

Consort Healthcare (Durham) Limited
Annual Report and Financial Statements
31 December 2020



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Group Accounts

Consort Healthcare (Durham) Limited

Annual Report and Financial Statements

Year Ended 31 December 2020

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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 2020

The directors present their Strategic Report on Consort Healthcare (Durham) Limited ("the Company") for the year ended 31 December 2020.

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 21 of its term and expires in March 2028.

Performance Review

The profit for the year, after taxation, amounted to £7,392,705 (2019: £8,989,815).

The profit for the year will be transferred to reserves.

Covid-19 was declared a pandemic in March 2020 and since then there has been widespread disruption in the UK. The Company's income is availability based and due from the Trust, so the risk of non-payment is considered remote, and to date the Company has continued to receive payment in line with the contract terms. Alongside this, the Company has not experienced material variation from its projected levels of expenditure and key suppliers (primarily the FM provider) have continued to be able to service the Company. The directors have considered the current performance and the future financial impact to the Company of this pandemic, taking into account the sources of income and expenditure. It is the directors' view that although the likely full impact is unknown, and at this stage it is not possible to quantify, it is not expected to materially impact on the operations or financial position of the Company.

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.

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.

Going Concern

The Company prepares cash flow forecasts covering the expected life of the asset and so including the 12 month period from the date the financial statements are signed. In drawing up these forecasts, the directors have made assumptions based upon their view of the current and future economic conditions, including the impact of Covid-19, that will prevail over the forecast period. Based on these forecasts the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In light of this, the directors continue to adopt the going concern basis of accounting in preparing the Company's annual financial statements.

Consort Healthcare (Durham) Limited

Strategic Report *(continued)*

Year Ended 31 December 2020

Financial Instruments

Due to the nature of the Company's business, the financial risks the directors consider relevant to the Company is credit, cash flow, liquidity and contractual relationships. The credit risk is not considered significant as the client is a quasi governmental organisation.

Interest Rate Risk

The only risk the directors consider is exposure to movements in long term borrowing which is exposed to movements in the LIBOR rate, as this is used to establish the total rate payable on borrowing from parent companies.

Cashflow and liquidity Risk

Many of the cash flows risks are addressed by means of contractual provisions. The Company's liquidity risk is principally managed through financing by means of long-term borrowings.

Contractual Relationships

The Company operates within a contractual relationship with its primary customer, County Durham and Darlington NHS Foundation 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's directors 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.

This report was approved by the board of directors on 27 September 2021 and signed on behalf of the board by:



Bryan M Acutt (Sep 27, 2021 10:13 GMT+1)

Bryan M Acutt
Director

Consort Healthcare (Durham) Limited

Directors' Report

Year Ended 31 December 2020

The directors present their report and the audited Annual Report and Financial Statements of Consort Healthcare (Durham) Limited ("the Company") for the year ended 31 December 2020.

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

During the year, and at the date of this report, the Company has in place qualifying third party indemnity provisions for the benefit of its directors.

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, PricewaterhouseCoopers LLP, 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 27 September 2021 and signed by order of the board by:



Infrastructure Managers Limited
Company Secretary

Consort Healthcare (Durham) Limited

Directors' Responsibilities Statement

Year Ended 31 December 2020

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 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 2020

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 2020 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 2020; 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Consort Healthcare (Durham) Limited

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

Year Ended 31 December 2020

Reporting on Other Information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's 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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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, 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.

Consort Healthcare (Durham) Limited

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

Year Ended 31 December 2020

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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, employment legislation and Health and Safety laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and the risk of management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Understanding of management's controls designed to prevent and deter irregularities;
- Review of board minutes;
- Challenging management on assumptions and judgements made in their significant accounting estimates;
- Identifying and testing journal entries to assess whether any of the journals appeared unusual, impacting revenue and distributable reserves.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Consort Healthcare (Durham) Limited

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

Year Ended 31 December 2020

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.

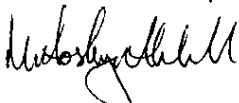
Other Required Reporting

Companies Act 2006 Exception Reporting

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

- we have not obtained 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-Abrahall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Edinburgh

27 September 2021

Consort Healthcare (Durham) Limited

Statement of Comprehensive Income

Year Ended 31 December 2020

	Note	2020 £	2019 £
Turnover	4	15,579,191	15,015,366
Cost of sales		<u>(10,269,012)</u>	<u>(8,920,609)</u>
Gross profit		5,310,179	6,094,757
Administrative expenses		<u>(489,609)</u>	<u>(439,883)</u>
Operating profit	5	4,820,570	5,654,874
Interest receivable and similar income	7	6,127,796	6,280,597
Interest payable and similar expenses	8	<u>(491,918)</u>	<u>(552,882)</u>
Profit before taxation		10,456,448	11,382,589
Tax on profit	9	<u>(3,063,743)</u>	<u>(2,392,774)</u>
Profit for the financial year and total comprehensive income		<u>7,392,705</u>	<u>8,989,815</u>

All the activities of the Company are from continuing operations.

The notes on pages 13 to 22 form part of these Financial Statements.

Consort Healthcare (Durham) Limited

Statement of Financial Position

As at 31 December 2020

	Note	2020 £	2019 £
Current assets			
Debtors: amounts falling due within one year	12	4,537,917	11,068,771
Debtors: amounts falling due after more than one year	12	64,034,008	67,003,826
Cash at bank and in hand		12,283,634	5,921,263
		<u>80,855,559</u>	<u>83,993,860</u>
 Creditors: amounts falling due within one year	13	<u>(12,055,511)</u>	<u>(11,442,755)</u>
Net current assets		<u>68,800,048</u>	<u>72,551,105</u>
Total assets less current liabilities		<u>68,800,048</u>	<u>72,551,105</u>
 Creditors: amounts falling due after more than one year	14	<u>(6,537,751)</u>	<u>(7,170,582)</u>
 Provisions for liabilities			
Taxation including deferred taxation	15	<u>(7,027,592)</u>	<u>(6,677,523)</u>
Net assets		<u>55,234,705</u>	<u>58,703,000</u>
 Capital and reserves			
Called up share capital	18	192,000	192,000
Share premium account	19	1,728,000	1,728,000
Retained earnings	19	53,314,705	56,783,000
Total shareholders' funds		<u>55,234,705</u>	<u>58,703,000</u>

The Financial Statements were approved by the board of directors and authorised for issue on 27 September 2021, and are signed on behalf of the board by:

Bryan M Acutt

Bryan M Acutt (Sep 27, 2021 10:13 GMT+1)

Bryan M Acutt
Director

Company registration number: 03475720

The notes on pages 13 to 22 form part of these Financial Statements.

Consort Healthcare (Durham) Limited

Statement of Changes in Equity

Year Ended 31 December 2020

		Called up share capital £	Share premium account £	Retained earnings £	Total £
At 1 January 2019		192,000	1,728,000	58,252,185	60,172,185
Profit for the financial year				8,989,815	8,989,815
Total comprehensive income for the year		—	—	8,989,815	8,989,815
Dividends paid and payable	10	—	—	(10,459,000)	(10,459,000)
Total investments by and distributions to owners		—	—	(10,459,000)	(10,459,000)
At 31 December 2019		192,000	1,728,000	56,783,000	58,703,000
Profit for the financial year				7,392,705	7,392,705
Total comprehensive income for the year		—	—	7,392,705	7,392,705
Dividends paid and payable	10	—	—	(10,861,000)	(10,861,000)
Total investments by and distributions to owners		—	—	(10,861,000)	(10,861,000)
At 31 December 2020		<u>192,000</u>	<u>1,728,000</u>	<u>53,314,705</u>	<u>55,234,705</u>

The notes on pages 13 to 22 form part of these Financial Statements.

Consort Healthcare (Durham) Limited

Notes to the Annual Report and Financial Statements

Year Ended 31 December 2020

1. General Information

Consort Healthcare (Durham) Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in England and Wales. 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) Going concern

The Company prepares cash flow forecasts covering the expected life of the asset and so including the 12 month period from the date the financial statements are signed. In drawing up these forecasts, the directors have made assumptions based upon their view of the current and future economic conditions, including the impact of Covid-19, that will prevail over the forecast period. Based on these forecasts the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In light of this, the directors continue to adopt the going concern basis of accounting in preparing the Company's annual financial statements.

Consort Healthcare (Durham) Limited

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

Year Ended 31 December 2020

3. Accounting Policies *(continued)*

(c) 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 FRS 102:

- (a) No cash flow statement has been presented for the Company.
- (b) The disclosures required by Sections 11 and 12 of FRS 102 (Basic Financial Instruments and Other Financial Instruments Issues respectively) in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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.

(d) 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 compare 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.

ii) Service concession contract

Accounting for the service concession contract and finance debtor requires estimation of service margin, finance debtor interest rates and associated amortisation profile which is based on forecast results of the contract.

Consort Healthcare (Durham) Limited

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

Year Ended 31 December 2020

3. Accounting Policies *(continued)*

(e) 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.

(f) 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.

Consort Healthcare (Durham) Limited

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

Year Ended 31 December 2020

3. Accounting Policies *(continued)*

(g) 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.

(h) 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.

(i) 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.

(j) 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

(k) 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.

Consort Healthcare (Durham) Limited

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

Year Ended 31 December 2020

3. Accounting Policies *(continued)*

(I) 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.

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:

	2020	2019
	£	£
Rendering of services	<u>15,579,191</u>	<u>15,015,366</u>

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

Consort Healthcare (Durham) Limited

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

Year Ended 31 December 2020

5. Operating Profit

Operating profit or loss is stated after charging:

	2020	2019
	£	£
Fees payable for the audit of the annual report and financial statements	<u>10,900</u>	<u>10,395</u>

Included in the fee above is £2,240 (2019: £2,110) 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 amounted to nil (2019: nil). The directors are not employed by the Company and did not receive any remuneration from the Company during the year (2019: £nil).

7. Interest Receivable and Similar Income

	2020	2019
	£	£
Interest on cash and cash equivalents	18,003	31,440
Other interest receivable	–	34,126
Finance debtor interest receivable	<u>6,109,793</u>	<u>6,215,031</u>
	<u>6,127,796</u>	<u>6,280,597</u>

8. Interest Payable and Similar Expenses

	2020	2019
	£	£
Interest due to Group undertakings	491,918	552,880
Other interest payable and similar expenses	–	2
	<u>491,918</u>	<u>552,882</u>

9. Tax on Profit

Major components of tax expense

	2020	2019
	£	£
Current tax:		
UK current tax expense	2,713,674	2,534,772
Deferred tax:		
Origination and reversal of timing differences	<u>350,069</u>	<u>(141,998)</u>
Tax on profit	<u>3,063,743</u>	<u>2,392,774</u>

Consort Healthcare (Durham) Limited

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

Year Ended 31 December 2020

9. Tax on Profit *(continued)*

Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020 £	2019 £
Profit before taxation	10,456,448	11,382,589
Profit before taxation by rate of tax	1,986,725	2,162,692
Effect of expenses not deductible for tax purposes	291,426	213,376
Tax rate changes	785,592	16,706
Total tax charge	3,063,743	2,392,774

Factors that may affect future tax expense

A change to the future UK corporation tax rate was announced in the March 2021 Budget. The rate will increase from 19% to 25% with effect from 1 April 2023. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements. The effect of this change, if it applied to the deferred tax balance at 31 December 2020, would be to increase the deferred tax liability by £2,219,240.

10. Dividends

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

	2020 £	2019 £
Dividends paid of £5.66 (2019: £5.45) per ordinary share	10,861,000	10,459,000

11. Tangible Assets

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 1 January 2020 and 31 December 2020	<u>8,290</u>	<u>45,489</u>	<u>36,083</u>	<u>89,862</u>
Depreciation				
At 1 January 2020 and 31 December 2020	<u>8,290</u>	<u>45,489</u>	<u>36,083</u>	<u>89,862</u>
Carrying amount				
At 31 December 2020	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2019	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Consort Healthcare (Durham) Limited

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

Year Ended 31 December 2020

12. Debtors

Debtors amounts falling due within one year are as follows:

	2020	2019
	£	£
Trade debtors	344,864	7,317,931
Prepayments and accrued income	116,885	37,104
Corporation tax repayable	53,163	–
Finance debtor	4,023,005	3,713,736
	<u>4,537,917</u>	<u>11,068,771</u>

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

	2020	2019
	£	£
Finance debtor	<u>64,034,008</u>	<u>67,003,826</u>

The movement in the finance debtor is analysed as follows:

	2020	2019
	£	£
At beginning of year	70,717,562	73,357,436
Lifecycle costs	2,481,434	1,540,853
Income recognised in operating profit	4,196,898	4,794,195
Finance debtor interest	6,109,793	6,215,031
Cash received	(15,448,674)	(15,189,953)
At end of year	<u>68,057,013</u>	<u>70,717,562</u>

13. Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	1,585,687	638,896
Amounts owed to Group undertakings	1,931,454	1,955,420
Accruals and deferred income	1,810,325	1,238,542
Corporation tax	–	1,284,772
Taxation and social security	442,778	436,307
Other creditors	6,285,267	5,888,818
	<u>12,055,511</u>	<u>11,442,755</u>

The amounts owed to Group undertakings includes subordinated loan stock of £632,830 (2019: £561,233) (further details of which can be found in note 14), consortium relief of £1,187,096 (2019: £1,255,250), accrued subordinated loan stock interest of £106,487 (2019: £134,252), and other trading balances of £5,041 (2019: £5,041).

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

	2020	2019
	£	£
Amounts owed to Group undertakings	<u>6,537,751</u>	<u>7,170,582</u>

Consort Healthcare (Durham) Limited

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

Year Ended 31 December 2020

14. Creditors: amounts falling due after more than one year *(continued)*

Included within creditors: amounts falling due after more than one year is an amount of £3,116,079 (2019: £4,127,684) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

Amounts owed to Group undertakings represents a £14,888,000 Coupon Bearing Investment Sum issued by the Company in March 1998 to its immediate parent company, Consort Healthcare (Durham) Holdings Limited. The investment bears a Coupon which is based on LIBOR plus a margin of 6% per annum and payment of capital falls due in six monthly repayments, payable in 31 March and 30 September each year. The final repayment is due in 2028. The Coupon on the principal amount accrues daily and is payable in cash also on 31 March and 30 September each year. Interest not settled on these dates is added to the principal and the Coupon accrued on this uplifted amount in the next interest period. The investment sum was advanced under a subordinated loan agreement and is secured by fixed and floating charges over the undertaking, property and rights of the Company.

15. Provisions for Liabilities

	Deferred tax (note 16) £
At 1 January 2020	6,677,523
Movement through the profit or loss	350,069
At 31 December 2020	<u>7,027,592</u>

16. Deferred Tax

The deferred tax included in the Statement of Financial Position is as follows:

	2020 £	2019 £
Included in provisions for liabilities (note 15)	<u>7,027,592</u>	<u>6,677,523</u>

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

	2020 £	2019 £
Accelerated capital allowances	7,977,251	7,605,147
Short term timing differences	<u>(949,659)</u>	<u>(927,624)</u>
	<u>7,027,592</u>	<u>6,677,523</u>

The net deferred tax liability expected to reverse in 2021 is £353,581 (2020: £331,417). This primarily relates to the reversal of timing differences on capital allowances offset by other short term timing differences.

	2020 £
Opening balance	6,677,523
Movement through the profit or loss	350,069
Closing balance	<u>7,027,592</u>

Consort Healthcare (Durham) Limited

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

Year Ended 31 December 2020

17. Financial Instruments

The finance debtor is held at amortised cost.

18. Called Up Share Capital

Issued, called up and fully paid

	2020		2019	
	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>

There is a single class of ordinary share. There are no restrictions on the distribution of dividends and the repayment of capital.

19. Reserves

Retained earnings records retained earnings and accumulated losses.

20. 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 £295,187 (2019: £278,632) to BIIF Bidco Limited and its subsidiaries for the provision of two directors and the provision of management services.

The Company paid £25,857 (2019: £17,212) to PPP Equity PIP L.P. for the provision of 2 directors.

21. 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.