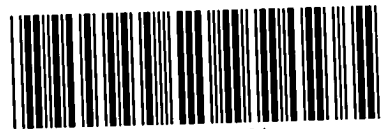


Consort Healthcare (Durham) Limited
Annual Report and Financial Statements
31 December 2018

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Consort Healthcare (Durham) Limited

Annual Report and Financial Statements

Year Ended 31 December 2018

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Consort Healthcare (Durham) Limited

Officers and Professional Advisers

The Board of Directors	John I Cavill Rory W Christie Bryan M Acutt John S Gordon
Company Secretary	Infrastructure Managers Limited
Registered Office	Cannon Place 78 Cannon Street London EC4N 8AF
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditors Level 4 Atria One 144 Morrison Street Edinburgh EH3 8EX
Bankers	Royal Bank of Scotland Plc Level 5 135 Bishopsgate London EC2M 3UR
Solicitors	Dentons UKMEA LLP Quartermile One 15 Lauriston Place Edinburgh EH3 9EP

Consort Healthcare (Durham) Limited

Strategic Report

Year Ended 31 December 2018

The directors present their Strategic Report on Consort Healthcare (Durham) Limited ("the Company") for the year ended 31 December 2018.

Principal Objectives and Strategies

On 31 March 1998, Consort Healthcare (Durham) Limited, entered into a 30 year Private Finance Initiative ("PFI") concession contract with County Durham and Darlington NHS Foundation Trust (the "Trust") to design, build, finance and operate the non-clinical aspects of the new University Hospital of North Durham.

On 3rd April 2001, the Company handed over the hospital to the Trust and commenced the provision of non-clinical services for which it has been receiving income from the Trust. The contract is in year 20 of its term and expires in March 2028.

Performance Review

The profit for the year, after taxation, amounted to £9,182,718 (2017: £7,785,995).

The profit for the year will be transferred to reserves.

The directors are satisfied with the overall performance of the Company and do not foresee any significant change in the Company's activities in the coming financial year.

Future Developments

The directors intend for the business to continue to operate in line with the financial forecast model, contractual terms and do not expect any strategic changes.

Key Performance Indicators

The directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the performance or position of the Company.

Principal Risks and Uncertainties

The risks associated with the Company's principal activity as detailed above are mitigated through its trading relationships with its customers, funders and sub-contractors, which are determined by the terms of the respective detailed PFI contracts. Its main exposure is to financial risk as detailed below.

Financial Risk Management

The financial risk which the Company is exposed to is its contractual relationships. The credit and cash flow risks are not considered significant as the client is a quasi governmental organisation.

Credit Risk

The Company's credit risk is primarily attributable to its trade receivables, each of which arise from its primary client, County Durham and Darlington NHS Foundation Trust. The credit and cashflow risks are not considered significant as the client is a quasi governmental organisation.

Contractual Relationships

The Company operates within a contractual relationship with its primary customer, the Trust. Impairment of this relationship could have an impact upon the Company and lead to a breach of contract. Consequently, to manage this risk, the Company has regular meetings with County Durham and Darlington NHS Foundation Trust, including discussions on performance, project processes, future plans and customer requirements. Performance risk is largely passed down to the service providers under the terms of the sub-contracts.

Consort Healthcare (Durham) Limited

Strategic Report *(continued)*

Year Ended 31 December 2018

This report was approved by the board of directors on ~~31 May 2019~~ and signed on behalf of the board by:

A handwritten signature in black ink, appearing to be 'B. Acutt', with a horizontal line extending to the right.

Bryan M Acutt
Director

Consort Healthcare (Durham) Limited

Directors' Report

Year Ended 31 December 2018

The directors present their report and the audited Annual Report and Financial Statements of the Company for the year ended 31 December 2018.

Directors

The directors who served the Company during the year and up to the date of this report were as follows:

John I Cavill
Rory W Christie
Bryan M Acutt
John S Gordon

Dividends

Particulars of dividends paid are detailed in note 10 to the financial statements.

Qualifying Third Party Indemnity Provisions

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

Disclosure of Information to Auditors

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

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors are deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 31 May 2019..... and signed by order of the board by:


Infrastructure Managers Limited
Company Secretary

Consort Healthcare (Durham) Limited

Directors' Responsibilities Statement

Year Ended 31 December 2018

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

Company law requires the directors to prepare the Annual Report and Financial Statements for each financial year. Under that law the directors have prepared the Annual Report and Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law).

Under company law the directors must not approve the Annual Report and Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing the Annual Report and Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the Annual Report and Financial Statements; and
- prepare the Annual Report and Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Consort Healthcare (Durham) Limited

Independent Auditors' Report to the Members of Consort Healthcare (Durham) Limited

Year Ended 31 December 2018

Report on the Audit of the Financial Statements

Opinion

In our opinion, Consort Healthcare (Durham) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2018; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions Relating to Going Concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, suppliers and the wider economy.

Consort Healthcare (Durham) Limited

Independent Auditors' Report to the Members of Consort Healthcare (Durham) Limited *(continued)*

Year Ended 31 December 2018

Reporting on Other Information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the Financial Statements and the Audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Consort Healthcare (Durham) Limited

Independent Auditors' Report to the Members of Consort Healthcare (Durham) Limited *(continued)*

Year Ended 31 December 2018

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 auditors' report.

Use of This Report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

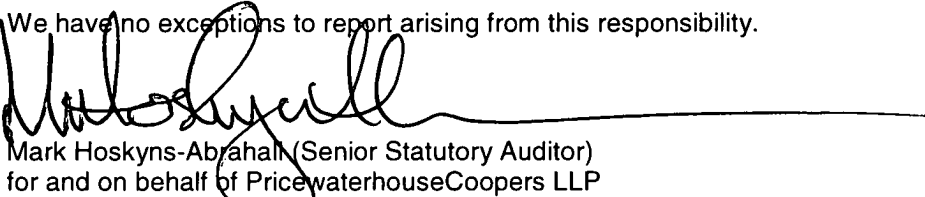
Other Required Reporting

Companies Act 2006 Exception Reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Mark Hoskyns-Abraham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Edinburgh

31 May 2019

Consort Healthcare (Durham) Limited

Statement of Comprehensive Income

Year Ended 31 December 2018

	Note	2018 £	2017 £
Turnover	4	14,116,990	11,996,904
Cost of sales		<u>(7,975,765)</u>	<u>(7,596,693)</u>
Gross profit		6,141,225	4,400,211
Administrative expenses		<u>(411,042)</u>	<u>(462,355)</u>
Operating profit	5	5,730,183	3,937,856
Other interest receivable and similar income	7	6,450,041	7,076,639
Interest payable and similar expenses	8	<u>(575,173)</u>	<u>(1,045,093)</u>
Profit before taxation		11,605,051	9,969,402
Tax on profit	9	<u>(2,422,333)</u>	<u>(2,183,407)</u>
Profit for the financial year		<u>9,182,718</u>	<u>7,785,995</u>
Fair value movements on cash flow hedging instruments, net of tax		–	245,304
Total comprehensive income for the year		<u>9,182,718</u>	<u>8,031,299</u>

All the activities of the Company are from continuing operations.

The notes on pages 12 to 21 form part of the Annual Report and Financial Statements.

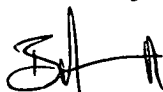
Consort Healthcare (Durham) Limited

Statement of Financial Position

As at 31 December 2018

	Note	2018 £	2017 £
Current assets			
Debtors: amounts falling due within one year	12	11,677,395	10,470,305
Debtors: amounts falling due after more than one year	12	70,648,828	73,631,154
Cash at bank and in hand		3,004,104	1,834,767
		<u>85,330,327</u>	<u>85,936,226</u>
Creditors: amounts falling due within one year	13	(10,606,807)	(11,342,512)
Net current assets		<u>74,723,520</u>	<u>74,593,714</u>
Total assets less current liabilities		<u>74,723,520</u>	<u>74,593,714</u>
Creditors: amounts falling due after more than one year	14	(7,731,814)	(8,232,391)
Provisions for liabilities			
Taxation including deferred taxation	15	(6,819,521)	(6,958,856)
Net assets		<u>60,172,185</u>	<u>59,402,467</u>
Capital and reserves			
Called up share capital	17	192,000	192,000
Share premium account	18	1,728,000	1,728,000
Retained earnings	18	58,252,185	57,482,467
Total shareholders' funds		<u>60,172,185</u>	<u>59,402,467</u>

The Annual Report and Financial Statements were approved by the board of directors and authorised for issue on 31 May 2019, and are signed on behalf of the board by:



Bryan M Acutt
Director

Company registration number: 03475720

The notes on pages 12 to 21 form part of the Annual Report and Financial Statements.

Consort Healthcare (Durham) Limited

Statement of Changes in Equity

Year Ended 31 December 2018

	Called up share capital £	Share premium account £	Hedging reserve £	Retained earnings £	Total £
At 1 January 2017	192,000	1,728,000	(245,304)	56,597,472	58,272,168
Profit for the financial year				7,785,995	7,785,995
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax	—	—	245,304	—	245,304
Total comprehensive income for the year	—	—	245,304	7,785,995	8,031,299
Dividends paid and payable 10	—	—	—	(6,901,000)	(6,901,000)
Total investments by and distributions to owners	—	—	—	(6,901,000)	(6,901,000)
At 31 December 2017	192,000	1,728,000	—	57,482,467	59,402,467
Profit for the financial year				9,182,718	9,182,718
Total comprehensive income for the year	—	—	—	9,182,718	9,182,718
Dividends paid and payable 10	—	—	—	(8,413,000)	(8,413,000)
Total investments by and distributions to owners	—	—	—	(8,413,000)	(8,413,000)
At 31 December 2018	<u>192,000</u>	<u>1,728,000</u>	<u>—</u>	<u>58,252,185</u>	<u>60,172,185</u>

Included in the fair value movement on cash flow hedging instruments is £nil (2017: £527,864) that was recycled through Interest Payable in the Statement of Comprehensive Income.

Consort Healthcare (Durham) Limited

Notes to the Annual Report and Financial Statements

Year Ended 31 December 2018

1. General Information

Consort Healthcare (Durham) Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Cannon Place, 78 Cannon Street, London, EC4N 8AF.

The principal activity of the Company is a 30 year contract with County Durham and Darlington NHS Foundation Trust to design, build, finance and operate the non-clinical aspects of the new University Hospital.

The Company's functional and presentation currency is the pound sterling.

2. Statement of Compliance

The individual financial statements of Consort Healthcare (Durham) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting Policies

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

(b) Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Consort Healthcare (Durham) Holdings Limited, which can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

(a) No cash flow statement has been presented for the company.

(b) Disclosures in respect of financial instruments have not been presented.

The company is a wholly owned by Consort Healthcare (Durham) Holdings Limited and has taken advantage of the exemption in section 33 of FRS102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

Consort Healthcare (Durham) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2018

3. Accounting Policies *(continued)*

(c) Judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. These estimates and judgments are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

i) Impairment of assets

The carrying value of those assets recorded in the Company's Statement of Financial Position, at amortised cost, could be materially reduced where circumstances exist which might indicate that an asset has been impaired and an impairment review is performed. Impairment reviews consider the fair value and/or value in use of the potentially impaired asset or assets and compares that with the carrying value of the asset or assets in the Statement of Financial Position. Any reduction in value arising from such a review would be recorded in the Statement of Comprehensive Income. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

(d) Revenue recognition

Turnover represents the services' share of the management services income received by the Company for the provision of a PFI asset to the customer. This income is received over the life of the concession period. Management service income is allocated between turnover, finance debtor interest and reimbursement of finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.

Consort Healthcare (Durham) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2018

3. Accounting Policies *(continued)*

(e) Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is also recognised on the revaluations of derivative financial instruments, with the movements going through the Statement of Comprehensive Income.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability.

(f) Finance debtor

The Company has taken the transition exemption in FRS 102 Section 35.10(i) that allows the Company to continue the service concession arrangement accounting policies from previous UK GAAP.

The Company is accounting for the concession asset based on the ability to substantially transfer all the risks and rewards of ownership to the customer, with this arrangement the costs incurred by the Company on the design and construction of the assets have been treated as a finance debtor within these financial statements.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Consort Healthcare (Durham) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2018

3. Accounting Policies *(continued)*

(h) Borrowings

Borrowings are recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Statement of Comprehensive Income over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities.

(i) Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold Property	- 3 to 10 years
Plant & Machinery	- 3 to 10 years
Fixtures & Fittings	- 3 to 10 years

(j) Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the Statement of Financial Position and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset.

(k) Financial instruments

A financial asset or a financial liability is recognised only when the Company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Consort Healthcare (Durham) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2018

3. Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

4. Turnover

Turnover arises from:

	2018 £	2017 £
Rendering of services	<u>14,116,990</u>	<u>11,996,904</u>

The whole of the turnover is attributable to the principal activity of the Company wholly undertaken in the United Kingdom.

5. Operating Profit

Operating profit or loss is stated after charging:

	2018 £	2017 £
Impairment of trade debtors	808	(6)
Fees payable for the audit of the annual report and financial statements	<u>10,047</u>	<u>9,754</u>

Included in the fee above is £2,010 (2017: £1,951) for the audit of the immediate parent entity Consort Healthcare (Durham) Holdings Limited.

6. Particulars of Employees and Directors

The average number of persons employed by the Company during the financial year, including the directors, amounted to nil (2017: nil). The directors did not receive any remuneration from the Company during the year (2017: £nil).

7. Other Interest Receivable and Similar Income

	2018 £	2017 £
Interest on cash and cash equivalents	21,065	18,849
Other interest receivable	–	3,838
Finance debtor interest receivable	6,428,976	6,838,061
Gain on financial instruments	–	215,891
	<u>6,450,041</u>	<u>7,076,639</u>

Consort Healthcare (Durham) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2018

8. Interest Payable and Similar Expenses

	2018 £	2017 £
Interest on bank loans and overdrafts	–	470,048
Interest due to Group undertakings	571,587	575,045
Other interest payable and similar expenses	3,586	–
	<u>575,173</u>	<u>1,045,093</u>

9. Tax on Profit

Major components of tax expense

	2018 £	2017 £
Current tax:		
UK current tax expense	2,561,084	2,473,832
Adjustments in respect of prior periods	584	(15,198)
Total current tax	<u>2,561,668</u>	<u>2,458,634</u>
Deferred tax:		
Origination and reversal of timing differences	(138,820)	(302,945)
Adjustments in respect of prior periods	(515)	27,718
Total deferred tax	<u>(139,335)</u>	<u>(275,227)</u>
Tax on profit	<u>2,422,333</u>	<u>2,183,407</u>

Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

	2018 £	2017 £
Profit before taxation	11,605,051	9,969,402
Profit by rate of tax	2,204,959	1,918,768
Adjustment to tax charge in respect of prior periods	69	12,520
Effect of expenses not deductible for tax purposes	200,973	212,084
Tax rate changes	16,332	40,035
Total tax charge	<u>2,422,333</u>	<u>2,183,407</u>

10. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2018 £	2017 £
Dividends paid of £4.38 (2017: £3.60) per ordinary share	<u>8,413,000</u>	<u>6,901,000</u>

Consort Healthcare (Durham) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2018

11. Tangible Assets

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 1 January 2018 and 31 December 2018	<u>8,290</u>	<u>45,489</u>	<u>36,083</u>	<u>89,862</u>
Depreciation				
At 1 January 2018 and 31 December 2018	<u>8,290</u>	<u>45,489</u>	<u>36,083</u>	<u>89,862</u>
Carrying amount				
At 31 December 2018	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2017	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

12. Debtors

Debtors amounts falling due within one year are as follows:

	2018 £	2017 £
Trade debtors	7,539,711	8,119,800
Prepayments and accrued income	164,792	89,980
Corporation tax repayable	1,264,284	—
Finance debtor	2,708,608	2,260,525
	<u>11,677,395</u>	<u>10,470,305</u>

Debtors amounts falling due after more than one year are as follows:

	2018 £	2017 £
Finance debtor	<u>70,648,828</u>	<u>73,631,154</u>

The movement in the finance debtor is analysed as follows:

	2018 £	2017 £
At beginning of year	75,891,679	79,454,563
Lifecycle costs	890,792	941,803
Income recognised in operating profit	4,778,859	3,429,900
Finance debtor interest	6,428,976	6,838,061
Cash received	(14,632,870)	(14,772,648)
At end of year	<u>73,357,436</u>	<u>75,891,679</u>

Consort Healthcare (Durham) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2018

13. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	254,057	1,423,230
Amounts owed to Group undertakings	3,340,654	597,923
Accruals and deferred income	750,442	328,781
Corporation tax	–	2,457,572
Taxation and social security	620,000	1,038,238
Other creditors	5,641,654	5,496,768
	<u>10,606,807</u>	<u>11,342,512</u>

The amounts owed to Group undertakings includes subordinated loan stock of £500,028 (2017: £444,598) (further details of which can be found in note 14), accrued subordinated loan stock interest of £143,216 (2017: £141,285), consortium relief payable of £2,692,369 (2017: £7,000), and other trading balances of £5,041 (2017: £5,041).

Interest is charged on the subordinated loan stock at a 6% margin over LIBOR. The remaining balances are trading balances and are non-interest bearing and repayable upon demand.

14. Creditors: amounts falling due after more than one year

	2018 £	2017 £
Amounts owed to Group undertakings	<u>7,731,814</u>	<u>8,232,391</u>

Amounts owed to Group undertakings represents secured subordinated loan stock which has been subscribed by Consort Healthcare (Durham) Holdings Limited of £8,231,842 (2017: £8,676,989). The subordinated loan stock bears interest at a margin of 6% over LIBOR payable in March and September. Capital repayments are made in 6 monthly instalments, also paid in March and September, with the final repayments being due in 2028. The loan is secured by fixed and floating charges over the undertaking, property, assets and rights of the Company.

15. Provisions for Liabilities

	Deferred tax (note 16) £
At 1 January 2018	6,958,856
Movement through the profit or loss	(138,820)
Movement through other comprehensive income	(515)
At 31 December 2018	<u>6,819,521</u>

Consort Healthcare (Durham) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2018

16. Deferred Tax

The deferred tax included in the statement of financial position is as follows:

	2018 £	2017 £
Included in provisions for liabilities (note 15)	<u>6,819,521</u>	<u>6,958,856</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2018 £	2017 £
Accelerated capital allowances	7,825,074	8,042,338
Short term timing differences	<u>(1,005,553)</u>	<u>(1,083,482)</u>
	<u>6,819,521</u>	<u>6,958,856</u>

The net deferred tax liability expected to reverse in 2019 is £220,293. This primarily relates to the reversal of timing differences on capital allowances offset by other short term timing differences.

17. Called Up Share Capital

Issued, called up and fully paid

	2018		2017	
	No.	£	No.	£
Ordinary shares of £0.10 each	<u>1,920,000</u>	<u>192,000</u>	<u>1,920,000</u>	<u>192,000</u>

18. Reserves

Retained earnings records retained earnings and accumulated losses.

19. Related Party Transactions

The Company is wholly owned by Consort Healthcare (Durham) Holdings Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

The following disclosures are with entities in the group that are not wholly owned:

The Company paid £270,395 (2017: £261,339) to BIIF Bidco Limited and its subsidiaries for the provision of two directors and the provision of management services.

The Company paid £15,752 (2017: £16,622) to PPP Equity PIP L.P. for the provision of 2 directors.

Consort Healthcare (Durham) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2018

20. Controlling Party

The immediate parent undertaking is Consort Healthcare (Durham) Holdings Limited.

The immediate parent undertaking is the smallest and largest group to consolidate these financial statements. Copies of Consort Healthcare (Durham) Holdings Limited consolidated financial statements can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The ultimate parent and controlling parties are considered to be BIIF L.P. and PPP Equity PIP L.P., in equal shares.