employees.

The annual report of King's College Hospital NHS Foundation Trust has additional details the NHS Pension Scheme in note 4.6 Pension Costs.

k) Provisions

Provisions are recognised when the LLP has a present legal or constructive obligation as a result of a past event, it is probable that the LLP will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

l) Members' drawings

In accordance with the LLP agreement, each member may draw from their current account such sum as the Management Board may determine up to their profit share for an accounting year.

Drawings are treated as payments on account of profit allocation and are only repayable to the LLP in so far as there are insufficient profits to allocate against such drawings. Any drawings in excess of total profits allocated would be included within 'amounts due from members' within debtors.

m) Subscription and repayment of members' capital

The capital requirements of the partnership are determined by the members and each member is required to subscribe a proportion of this capital. The amount of capital subscribed by each member is linked to the earnings allocated to that member. No interest is paid on capital.

On leaving the partnership, a member's capital is repaid on the following timescale:

* The first 5% is repaid three months after the date of approval of the LLP's audited annual accounts for the period in which the leaving date occurred

* The remaining 95% is repaid in four equal instalments, each instalment being repaid three months after the date of the previous repayment

n) Taxation

Income tax
Tax to be paid on the profits arising in the LLP are a tax liability of the members of the LLP and therefore are not included as a tax charge or provision within these financial statements.
Value added tax (VAT)
Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT. Where input tax is not recoverable, VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

o) Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LLP, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LLP. A contingent asset is disclosed where an inflow of economic benefits is probable.

p) Significant accounting estimates and judgements

The preparation of the LLP financial statements does not require the management to make material value estimates or judgements that affect the reported amounts of assets and liabilities.

There were no critical judgements involving estimation uncertainty. Other critical judgements involving the application of the LLP's accounting policies were as follows.

Accounting for medical equipment provided to the LLP's customer under service agreements.

Medical equipment is purchased by the LLP and provided to its customer, King's College Hospital NHS Foundation Trust under its service agreements with the Trust. The LLP has concluded that this equipment is the subject a lease which should be accounted for separate to the rest of the service agreement as the equipment is specified within the agreements, the LLP is only able to replace with the agreement of the Trust and the Trust has the ability to operate or direct the LLP to operate in a manner it determines and has the full utility of the equipment during the period of the arrangement. The LLP has also concluded that the lease should be classified as a finance lease based on an analysis of the extent to which risks and rewards incidental to ownership have been transferred and in particular the expectation that an option for the Trust to purchase the equipment at the end of the arrangement would be exercised.

q) Standards adopted during the period

The LLP has applied the following standards and amendments for the first time in its annual reporting period commencing 1 April 2018:

IFRS 9 Financial Instruments (IFRS 9)

IFRS 9: Financial Instruments, was issued in July 2014 and has been implemented by the LLP from 1 April 2018. The adoption of IFRS 9 resulted in new criteria being applied in the measurement and disclosure of financial instruments. After a review of these requirements, management concluded that there are no impacts arising from IFRS 9 within the current reporting period and therefore no adjustments or disclosures are required.

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

IFRS 15: Revenue from Contracts with Customers, was issued in May 2014 and has been implemented by the LLP from 1 April 2018. The standard provides a single, principles-based approach to the recognition of revenue from all contracts with customers. It focuses on the identification of performance obligations in a contract and requires revenue to be recognised to show the transfer of promised goods and services to customers in an amount that reflects the consideration which the LLP expects to be entitled to in exchange for those goods and services.

After analysis, the new standard has been found to have no impact on the amount or timing of recognition of reported revenue in the current nor in the prior reporting period. The new standard is not expected to have a material impact on future anticipated revenues.

r) Standards issued but not yet effective

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the LLP, are:

IFRS 16 Leases – effective for accounting periods beginning on or after 1 January 2019. IFRS 16 changed the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The entity has not fully assessed the impact of IFRS 16 – Leases but does not expect there to be a material impact on the entity as there are minimal equipment held under operating lease arrangements.

IFRS 17 Insurance Contracts - effective for accounting periods beginning on or after 1 January 2021

The impact of adopting IFRS16 is expected to be nominal as the contract value will be adjusted for this change. Due to the contractual terms with the Trust, the entity does not expect any significant impact of this on the financial statements.

The LLP does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

s) Operating Profit

Operating profit is stated before finance income and finance costs.

Note 2 – Direct expenses

	2019 £000	2018 Restated £000
Clinical supplies	65,139	54,806
General supplies	6,985	5,915
Rental of medical equipment	10,702	10,912
Rental of other equipment	2,463	2,603
Services from NHS bodies	9,780	11,110
Services from non-NHS bodies	6,726	4,942
Other direct costs	2,650	1,889
Total	**104,445**	**92,177**

Stock charge included in Direct Expenses during the year was £65.1m (2018 £54.8m)

Previously reported Clinical supplies in 2018 had omitted, in error, expenditure totalling £3.9m relating to goods and services received during the year ended 31 March 2018. In addition, inventories were overstated by £0.8m at 31 March 2018 as a result of errors in stock count records.

Note 3 – Administrative expenses

	Notes	2019 £000	2018 Restated £000
Staff costs	4	8,708	7,721
Legal and professional fees		492	399
Audit fees		38	49
Impairmentof Intangible assets		180	0
Amortisation		65	49
Other administrative expenses		601	343
Total		**10,084**	**8,561**

The audit fees are for the statutory audit of the entity's annual report and financial statements.

Amortisation of intangible assets was previously classified as "Depreciation and amortisation" in 2018. This is now reported within the relevant functional category of "Administration expenses" and comparative information has been restated.

Note 4 – Staff costs

	Notes	2019 £000	2018 £000
Wages and salaries		5,209	4,410
Agency staff costs		2,574	2,543
Social security costs		519	422
Contributions to pension plans		407	346
Total staff costs		**8,709**	**7,721**

Average Number

	Headcount 2019	Headcount 2018
Permanent staff	141	130
Agency staff	36	31
Total	**177**	**161**

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

Note 4a – Key Management Personnel Remuneration

	31/03/2019 £	31/03/2018 £
Short-term employee benefits	283	389
Post-employment benefits	21	0
	303	**389**

Note 5 – Intangible assets

	Intangible Assets £000	Total £000
As at 1 April 2017	-	-
Additions	326	326
Disposal	-	-
As at 31st March 2018	**326**	**326**
Amortisation as at 1 July 2017	-	-
Charged during the year	48	48
Accumulated Amortisation	**48**	**48**
NBV as at 31st March 2018	**278**	**278**
As at 1 April 2018	**326**	**326**
Additions	-	-
Disposals	-	-
As at 31 March 2019	**326**	**326**
Amortisation as at 1st April 2018	48	48
Impairment	179	179
Charged during the year	65	65
Accumulated Amortisation	**292**	**292**
Net Book Value as at 31 March 2019	**34**	**34**
Asset financing		
Owned	34	34
Total	**34**	**34**

Note 6 – Trade and other receivables

	Current 2019 £000	Non Currrent 2019 £000	Current 2018 Restated £000	Non-current 2018 Restated £000
Amount owed by group companies	47,592		19,804	-
Less: provision for doubtful debts	-	-	-	-
Other receivables	667	-	625	-
Finance Lease receivables	2,195	14,422	1,311	6,329
Prepayments	1,320	-	792	-
Amount accrued for group companies	664	-	5,606	-
Total	**52,438**	**14,422**	**28,138**	**6,329**

Note 7 – Trade and other payables

	Current 2019 £000	Non-current 2019 £000	Current 2018 Restated £000	Non-current 2018 Restated £000
Amounts owed to group companies	40,056	-	24,286	-
Trade payables	9,318	-	998	-
Other payables	23	-	176	-
VAT payables	76	-	0	-
Amount accrued to group companies	1,606	-	1,829	-
Other accruals	6,226	-	6,666	-
Deferred income	170	-	-	-
Total	**57,475**	-	**33,955**	-

Note 8 – Borrowings

	Current 2019 £000	Non-current 2019 £000	Current 2018 £000	Non-current 2018 £000
Loans	-	27,917	0	16,200
Total	-	**27,917**	-	**16,200**

	2019 £000	2018 £000
Within one year	-	-
Between one and five years		-
After five years	27,917	16,200
Total	**27,917**	**16,200**

The entity has a revolving loan facility with King's under which it can borrow up to £30m. The loan facility is available solely for funding asset purchases and the interest rate is Bank of England base rate plus 2%.

The loan is repayable in full on 31st March 2027.

Changes in liabilities from financing activities all arise from changes from financing cash flows.

Note 9 – Members' interests

	Members' capital *	Reserves Restated	Total
	£000	£000	£000
Balance as at 1 April 2017	-	**1,058**	**1,058**
Loss for the current year available for division among members	-	(5,700)	(5,700)
Balance as at 31 March 2018	-	**(4,642)**	**(4,642)**
Profit for the current year available for division among members		2,545	2,545
Balance as at 31 March 2019	-	**(2,097)**	**(2,097)**

*The capital introduced by member was £100 and the total member's capital as at 31st March 2019 was £100. This does not appear in the table as the numbers are rounded to the nearest thousand.

Loans and other debts due to or from members are disclosed in Note 6, 7 and 8 and comprise Amounts owed by or due to group companies, Amount accrued for or to group companies, Finance lease receivables and Loans.

Amounts due to members are all unsecured and rank pari passu with other creditors who are unsecured in the event of a winding up.

Note 10 – Commitments under operating leases

The entity's future minimum operating lease payments are as follows:

	2019 £000	2018 £000
Within one year	4,718	4,868
Between one and five years	10,993	11,018
More than five years	1,436	2,836
Total	**17,147**	**18,722**

Lease and sublease payments are recognised as expenses in the period, with separate amounts for minimum lease payments, contingent rents and sublease payments; Operating lease expense in the year was £4.7m and

- Leases are generally for medical equipment used by the Trust
- Leases disclosed are equipment lease commitments for the Trust rather than a lease commitment of the LLP and there are no contractual commitments on the entity to make these payments.
- Leases have renewal or purchase options and escalation clauses
- There are no restrictions imposed on lease arrangements, such as those concerning dividends, additional debt, and further leasing.

Note 10b – Finance Lease Receivable Commitments

The entity's future minimum finance lease receivables are as follows:

	2019 £000	2018 £000
Within one year	2,195	1,311
Between one and five years	7,895	3,286
More than five years	6,527	3,043
Total	**16,617**	**7,640**

Finance lease receivables relate to equipment provided under the LLP's service agreements with its sole customer. Further information is provided in Note 1p and in the Members' Report.

Note 11 – Financial Assets and Liabilities

Financial assets and liabilities (all of which are measured at amortised cost)	2019 £000	2018 Restated '£000	
Assets			
Trade and other receivables	65,018	33,266	*
Cash and cash equivalent	5,829	3,238	
Total Assets	**70,847**	**36,504**	
Liabilities			
Trade and other payables	57,229	33,955	*
Borrowings	27,917	16,200	
Members' capital	0	0	
Total Liabilities	**85,146**	**50,155**	

* 2018 comparators have been restated to reflect the figures in note 6 and 7.

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities.

The entity is not exposed to significant financial risk factors arising from financial instruments. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the entity in undertaking its activities.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the entity causing it to incur a loss. In the normal of course of business, exposure to credit risk arises from cash with banks, investments, trade receivables and other receivables. For each of these the maximum credit exposure is represented by the carrying amount in the statement of the financial position.

The entity's cash assets are held within the Government Banking Service and the entity does not hold investments other than cash.

The entity has assessed the credit risk receivables as low risk as the entity's trade receivables are all from King's College Hospital which is a government funded organisation.

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty raising liquid funds to meet commitments as they fall due. The entity mostly manages liquidity risk by continuously monitoring forecast cash flow requirements and management of the revolving loan facility with King's College Hospital.

Note 12 – Related party transactions

Organisation	Payments to related party £000	Receipts from related party £000	Amounts owed to related party £000	Amounts due from related party £000
2019				
King's College Hospital NHS Foundation Trust	28,937	128,858	69,579	64,872
KCH Commercial Services Ltd				
Total	28,937	128,858	69,579	64,872
2018				
King's College Hospital NHS Foundation Trust	52,267	76,235	42,315 *	33,050 *
KCH Commercial Services Ltd				
Total	52,267	76,235	42,315 *	33,050 *

* 2018 comparators have been restated to reflect figures in notes 6, 7 and 8

Note 13 - Ultimate controlling party

The LLP is controlled by King's College Hospital NHS Foundation Trust as a wholly owned subsidiary. King's College Hospital NHS Foundation Trust is a body corporate established by the order of the Secretary of State for Health. The Department of Health and Social Care is the Trust's parent department and ultimate controlling party. The consolidated financial, statements of King's College Hospital are available from King's College Hospital, Denmark Hill, London, SE5 9RS, which is the registered address.

Note 14 – Prior Year Adjustment

	As Previously Stated	Adjustments relating to leasing component of service agreement*	Adjustment for expenditure recognised in the wrong period**	Reclassifications**	Inventory**	As Restated
	£000	£000	£000		£000	£000
Statement of financial position as at 1 April 2017						-
Property, plant and equipment	8,652	(8,652)	-	-		-
Net Investment in Finance Leases	-	8,652	-	-		8,652
Statement of Comprehensive Income - year ended 31 March 2018						
Operating Revenue	(96,812)	1,446	-		-	(95,366)
Direct Expenses	87,527	-	3,840	1	809	92,177
Administration Expenses	8,493	-	19	49		8,561
Depreciation and amortisation	1,462	(1,413)	-	(49)		(0)
Finance Income	(7)	(49)	-	(1)		(57)
Statement of Changes in members' interest - year ended 31 March 2018						
Loss for the Year - members' other interest	1,046	(16)	3,859	2	809	5,700
At 31 March 2018 - members' other interest	(12)	(16)	3,859	2	809	4,642
Statement of Financial Position as at 31st March 2018						
Property, plant and equipment	7,640	(7,640)	-		-	(0)
Inventory	8,339	-	-	-	(809)	7,530
Net Investment in Finance Leases	-	7,640	-			7,640
Preprepayment	811	-	(19)		-	792
Other accruals	(2,826)	-	(3,840)	1		(6,665)
Members Reserves	(12)	(16)	3,859	2	809	4,642

* Equipment provided to the LLP's sole customer under a service agreement was presented in Property, Plant and Equipment in the prior year financial statements and depreciated. Following further analysis of the service agreement, the LLP has concluded that the provision of this equipment should have been accounted for separately as a finance lease.

** The prior year financial statements omitted, in error, liabilities totalling £3.9m relating to goods and services received during the year ended 31 March 2018. In addition, inventories were overstated by £0.8m at 31 March 2018 as a result of errors in stock count records. Amortisation of intangible assets was previously classified within a separate line for "Depreciation and amortisation". This is now classified within the relevant functional category of "Administration expenses" and comparative information has been restated.