



KCH INTERVENTIONAL FACILITIES MANAGEMENT LLP  
(trades as KFM)

# Annual Report & Financial Statements

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Registered Number OC412121  
Year ended 31<sup>st</sup> March 2020



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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 financial statements of KCH Interventional Facilities Management LLP for the year ended 31 March 2020.

### **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 KFM is wholly owned by the King's College Hospital NHS Foundation Trust group ("Group").

The principal activities of the LLP are delivering a fully managed support service across all clinical areas of King's College Hospital NHS Foundation Trust ("Trust"). This includes providing all required clinical supplies and equipment along with maintenance, training and technical support, endoscopy decontamination, sterile services, renal dialysis support, outpatients' pharmacy, radiology IT, transformation and project management. KFM also provides a procurement and contract management service for all Trust departments. 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 and also took on management of the outpatient's pharmacy at the Denmark Hill site from 30th September 2019.

#### 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 £137m (12 months period ending 31<sup>st</sup> March 2019: £118m). The LLP reported a profit for the year ended March 2020 of £6m (2019 – profit £2.5m).

#### 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. During 2019/20 KFM continued to build on its strategy to expand its service provision to the Trust, focussing on providing support services that enable safe, effective, efficient and timely patient care. We had to rapidly adapt service delivery during COVID-19 and demonstrated agility and responsiveness in quickly ramping up supply chain, procurement and technical support services. The experience gained and foundations established as a result will serve us well in the future. The impact of COVID 19 on the LLP and its parent company are discussed in the Kings College Hospital NHS Foundation Trust annual report.

#### 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 'k' 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 1k 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 2020, (2019 – Nil).

### Streamlined Energy and Carbon Reporting (SECR)

KFM shares its operating premises with the Trust. Information of the group position on carbon emissions and sustainability can be found in the Annual Sustainability report and the Trust's Annual report.

### **Going concern**

IAS 1 requires management to undertake an assessment of the LLP's ability to continue as a going concern.

The Directors of 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 the Trust and 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. This has led the Trust Directors to identify a material uncertainty in the finances of the Group that may cast significant doubt 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 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 that may cast 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. 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.

#### 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.

#### **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 13th August 2020 and signed for and on behalf of the Board by



Andrew Lockwood  
Managing Director

13th August 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**

#### **Qualified opinion**

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements of 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 2020 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 16.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

#### **Basis for qualified opinion**

At the limited liability partnership's financial year end, it was not practicable for management to perform physical counting of inventories as staff scheduled to perform this task were not available due to operational reasons arising from the limited liability partnership's response to the covid-19 pandemic and management needed to estimate part of the inventory amount. As a result, we were not able to attend such counts and we were unable to satisfy ourselves by using other audit procedures concerning the inventory quantities held at 31 March 2020, which were included in the limited liability partnership's balance sheet at £12.3 million. Consequently we were unable to determine whether any adjustment to this amount was necessary. In addition, were any adjustment to the inventory balance be required, the members' report would also need to be amended.

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 qualified 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 funding 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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities of £12.3 million held as at 31 March 2020. We have concluded that where the other information refers to the profit for the year, it may be materially misstated for the same reason.

## **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](http://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**

Arising solely from the limitation on the scope of our work relating to inventory, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

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:

- 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.

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 FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
St Albans, United Kingdom  
13th August 2020

**Statement of comprehensive income**  
for the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Operating revenue		136,914	117,542
Direct expenses	2	(117,090)	(104,445)
Administrative expenses	3	(13,043)	(10,084)
<b>Operating profit</b>		<b>6,781</b>	<b>3,013</b>
Finance income		50	91
*Finance costs		(833)	(559)
<b>Profit before tax</b>		<b>5,998</b>	<b>2,545</b>
Taxation expense		-	-
<b>Profit for the year</b>		<b>5,998</b>	<b>2,545</b>

The above relates wholly to continuing operations.

\*Finance costs include interest payable £785k (19/20) vs £559k (18/19) and interest expense £48k (19/20) vs £0k (18/19) for leasing arrangements.

Statement of financial position  
as at 31 March 2020

		2020	2019
	Notes	£000	£000
<b>Non-current assets</b>			
Intangible assets	5	755	34
Trade and other receivables	6	30,443	14,422
<b>Total Non-current assets</b>		<b>31,198</b>	<b>14,456</b>
<b>Current assets</b>			
Trade and other receivables	6	34,638	52,438
Cash and cash equivalents		7,625	5,829
Inventory		12,316	10,572
<b>Total Current assets</b>		<b>54,579</b>	<b>68,839</b>
<b>Total assets</b>		<b>85,777</b>	<b>83,295</b>
<b>Current liabilities</b>			
Trade and other payables	7	37,531	57,475
Lease liabilities	14	1,199	-
<b>Total current liabilities</b>		<b>38,730</b>	<b>57,475</b>
<b>Total assets less current liabilities</b>		<b>47,047</b>	<b>25,819</b>
<b>Non-current liabilities</b>			
Trade and other payables	7	131	-
Borrowings	8	38,444	27,917
Lease liabilities	14	4,571	-
<b>Total Non-current liabilities</b>		<b>43,146</b>	<b>27,917</b>
<b>Total liabilities</b>		<b>81,876</b>	<b>85,392</b>
<b>Net assets</b>		<b>3,901</b>	<b>(2,097)</b>
<b>Members' interests</b>			
Members' capital		-	-
Members' Reserves	9	3,901	(2,097)
<b>Total members' interests</b>		<b>3,901</b>	<b>(2,097)</b>

These financial statements were approved and authorised for issue by the Board of Directors on 13th August 2020 and signed for and on its behalf by:



**Andrew Lockwood**  
Managing Director

**Date: 13<sup>th</sup> August 2020**

KCH Interventional Facilities Management LLP  
Company registered number: OC412121

**Statement of cash flows**  
for the year ended 31 March 2020

	Notes	2020 £000	2019 £000
<b>Cash flow from operating activities</b>			
Profit for the year		5,998	2,545
<b>Adjustments for:</b>			
Amortisation	5	62	244
Interest paid on lease liabilities	14	48	-
Interest received		(50)	(91)
Interest paid		785	559
Increase in inventories		(1,744)	(3,043)
Increase in trade and other receivables	6	8,061	(32,393)
Increase in trade and other payables	7	(19,814)	23,520
<b>Net cash outflow from operating activities</b>		<b>(6,654)</b>	<b>(8,658)</b>
<b>Investing activities</b>			
Interest received		50	91
Purchase of Intangible assets		(784)	-
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(734)</b>	<b>91</b>
<b>Financing activities</b>			
Repayment of Loans	8	(3,772)	-
Loan Drawdowns	8	14,300	11,717
Interest paid		(833)	(559)
Payment of lease liabilities		(511)	-
<b>Net cash inflow from financing activities</b>		<b>9,184</b>	<b>11,158</b>
<b>Increase in cash and cash equivalents for the year</b>		<b>1,796</b>	<b>2,591</b>
<b>Cash and cash equivalents at start of year</b>		<b>5,829</b>	<b>3,238</b>
<b>Cash and cash equivalents at end of year</b>		<b>7,625</b>	<b>5,829</b>

Statement of changes in members' interests  
for the year ended 31 March 2020

	Members' capital	Members' other interests
	£000	£000
<b>At 1 April 2018</b>	-	(4,642)
Profit for the year	-	2,545
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	-	2,545
Allocated profit in period	-	-
Issue of capital	-	-
<b>Transactions with owners</b>	-	-
<b>At 31 March 2019</b>	-	(2,097)
Profit for the year	-	5,998
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	-	5,998
Allocated profit in period	-	-
Issue of capital	-	-
<b>Transactions with owners</b>	-	-
<b>At 31 March 2020</b>	-	3,901

## Notes to the accounts

### 1. Corporate Information and accounting policies

KCH Interventional Facilities Management 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**

IAS 1 requires management to undertake an assessment of the LLP's ability to continue as a going concern.

The Directors of 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 and 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. 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 and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 that may cast 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. 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 the LLP's customer for the provision of managed services.

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 goods and services in the UK and is derived from the provision of fully managed services in hospital diagnostic and treatment facilities.

Management considers that the goods and services provided under these contracts meet the definition of a series of distinct goods or services that are substantially the same and have the same pattern of transfer over time. The series constitutes goods and services provided in distinct time increments and therefore the LLP treats the series of such goods and services as one performance obligation.

### **c) Leases**

The LLP has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

#### ***Policies applicable from 1 April 2019***

The LLP as a lessee.

The LLP has applied IFRS 16 for leases using the cumulative catch-up approach and therefore comparative information has not been restated. For any new contracts entered into on or after 1 January 2019, the LLP considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the LLP assesses whether the contract meets three key evaluations which are whether: a.) the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the LLP, b.) the LLP has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the LLP has the right to direct the use of the identified asset throughout the period of use. The LLP assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The LLP depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The LLP also assesses the right-of-use asset for impairment when such indicators exist.



At the commencement date, the LLP measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the LLP's incremental borrowing rate (the HM Treasury discount rate of 1.27% has been used at the transition date and during the year ended 31 March 2019).

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

The LLP has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included under non current assets and lease liabilities have been included in current and non current liabilities

#### *The LLP as a lessor.*

Contracts are classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

When the LLP is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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.

#### ***Policies applicable prior to 1 April 2019***

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

#### **The LLP as lessee**

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

#### **The LLP as lessor**

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

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) Right-of-use-Assets**

The LLP has recognised £6.3m of right-of-use assets upon transition to IFRS 16 and during the year ended 31 March 2019. Right of use assets relating to these leases have been immediately de-recognised as they are provided under subleases to the LLP's parent under finance leases.

#### **g) 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.

#### **h) 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.

#### **i) 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.

## **j) 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.

### *Lease Liabilities*

*Lease liability represents KFM's obligation to make lease payments as the lessee.*

## **k) 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.

### *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.

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 Government 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 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 at 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 FReM 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 April 2019 to 20.6%, and the Scheme Regulations were amended accordingly.

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 judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

#### *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.

#### **l) 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.

#### **m) 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.

## **n) 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

## **o) 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.

## **p) 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.

## **q) Significant accounting estimates and judgements**

The preparation of the LLP financial statements requires management to make 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 or leased 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 or right-of-use asset is the subject a lease or sub-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.

#### **r) 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 2019:*

##### *IFRS 16 Leases*

IFRS 16 Leases replaces IAS 17– effective for accounting periods beginning on or after 1 January 2019 and has been adopted by the LLP on the 1st of April 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 new Standard has been applied using the cumulative catch up approach for existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the LLP's incremental treasury borrowing rate (1.27%). The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. The LLP previously had no finance leases.

The LLP has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 April 2019.

The LLP applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 April 2019 (whether it is a lessor or a lessee in the lease contract).

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Because of this change, the LLP has reclassified certain of its operating sublease agreements as finance leases and accounted for them as new finance leases entered into at the date of initial application.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 April 2019 is 1.27%.

The LLP had total commitments under operating leases at 31 March 2019, applying IAS 17, of £0.8m. This is different to the amount recognised on initial application of IFRS 16 at 1 April 2019 of £3.6m as (i) the total amount of operating lease commitments, applying IAS 17, has been discounted to its present value on initial application of IFRS 16; and (ii) the total recognised on initial application of IFRS 16 includes the present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments.

The LLP has recognised £6.28m of right-of-use assets upon transition to IFRS 16 and in respect of further leases entered into during the year ended 31 March 2020. Right-of-use assets relating to these leases have been immediately de-recognised as they are provided under subleases with the LLP's parent which are classified as finance leases.

In applying the standard there is no impact on members' reserves opening balances. Prior periods do not need to be restated.

#### s) 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 17 Insurance Contracts - effective for accounting periods beginning on or after 1 January 2021**

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.

#### t) Operating Profit

Operating profit is stated before finance income and finance costs.

#### Note 2 – Direct expenses

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Clinical supplies	56,735	65,139
General supplies	23,501	6,985
Rental of medical equipment	13,896	10,702
Rental of other equipment	3,462	2,463
Services from NHS bodies	8,754	9,780
Services from non-NHS bodies	6,813	6,726
Other direct costs	3,929	2,650
<b>Total</b>	<b>117,090</b>	<b>104,445</b>

Stock charge included in Direct Expenses during the year was £73.7m (2019 £65.1m).

The restrictions on movement in the United Kingdom in March 2020 meant that the organisation was unable to perform its planned year-end inventory counts, and the auditor has been unable to gain sufficient audit evidence from alternative procedures. The auditor has therefore been unable to complete the procedures required by auditing standards, and is required to issue a qualified opinion. We are aware that a number of hospital trusts in the country are affected by the same issue in 2019/20 and understand that NHS Improvement will disclose the extent to which this has impacted the sector in its consolidated provider accounts when published later in 2020.

Stock management within the hospital ensures that 76% of the stock is managed by pre-set stock level managed via systems such as Omnicells. This ensures that the stock value does not fluctuate significantly during the year. Consumables for COVID saw a shortage across the sector resulting in procuring to meet daily consumption. This resulted in stock for Covid being utilised as purchased with

insignificant stock held at year end. As such, the year-end inventory is estimated on stock take completed in September 2019 as stock does not significantly deviate from the normal levels.

**Note 3 – Administrative expenses**

		<b>2020</b>	<b>2019</b>
	<b>Notes</b>	<b>£000</b>	<b>£000</b>
Staff costs	4	10,792	8,708
Legal and professional fees		1,192	492
Audit fees		47	38
Premises cost		347	-
Impairment of Intangible assets		-	180
Amortisation		62	65
Other administrative expenses		603	601
<b>Total</b>		<b>13,043</b>	<b>10,084</b>

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

IFRS 16 disclosure in statement of comprehensive income of interest expense on lease liabilities.

**Note 4 – Staff costs**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	8,245	5,209
Agency staff costs	1,241	2,574
Social security costs	798	519
Contributions to pension plans	507	407
<b>Total staff costs</b>	<b>10,791</b>	<b>8,709</b>

**Average Number**

	<b>Headcount</b>	<b>Headcount</b>
	<b>2020</b>	<b>2019</b>
Permanent staff	203	141
Agency staff	20	36
<b>Total</b>	<b>224</b>	<b>177</b>

The remuneration of the members of the Management Board of the LLP, who are its key management personnel, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

**Note 4a – Key Management Personnel Remuneration**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Short-term employee benefits	330	295
Post-employment benefits	16	20
<b>Total</b>	<b>346</b>	<b>315</b>

In the current year short-term benefits for the year ended 31 March 2019 have been restated from £283k to £295k to include the remuneration of the non-executive director (Board Chairman).



## Note 5 – Intangible assets

	<b>Intangible Assets £000</b>	<b>Total £000</b>
<b>As at 1 April 2018</b>	326	326
<b>As at 31st March 2019</b>	<b>326</b>	<b>326</b>
Amortisation as at 1st April 2018	48	48
Impairment	179	179
Charged during the year	65	65
<b>Accumulated Amortisation</b>	<b>292</b>	<b>292</b>
<b>Net Book Value as at 31st March 2019</b>	<b>34</b>	<b>34</b>
<b>As at 1 April 2019</b>	<b>326</b>	<b>326</b>
Additions	784	784
Disposals	(326)	(326)
Impairment	-	-
<b>As at 31 March 2020</b>	<b>784</b>	<b>784</b>
Amortisation as at 1st April 2019	292	292
Charged during the year	62	62
Eliminated on disposal	(326)	(326)
Eliminated on impairment	-	-
<b>Accumulated Amortisation</b>	<b>28</b>	<b>28</b>
<b>Net Book Value as at 31 March 2020</b>	<b>756</b>	<b>756</b>
<b>Asset financing</b>		
Owned	756	756
<b>Total</b>	<b>756</b>	<b>756</b>

Cost and net book value at 31 March 2020 included assets under construction of a £422k.

## Note 6 – Trade and other receivables

	<b>Current 2020 £000</b>	<b>Non Current 2020 £000</b>	<b>Current 2019 £000</b>	<b>Non-current 2019 £000</b>
Amount owed by group companies	21,052	167	47,592	-
Other receivables	86	-	667	-
Vat receivables	618	-	-	-
Finance Lease receivables - embedded	3,591	25,705	2,195	14,422
Finance Lease receivables - subleases	1,199	4,571	-	-
Prepayments	1,624	-	1,320	-
Amount accrued for group companies	6,468	-	664	-
<b>Total</b>	<b>34,638</b>	<b>30,443</b>	<b>52,438</b>	<b>14,422</b>

Note 7 – Trade and other payables

	Current 2020 £000	Non-current 2020 £000	Current 2019 £000	Non-current 2019 £000
Amounts owed to group companies	9,462	-	40,056	-
Trade payables	11,574	131	9,318	-
Other payables	388	-	23	-
VAT payables	-	-	76	-
Amount accrued to group companies	2,465	-	1,606	-
Other accruals	13,421	-	6,226	-
Deferred income	221	-	170	-
<b>Total</b>	<b>37,531</b>	<b>131</b>	<b>57,475</b>	<b>-</b>

Note 8 – Borrowings

	Current 2020 £000	Non-current 2020 £000	Current 2019 '£000	Non-current 2019 '£000
<b>As at 31st March 2019</b>	-	<b>27,917</b>	-	<b>27,917</b>
Loan Drawdown	-	14,300	-	-
Loan Repayments	-	(3,773)	-	-
<b>Total</b>	-	<b>38,444</b>	-	<b>27,917</b>

  

	2020 £000	2019 £000
<b>Maturity Analysis:</b>		
Within one year	-	-
Between one and five years	-	-
After five years	38,444	27,917
<b>Total</b>	<b>38,444</b>	<b>27,917</b>

The entity has a revolving loan facility with King's College Hospital NHS Foundation Trust under which it can borrow up to £50m. The loan facility is available solely for funding asset and stock purchases and the interest rate is Bank of England base rate plus 2%. The loan is repayable in full on 31st March 2027.

Loan drawdowns for the year were £14,300k and loan repayments during the year amounted to £3,773m. Changes in liabilities from financing activities all arise from changes from financing cash flows.

**Note 9 – Members' interests**

	<b>Members' capital *</b>	<b>Reserves</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance as at 1 April 2018</b>	-	<b>(4,642)</b>	<b>(4,642)</b>
Profit for the current year available for division among members	-	2,545	2,545
<b>Balance as at 31 March 2019</b>	-	<b>(2,097)</b>	<b>(2,097)</b>
Profit for the current year available for division among members	-	5,998	5,998
<b>Balance as at 31 March 2020</b>	-	<b>3,901</b>	<b>3,901</b>

\*The capital introduced by member was £100 and the total member's capital as at 31st March 2020 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 – Finance Lease Receivables  
Leases**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Future finance income analysed as:		
Recoverable after 12 months	26,348	14,783
Recoverable within 12 months	3,680	2,250
<b>Total</b>	<b>30,028</b>	<b>17,032</b>
<b>Less unearned finance income:</b>	<b>732</b>	<b>415</b>
<b>Net Investment</b>	<b>29,296</b>	<b>16,617</b>
	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Net investment in the lease analysed as:		
Recoverable after 12 months	25,705	14,422
Recoverable within 12 months	3,591	2,195
<b>Total</b>	<b>29,296</b>	<b>16,617</b>

**Sub leases**

	<b>2020</b>
	<b>£000</b>
Future finance income analysed as:	
Recoverable after 12 months	4,685
Recoverable within 12 months	1,229
<b>Total</b>	<b>5,914</b>
<b>Less unearned finance income:</b>	<b>144</b>
<b>Net Investment</b>	<b>5,770</b>
	<b>2020</b>
	<b>£000</b>
Net investment in the lease analysed as:	
Recoverable after 12 months	4,571
Recoverable within 12 months	1,199
<b>Total</b>	<b>5,770</b>

**Disclosures required by IFRS16**

Finance lease receivables relate to equipment provided under the LLP's service agreements with its sole customer. Further information is provided in Note 1q. Under the LLP's contractual arrangements with its parent, the full residual value risk is transferred. On termination of its service agreement, the LLP considers that it is likely that the Trust would exercise its option to purchase the equipment.

During the year the amount of lease receivables increased as a result of the equipment replacement programme of its parent, which is the LLP's sole customer.

On transition to IFRS 16 Leases from 1 April 2019, equipment leased by the LLP and provided under the same service agreement to the parent under similar terms to other equipment provided under the service agreement has been initially recognised as a right-of-use asset and that asset immediately derecognised as the sublease has been classified as a finance lease. The recognition of finance lease receivables under subleases is in respect of the application of IFRS 16 only. As described further in

Note 1t the LLP has applied the cumulative catch-up approach on transition and therefore the comparative period, prepared under IAS 17, has not been restated.

**Amounts receivable under finance leases**

	<b>2020</b>
	<b>£000</b>
Within one year	3,680
Between one and five years	13,852
More than five years	12,496
<b>Total</b>	<b>30,028</b>
<b>Less unearned finance income:</b>	<b>732</b>
<b>Net investment in finance leases</b>	<b>29,296</b>

Finance income on the net investment in finance leases for the year ended 31 March 2020 is £50k.

Disclosures required by IAS 17

**Amounts receivable under finance leases - minimum lease payments**

	<b>2019</b>
	<b>£000</b>
Within one year	2,250
Between one and five years	8,092
More than five years	6,691
<b>Total</b>	<b>17,032</b>
<b>Less unearned finance income:</b>	<b>415</b>
<b>Net investment in finance leases</b>	<b>16,617</b>

**Amounts receivable under finance leases - present value minimum lease payments**

	<b>2019</b>
	<b>£000</b>
Within one year	2,195
Between one and five years	7,895
More than five years	6,528
<b>Present value of minimum lease payments</b>	<b>16,617</b>

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

## Note 11 – Financial Assets and Liabilities

<b>Financial assets and liabilities</b>	<b>2020</b>	<b>2019</b>
<b>(all of which are measured at amortised cost)</b>	<b>£000</b>	<b>£000</b>
<b>Assets</b>		
Trade and other receivables	62,838	65,018
Cash and cash equivalent	7,625	5,829
<b>Total Assets</b>	<b>70,463</b>	<b>70,847</b>
<b>Liabilities</b>		
Trade and other payables	37,441	57,229
Borrowings	38,444	27,917
Members' capital	-	-
<b>Total Liabilities</b>	<b>75,885</b>	<b>85,146</b>

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 NHS Foundation Trust 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.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties. Information on the terms of the loan from King's College Hospital NHS Foundation Trust is disclosed in Note 8.

**Note 12 – Related party transactions**

Organisation	Expenditure to related parties £000	Income from related parties £000	Amounts owed to related party £000	Amounts due from related party £000
<b>2020</b>				
King's College Hospital NHS Foundation Trust	24,869	136,883	50,371	56,982
KCH Commercial Services Ltd				
<b>Total</b>	<b>24,869</b>	<b>136,883</b>	<b>50,371</b>	<b>56,982</b>
<b>2019</b>				
King's College Hospital NHS Foundation Trust	28,937	128,858	69,579	64,872
KCH Commercial Services Ltd				
<b>Total</b>	<b>28,937</b>	<b>128,858</b>	<b>69,579</b>	<b>64,872</b>

**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 – Lease liabilities**

**Obligations under IFRS 16 - Leases where KCH Interventional Facilities Management LLP is the lessee. Disclosures required by IFRS 16**

**Amounts recognised in the Balance sheet**

	Current 2020 £000	Non-current 2019 £000
Lease Liabilities	1,199	4,571
<b>Total</b>	<b>1,199</b>	<b>4,571</b>

**Maturity Analysis:**

	2020 £000	2019 £000
Within one year	1,370	-
Between one and five years	3,904	-
More than five years	1,518	-
<b>Total</b>	<b>6,792</b>	<b>-</b>

**Amounts recognised in the statement of Comprehensive Income**

	2020 £000	2019 £000
Interest on lease liabilities	48	-
<b>Total</b>	<b>48</b>	<b>-</b>

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.

#### Disclosures required by IAS 17

Total operating lease commitments at 31 March were £0.8m. Leases disclosed are in respect of the lease of medical equipment.

#### Lease payments not recognised as a liability

KFM LLP has elected not to recognise a lease liability for short term leases (leases of expected term 12 months or less) or for leases of low value assets.

Lease payments under such leases are recognised as an expense over the lease term. KFM LLP does not have significant expense or commitments under such leases.

The total cash outflow for leases amount to £608k.

The LLP's lease agreements typically give the LLP the option to extend the lease term indefinitely. Rentals during extension periods are typically at a market rent, subject to a cap on the total rentals paid during the primary and any subsequent extension periods and are provided thereafter at no further charge. The LLP typically exercises its option to extend as rentals are lower during extension periods and in order to minimise disruption to service provision from changing out equipment. Because of this, the Management Board considers that it is reasonably certain that options to extend will be exercised and have included lease payments up to the amount of the cap in determining the amount of the liability.

#### Note 15 – Changes in liabilities arising from financing activities

The table below details changes in the LLP's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the LLP's cash flow statement as cash flows from financing activities.

	At 1 April 2018	Financing Cash Flows	At 31 March 2019	Non-cash changes: new leases	Other non-cash changes	Financing cash flows	At 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
Borrowings	16,200	11,717	27,917	-	-	10,527	38,444
Lease liabilities	-	-	-	5,365	965	(560)	5,770
<b>Total</b>	<b>16,200</b>	<b>11,717</b>	<b>27,917</b>	<b>5,365</b>	<b>965</b>	<b>9,967</b>	<b>44,214</b>

The cash flows from loans from the LLP's parent are made up of the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement. The cash flows from leases relate to the repayment of lease liabilities in the cash flow statement.

Other non-cash changes relate to lease liabilities recognised on transition to IFRS 16 at 1 April 2.



**Note 16 – Events after the reporting date**

The Members are not aware of any events that have arisen since the end of the year and to the date of this report which have affected or may significantly affect the operations and finances of the LLP.