

COMPANY REGISTRATION NUMBER: SC187448

**Consort Healthcare (Edinburgh Royal Infirmary) Holdings  
Limited**

**Annual Report and Consolidated Financial  
Statements**

**31 December 2018**

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**Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited**  
**Annual Report and Consolidated Financial Statements**  
**Year Ended 31 December 2018**

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# **Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited**

## **Officers and Professional Advisers**

### **The Board of Directors**

John Cavill  
Peter Sheldrake (Resigned 24 April 2018)  
Kirsty O'Brien  
Matthew Edwards  
Daniel Vermeer (Served from 24 April 2018 to 29 January 2019)  
Amit Thakrar (Appointed 29 January 2019)

### **Company Secretary**

Infrastructure Managers Limited

### **Registered Office**

Infrastructure Managers Limited  
2nd Floor, 11 Thistle Street  
Edinburgh  
EH2 1DF

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants & Statutory Auditors  
Level 4  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

# **Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited**

## **Strategic Report**

### **Year Ended 31 December 2018**

The directors present their strategic report for Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited for the year ended 31 December 2018.

#### **Principal Objectives and Strategies**

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited ("Holdco") is a Holding Company whose sole business is the holding of investments in its subsidiary undertakings as described below (together "the Group").

On 20 August 1998, Consort Healthcare (Edinburgh Royal Infirmary) Limited ("ProjectCo"), entered into a Private Finance Initiative (PFI) concession contract with NHS Lothian to design, build, finance and operate a new Royal Infirmary, and a contract with the University of Edinburgh to design, build and operate a Medical School at Little France in Edinburgh, together with carrying out all of the routine and major life cycle maintenance for the life of the concession. The contract commenced in 1998 and runs for 30 years until March 2028.

On 25 April 2007, in connection with a re-financing of ProjectCo under the group Loan Facilities Agreement ("the Group loan agreement"), additional subsidiaries Consort Healthcare (Edinburgh Royal Infirmary) Investments Limited ("NewCo") and Consort Healthcare (Edinburgh Royal Infirmary) Finance Limited ("SisterCo") were incorporated. HoldCo sold its shares in ProjectCo to NewCo, and certain other inter-company financing arrangements were made.

#### **Review of the Business**

As the project company is in the full operational phase it faces operational risks and actively monitors financial performance against loan covenants. From a financial and operational perspective the Company has been performing well and has been compliant with the covenants laid out in the Group loan agreement. The Company is also forecasting compliance with the covenants laid out in the Group loan agreement for the next 12 months.

The Company has performed in line with directors' expectations and model forecasts with the results for the year detailed in the Director's Report.

The directors expect the future performance of the Company to be profitable and in line with the forecasting model.

#### **Going Concern**

The directors acknowledge that the Group is in net liabilities, however this is mainly a result of the value of the interest rate swap, which is significantly out of the money. It is not the intention to close out these instruments before their maturity in June 2027. The Group is in a net current asset position therefore the net liabilities are not considered to negatively impact on the Company's ability to meet its liabilities as they fall due.

After reviewing the Group's forecasts and projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

#### **Future Developments**

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

#### **Key Performance Indicators**

Throughout the year the directors monitor the Group's financial covenants as set out by the senior debt provider. The key condition reviewed being the debt service cover ratio. During the year the Group successfully met these ratios and performed their payment obligations in line with the group

# Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

## Strategic Report *(continued)*

### Year Ended 31 December 2018

#### Loan Facilities Agreement.

Other than the above, the directors believe that further analysis using key performance indicators for the Group is not necessary or appropriate for an understanding of the performance or position of the Group.

#### Principal Risks and Uncertainties

Due to the nature of the Group's business, the financial risks the directors consider relevant to this Group are price, credit, interest rate, cash flow and liquidity risk. The credit and cashflow risks are not considered significant as the income is ultimately derived from quasi governmental organisations.

##### *Price risk*

The Group's price risk is managed through a long term contract with NHS Lothian and the University of Edinburgh, providing payments that are fixed subject to performance, inflation and earnings indices and through sub-contracts with suppliers that largely mirror the provisions of the Project Agreement with NHS Lothian and the University of Edinburgh.

##### *Interest rate risk*

The financial risk management objective of the Group is to ensure that financial risks are mitigated by the use of financial instruments where they cannot be addressed by means of contractual provisions. Financial instruments are not used for speculative purposes. Interest rate swaps are in place between 1998 and 2027 for notional principal amounts equating to the full value of the expected bank debt that is at a variable rate of interest to give an effective fixed interest rate payable on this debt. An RPI swap is in place between 1998 and 2027 whereby at intervals of three months sums are exchanged reflecting the difference between floating and predetermined RPI rates, calculated on a predetermined notional principal amount.

##### *Liquidity risk*

The Group's liquidity risk is principally managed through financing the Group by means of long-term borrowings.

This report was approved by the board of directors on 28 JUNE and signed on behalf of the board by:



John Cavill  
Director

# **Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited**

## **Directors' Report**

### **Year Ended 31 December 2018**

The directors present their report and the audited Annual Report and Consolidated Financial Statements of the Group 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 Cavill	
Kirsty O'Brien	
Matthew Edwards	
Daniel Vermeer	(Appointed 24 April 2018)
Amit Thakrar	(Appointed 29 January 2019)
Peter Sheldrake	(Resigned 24 April 2018)
	(Appointed 24 April 2018 and resigned 29 January 2019)
Daniel Vermeer	

#### **Performance Review**

The result for the financial year, after taxation, amounted to £12,415,386 (2017: £8,277,732).

The results for the financial year will be transferred to reserves.

#### **Going Concern**

The directors acknowledge that the Group is in net liabilities, however this is mainly a result of the value of the interest rate swap, which is significantly out of the money. It is not the intention to close out these instruments before their maturity in June 2027. The company is in a net current asset position therefore the net liabilities are not considered to negatively impact on the Company's ability to meet its liabilities as they fall due.

After reviewing the Group's forecasts and projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

#### **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 Group and 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 Group and the Company's auditors are aware of that information.

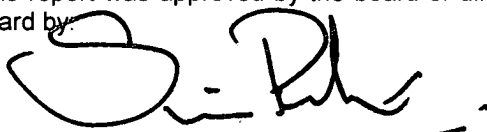
The auditors are deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

# Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

## Directors' Report *(continued)*

### Year Ended 31 December 2018

This report was approved by the board of directors on ...28 June... and signed by order of the board by:



Infrastructure Managers Limited  
Company Secretary

# **Consort Healthcare (Edinburgh Royal Infirmary) Holdings 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 Consolidated Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Annual Report and Consolidated Financial Statements for each financial year. Under that law the directors have prepared the Annual Report and Consolidated 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 Consolidated Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and the profit or loss of the Group for that period.

In preparing the Annual Report and Consolidated 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 Consolidated Financial Statements; and
- prepare the Annual Report and Consolidated 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 Consolidated 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 (Edinburgh Royal Infirmary) Holdings Limited**

## **Independent Auditors' Report to the Members of Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited**

**Year Ended 31 December 2018**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

In our opinion, Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2018 and of the Group's profit and cash flows 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 Group and parent Company Statements of Financial Position as at 31 December 2018; the Group Statement of Comprehensive Income; the Group Statement of Cash Flows and the Group and parent Company Statements 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 Group 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**

We have nothing to report in respect of the following matters in relation to which 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 Group's and 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 Group's and Company's ability to continue as a going concern.

# **Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited**

## **Independent Auditors' Report to the Members of Consort Healthcare (Edinburgh Royal Infirmary) Holdings 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 Group and Company and their 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 6, 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 Group's and 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 Group or 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 (Edinburgh Royal Infirmary) Holdings Limited**

## **Independent Auditors' Report to the Members of Consort Healthcare (Edinburgh Royal Infirmary) Holdings 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](http://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.

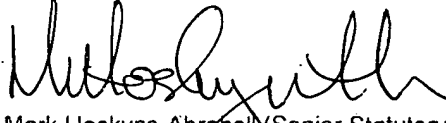
### **Other Required Reporting**

#### **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 Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

28/6/19

# Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

## Consolidated Income Statement

Year Ended 31 December 2018

	Note	2018 £	2017 £
<b>Turnover</b>	<b>4</b>	<b>23,992,289</b>	<b>24,477,922</b>
Cost of sales		<u>(16,328,958)</u>	<u>(16,329,943)</u>
<b>Gross profit</b>		<b>7,663,331</b>	<b>8,147,979</b>
Administrative expenses		<u>(867,142)</u>	<u>(567,598)</u>
<b>Operating profit</b>	<b>5</b>	<b>6,796,189</b>	<b>7,580,381</b>
Other interest receivable and similar income	7	19,015,384	13,782,948
Interest payable and similar expenses	8	<u>(9,787,240)</u>	<u>(10,307,845)</u>
<b>Profit before taxation</b>		<b>16,024,333</b>	<b>11,055,484</b>
Tax on profit	9	<u>(3,608,947)</u>	<u>(2,777,752)</u>
<b>Profit for the financial year</b>		<b><u>12,415,386</u></b>	<b><u>8,277,732</u></b>
Fair value movements on cash flow hedging instruments, net of tax		<u>5,327,686</u>	<u>5,918,582</u>
<b>Total comprehensive income for the year</b>		<b><u>17,743,072</u></b>	<b><u>14,196,314</u></b>

All the activities of the Group are from continuing operations.

The notes on pages 16 to 30 form part of the Annual Report and Consolidated Financial Statements.

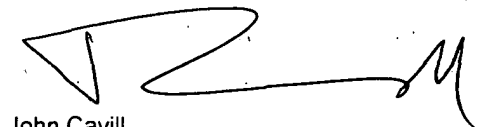
# Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

## Consolidated Statement of Financial Position

As at 31 December 2018

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	11	4,184	6,555
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	29,988,192	30,724,358
Debtors: amounts falling due after more than one year	13	158,381,098	168,600,272
Cash at bank and in hand		21,984,588	23,730,402
		<u>210,353,878</u>	<u>223,055,032</u>
<b>Creditors: amounts falling due within one year</b>	14	(51,289,284)	(45,800,619)
<b>Net current assets</b>		<u>159,064,594</u>	<u>177,254,413</u>
<b>Total assets less current liabilities</b>		<u>159,068,778</u>	<u>177,260,968</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(167,697,489)	(186,640,779)
<b>Provisions for liabilities</b>			
Taxation including deferred taxation	16	(22,550,884)	(23,833,289)
<b>Net liabilities</b>		<u>(31,179,595)</u>	<u>(33,213,100)</u>
<b>Capital and reserves</b>			
Called up share capital	19	50,000	50,000
Share premium account	20	450,000	450,000
Hedging reserve	20	(23,560,892)	(28,888,578)
Retained earnings	20	(8,118,703)	(4,824,522)
<b>Total shareholders' members deficit</b>		<u>(31,179,595)</u>	<u>(33,213,100)</u>

The Annual Report and Consolidated Financial Statements were approved by the board of directors and authorised for issue on 28 June, and are signed on behalf of the board by:



John Cavill  
Director

Company registration number: SC187448

The notes on pages 16 to 30 form part of these Annual Report and Consolidated Financial Statements.

# Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

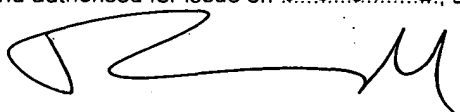
## Company Statement of Financial Position

As at 31 December 2018

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Investments	12	13,754,183	14,489,545
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	330,418	329,682
Cash at bank and in hand		3,549	3,549
		<u>333,967</u>	<u>333,231</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(1,153,750)</u>	<u>(1,065,099)</u>
<b>Net current liabilities</b>		<u>(819,783)</u>	<u>(731,868)</u>
<b>Total assets less current liabilities</b>		<u>12,934,400</u>	<u>13,757,677</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(12,428,851)</u>	<u>(13,252,108)</u>
<b>Net assets</b>		<u>505,549</u>	<u>505,569</u>
<b>Capital and reserves</b>			
Called up share capital	19	50,000	50,000
Share premium account	20	450,000	450,000
Retained earnings	20		
At beginning of year		5,569	5,569
Profit for the year		15,709,548	12,722,528
Other changes in retained earnings		(15,709,548)	(12,722,528)
At end of year		<u>5,549</u>	<u>5,569</u>
<b>Total shareholders' members funds</b>		<u>505,569</u>	<u>505,569</u>

The profit for the financial year of the parent company was £15,709,548 (2017: £12,722,528).

The Annual Report and Consolidated Financial Statements were approved by the board of directors and authorised for issue on 28 JUNE, and are signed on behalf of the board by:



John Cavill  
Director

Company registration number: SC187448

The notes on pages 16 to 30 form part of these Annual Report and Consolidated Financial Statements.

# Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

## Consolidated Statement of Changes in Equity

Year Ended 31 December 2018

	Called up share capital £	Share premium account £	Hedging reserve £	Retained earnings £	Total £
<b>At 1 January 2017</b>	50,000	450,000	(34,807,160)	(379,726)	(34,686,886)
Profit for the financial year				8,277,732	8,277,732
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax	—	—	5,918,582	—	5,918,582
<b>Total comprehensive income for the year</b>	—	—	5,918,582	8,277,732	14,196,314
Dividends paid and payable 10	—	—	—	(12,722,528)	(12,722,528)
<b>Total investments by and distributions to owners</b>	—	—	—	(12,722,528)	(12,722,528)
<b>At 31 December 2017</b>	50,000	450,000	(28,888,578)	(4,824,522)	(33,213,100)
Profit for the financial year				12,415,386	12,415,386
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax	—	—	5,327,686	—	5,327,686
<b>Total comprehensive income for the year</b>	—	—	5,327,686	12,415,386	17,743,072
Dividends paid and payable 10	—	—	—	(15,709,567)	(15,709,567)
<b>Total investments by and distributions to owners</b>	—	—	—	(15,709,567)	(15,709,567)
<b>At 31 December 2018</b>	<u>50,000</u>	<u>450,000</u>	<u>(23,560,892)</u>	<u>(8,118,703)</u>	<u>(31,179,595)</u>

Included in the fair value movement on cash flow hedging instruments is £6,520,581 (2017: £7,304,644) that was recycled through Interest Payable in the Statement of Comprehensive Income.

The notes on pages 16 to 30 form part of the Annual Report and Consolidated Financial Statements.

# Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

## Company Statement of Changes in Equity

Year Ended 31 December 2018

		Called up share capital £	Share premium account £	Retained earnings £	Total £
<b>At 1 January 2017</b>		50,000	450,000	5,569	505,569
Profit for the financial year		—	—	12,722,528	12,722,528
<b>Total comprehensive income for the year</b>		—	—	12,722,528	12,722,528
Dividends paid and payable	10	—	—	(12,722,528)	(12,722,528)
<b>Total investments by and distributions to owners</b>		—	—	(12,722,528)	(12,722,528)
<b>At 31 December 2017</b>		50,000	450,000	5,569	<b>505,569</b>
Profit for the financial year		—	—	15,709,548	15,709,548
<b>Total comprehensive income for the year</b>		—	—	15,709,548	15,709,548
Dividends paid and payable	10	—	—	(15,709,568)	(15,709,568)
<b>Total investments by and distributions to owners</b>		—	—	(15,709,568)	(15,709,568)
<b>At 31 December 2018</b>		<u>50,000</u>	<u>450,000</u>	<u>5,549</u>	<u><b>505,549</b></u>

The notes on pages 16 to 30 form part of the Annual Report and Consolidated Financial Statements.



# Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

## Consolidated Statement of Cash Flows

Year Ended 31 December 2018

	Note	2018 £	2017 £
Cash (used in)/generated from operations	22	921,858	(2,796,003)
Interest paid		(9,526,945)	(10,059,840)
Interest received		21,954	395,842
Tax paid		(4,409,190)	(4,427,751)
Net cash used in operating activities		<u>(12,992,323)</u>	<u>(16,887,752)</u>
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(8,006,105)	(5,437,680)
Proceeds from loans from group undertakings		–	(20)
Repayments of loans from group undertakings		(734,571)	(644,351)
Dividends paid		(15,709,567)	(12,722,528)
Cash receivable on the finance debtor		<u>35,696,752</u>	<u>34,445,135</u>
Net cash from financing activities		<u>11,246,509</u>	<u>15,640,556</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,745,814)</b>	<b>(1,247,196)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>23,730,402</b>	<b>24,977,598</b>
<b>Cash and cash equivalents at end of year</b>		<b><u>21,984,588</u></b>	<b><u>23,730,402</u></b>

The notes on pages 16 to 30 form part of the Annual Report and Consolidated Financial Statements.

# **Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited**

## **Notes to the Annual Report and Consolidated Financial Statements**

### **Year Ended 31 December 2018**

#### **1. General Information**

Consort Healthcare (Edinburgh Royal Infirmary) Holdings 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 Infrastructure Managers Limited, 2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF.

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited ("Holdco") is a Holding Company whose sole business is the holding of investments in its subsidiary undertakings as described below.

On 20 August 1998, Consort Healthcare (Edinburgh Royal Infirmary) Limited ("ProjectCo"), entered into a Private Finance Initiative (PFI) concession contract with NHS Lothian to design, build, finance and operate a new Royal Infirmary, and a contract with the University of Edinburgh to design, build and operate a Medical School at Little France in Edinburgh, together with carrying out all of the routine and major life cycle maintenance for the life of the concession. The contract end date is March 2028.

On 25 April 2007, in connection with a re-financing of ProjectCo under the group loan agreement ("the group loan agreement"), additional subsidiaries Consort Healthcare (Edinburgh Royal Infirmary) Investments Limited ("NewCo") and Consort Healthcare (Edinburgh Royal Infirmary) Finance Limited ("SisterCo") were incorporated. HoldCo sold its shares in ProjectCo to NewCo, and certain other inter-company financing arrangements were made.

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

#### **2. Statement of Compliance**

The individual financial statements of Consort Healthcare (Edinburgh Royal Infirmary) Holdings 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 Groups 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.

# **Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited**

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

### **Year Ended 31 December 2018**

#### **3. Accounting Policies** *(continued)*

##### **(b) Going concern**

The directors acknowledge that the Group is in net liabilities, however this is mainly a result of the value of the interest rate swap, which is significantly out of the money. It is not the intention to close out these instruments before their maturity in June 2027. The Group is in a net current asset position therefore the net liabilities are not considered to negatively impact on the Group's ability to meet its liabilities as they fall due.

After reviewing the Group's forecasts and projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

##### **(c) Disclosure exemptions**

The parent Company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the Company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

##### **(d) Consolidation**

The financial statements consolidate the financial statements of Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited and all of its subsidiary undertakings.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual Statement of Comprehensive Income.

# **Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited**

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

### **Year Ended 31 December 2018**

#### **3. Accounting Policies** *(continued)*

##### **(e) 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 Group'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.

##### **ii) Accounting for service concession arrangements**

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

##### **(f) Revenue recognition**

Turnover represents the services' share of the management services income received by the Group for the provision of a PFI (Private Finance Initiative) 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.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

# **Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited**

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

### **Year Ended 31 December 2018**

#### **3. Accounting Policies** *(continued)*

##### **(g) 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.

##### **(h) Tangible assets**

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in the Statement of Comprehensive Income. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in Statement of Comprehensive Income.

# Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

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

### Year Ended 31 December 2018

#### 3. Accounting Policies *(continued)*

##### (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:

Equipment	3-10 years
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##### (j) Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

##### (k) Finance debtor

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

The Group 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 Group on the design and construction of the assets have been treated as a finance debtor within these financial statements.

##### (l) Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

##### (m) 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.

##### (n) 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.

# **Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited**

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

### **Year Ended 31 December 2018**

#### **3. Accounting Policies *(continued)***

##### **(o) Financial instruments**

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

Basic financial instruments are initially recognised at the transaction price and subsequently at amortised cost, 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.

Other financial instruments are subsequently measured at fair value, with any changes recognised in the Statement of Comprehensive Income, 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 the Statement of Comprehensive Income 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 the Statement of Comprehensive Income 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. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Statement of Financial Position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

# Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

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

### Year Ended 31 December 2018

#### 3. Accounting Policies *(continued)*

##### (p) Hedge accounting

The Group has entered into an arrangement with third parties that is designed to hedge future cash flows arising on variable rate interest loan arrangements, with the net effect of exchanging the cash flows arising under those arrangements for a stream of fixed interest cash flows ("interest rate swaps"). The Group has also entered into an arrangement with third parties that is designed to hedge future cash receipts arising from its principal activity (RPI swaps). The Group has designated that this arrangement is a hedge of another (non-derivative) financial instrument, to mitigate the impact of potential volatility on the Company's net cash flows.

To qualify for hedge accounting, documentation is prepared specifying the hedging strategy, the component transactions and methodology used for effectiveness measurement. Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows ("cash flow hedges") are recognised directly in a hedging reserve in equity and any ineffective portion is recognised immediately in the Statement of Comprehensive Income. Amounts deferred in equity in respect of cash flow hedges are subsequently recognised in the Statement of Comprehensive Income in the same period in which the hedged item affects net profit or loss or the hedging relationship is terminated and the underlying position being hedged has been extinguished.

#### 4. Turnover

Turnover arises from:

	2018	2017
	£	£
Rendering of services	<u>23,992,289</u>	<u>24,477,922</u>

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

#### 5. Operating Profit

Operating profit or loss is stated after charging:

	2018	2017
	£	£
Depreciation of tangible assets	2,371	3,623
Impairment of trade debtors	–	(5,486)
Fees payable for the audit of the annual report and consolidated financial statements	<u>15,595</u>	<u>15,141</u>

Included in the fee above is £2,010 (2017: £1,951) for the audit of the Company Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited, £2,010 (2017: £1,951) for the audit of Consort Healthcare (Edinburgh Royal Infirmary) Finance Limited, £2,010 (2017: £1,951) for the audit of Consort Healthcare (Edinburgh Royal Infirmary) Investments Limited and £9,565 (2017: £9,288) for the audit of Consort Healthcare (Edinburgh Royal Infirmary) Limited.



# Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

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

### Year Ended 31 December 2018

#### 6. Particulars of Employees and Directors

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

#### 7. Other Interest Receivable and Similar Income

	2018 £	2017 £
Interest on cash and cash equivalents	79,607	29,419
Other interest receivable	(57,653)	366,423
Interest receivable on the finance debtor	<u>18,993,430</u>	<u>13,387,106</u>
	<u>19,015,384</u>	<u>13,782,948</u>

#### 8. Interest Payable and Similar Expenses

	2018 £	2017 £
Interest on bank loans and overdrafts	6,520,581	7,308,644
Interest due to Group undertakings	978,908	1,030,787
Commitment fees payable	37,387	43,128
Interest payable on secured senior loan	1,883,036	1,591,492
Other interest payable and similar expenses	<u>367,328</u>	<u>333,794</u>
	<u>9,787,240</u>	<u>10,307,845</u>

#### 9. Tax on Profit

##### Major components of tax expense

	2018 £	2017 £
<b>Current tax:</b>		
UK current tax expense	4,891,351	4,409,191
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(1,433,275)	(1,762,952)
Impact of change in tax rate	150,871	205,782
Adjustments in respect of prior periods	–	(74,269)
Total deferred tax	<u>(1,282,404)</u>	<u>(1,631,439)</u>
<b>Tax on profit</b>	<u>3,608,947</u>	<u>2,777,752</u>

# Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

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

### Year Ended 31 December 2018

#### 9. Tax on Profit *(continued)*

##### 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	<u>16,024,333</u>	<u>11,055,484</u>
Profit by rate of tax	3,044,627	2,127,802
Adjustment to tax charge in respect of prior periods	(197)	(74,269)
Effect of expenses not deductible for tax purposes	413,646	518,437
Change in tax rates	<u>150,871</u>	<u>205,782</u>
Total tax charge	<u>3,608,947</u>	<u>2,777,752</u>

#### 10. Dividends

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

	2018 £	2017 £
Dividend of £31.42 (2017: £25.45) per ordinary share	<u>15,709,569</u>	<u>12,722,528</u>

#### 11. Tangible Assets

Group	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Total £
<b>Cost</b>				
At 1 January 2018 and 31 December 2018	<u>59,248</u>	<u>379,603</u>	<u>35,008</u>	<u>473,859</u>
<b>Depreciation</b>				
At 1 January 2018	59,248	373,750	34,306	467,304
Charge for the year	–	2,155	216	2,371
At 31 December 2018	<u>59,248</u>	<u>375,905</u>	<u>34,522</u>	<u>469,675</u>
<b>Carrying amount</b>				
At 31 December 2018	<u>–</u>	<u>3,698</u>	<u>486</u>	<u>4,184</u>
At 31 December 2017	<u>–</u>	<u>5,853</u>	<u>702</u>	<u>6,555</u>

The company has no tangible assets.

#### 12. Investments

The Group has no investments.

# Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

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

Year Ended 31 December 2018

### 12. Investments *(continued)*

Company	Shares in group undertakings £	Loans to group undertakings £	Total £
<b>Cost</b>			
At 1 January 2018	502,000	13,987,545	<b>14,489,545</b>
Repayments	—	(735,362)	<b>(735,362)</b>
<b>At 31 December 2018</b>	<b>502,000</b>	<b>13,252,183</b>	<b>13,754,183</b>
<b>Impairment</b>			
At 1 January 2018 and 31 December 2018	—	—	—
<b>Carrying amount</b>			
<b>At 31 December 2018</b>	<b>502,000</b>	<b>13,252,183</b>	<b>13,754,183</b>
At 31 December 2017	502,000	13,987,545	14,489,545

### Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
<b>Subsidiary undertakings</b>		
Consort Healthcare (Edinburgh Royal Infirmary) Investments Limited	Ordinary	100
Consort Healthcare (Edinburgh Royal Infirmary) Finance Limited	Ordinary	100
Consort Healthcare (Edinburgh Royal Infirmary) Limited	Ordinary	100

The registered office for each subsidiary listed above is 2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF.

The results and capital and reserves for group undertakings not included in the consolidated Annual Report and Consolidated Financial Statements are as follows:

	Capital and reserves		Profit/(loss) for the year	
	2018	2017	2018	2017
	£	£	£	£
<b>Subsidiary undertakings</b>				
Consort Healthcare (Edinburgh Royal Infirmary) Investments Limited	2,908	2,908	15,709,567	12,722,528
Consort Healthcare (Edinburgh Royal Infirmary) Finance Limited	1,951	1,951	32,000	32,000
Consort Healthcare (Edinburgh Royal Infirmary) Limited	<b>34,146,926</b>	<b>30,963,049</b>	<b>16,200,498</b>	<b>12,128,746</b>

The Directors have reviewed the carrying value of the investments and consider them not to be impaired.

# Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

## Notes to the Annual Report and Consolidated Financial Statements (continued)

### Year Ended 31 December 2018

#### 13. Debtors

Debtors amounts falling due within one year are as follows:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade debtors	15,151,476	15,358,839	—	—
Amounts owed by Group undertakings	—	—	330,418	329,682
Deferred tax asset	249,136	—	—	—
Prepayments and accrued income	737,482	594,682	—	—
Finance debtor	13,035,742	14,626,266	—	—
Other debtors	814,356	144,571	—	—
	<u>29,988,192</u>	<u>30,724,358</u>	<u>330,418</u>	<u>329,682</u>

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

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Deferred tax asset	4,576,589	5,916,938	—	—
Finance debtor	153,804,509	162,683,334	—	—
	<u>158,381,098</u>	<u>168,600,272</u>	<u>—</u>	<u>—</u>

The movement in the finance debtor is analysed as follows:

	2018	2017
	£	£
At beginning of year	177,309,599	190,318,709
Lifecycle replacement costs	2,201,532	2,451,534
Interest income	18,993,430	13,387,106
Income recognised in operating profit	4,032,442	5,597,386
Cash received	(35,696,752)	(34,445,135)
At end of year	<u>166,840,251</u>	<u>177,309,600</u>

#### 14. Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank loans and overdrafts	11,778,628	7,657,464	—	—
Payments received on account	1,524,100	1,025,179	—	—
Trade creditors	678,712	3,818,600	—	—
Amounts owed to Group undertakings	1,153,806	1,065,099	1,153,750	1,065,099
Accruals and deferred income	30,175,293	29,370,829	—	—
Corporation tax	2,491,549	2,009,388	—	—
Taxation and social security	3,487,196	854,060	—	—
	<u>51,289,284</u>	<u>45,800,619</u>	<u>1,153,750</u>	<u>1,065,099</u>

# Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

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

### Year Ended 31 December 2018

#### 15. Creditors: amounts falling due after more than one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank loans and overdrafts	119,166,974	130,926,915	–	–
Amounts owed to Group undertakings	12,428,851	13,252,163	12,428,851	13,252,108
Accruals and deferred income	7,715,047	7,656,186	–	–
Derivative financial liability	28,386,617	34,805,515	–	–
	<u>167,697,489</u>	<u>186,640,779</u>	<u>12,428,851</u>	<u>13,252,108</u>

Included within creditors: amounts falling due after more than one year is an amount of £79,460,340 (2017: £Nil) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

a) The secured senior loan represents amounts borrowed by the Company under a facility agreement with a consortium of banks. The bank loan bears interest at a margin over LIBOR and is repayable in instalments between 2007 and 2027. The loan is secured by fixed and floating charges over the undertaking, property, assets and rights of the Company, and has certain covenants attached. The full amount of loan drawdown at 31 December 2018 is £133,751,966 (2017 :£141,751,110). Issue costs of £2,806,364 (2017 : £3,173,692) have been set off against the total loan drawdowns.

b) Amounts owed to Group undertakings - The secured subordinated loan stock has been subscribed by the Group to its' subsidiary, "Consort Healthcare (Edinburgh Royal Infirmary) Limited. The loan stock bears interest at a margin of 6% over LIBOR and is repayable in instalments between 2007 and 2028. It is secured by second fixed and floating charges over the undertaking, property, assets and rights of the Company.

At 31 December 2018 the Group's subsidiary company's shares are held in trust by Project and Export Finance (Nominees) Limited as security for the senior loan.

#### 16. Provisions for Liabilities

Group	Deferred tax (note 17) £
At 1 January 2018	23,833,289
Deferred tax	<u>(1,282,405)</u>
At 31 December 2018	<u>22,550,884</u>

The Company does not have any provisions.

# Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

## Notes to the Annual Report and Consolidated Financial Statements (continued)

### Year Ended 31 December 2018

#### 17. Deferred Tax

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

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Included in debtors (note 13)	4,825,725	5,916,938	–	–
Included in provisions for liabilities (note 16)	(22,550,884)	(23,833,289)	–	–
	<u>(17,725,159)</u>	<u>(17,916,351)</u>	<u>–</u>	<u>–</u>

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

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Accelerated capital allowances	22,547,573	23,829,426	–	–
Short term timing differences	3,311	3,863	–	–
Derivative financial instruments	(4,825,725)	(5,916,938)	–	–
	<u>17,725,159</u>	<u>17,916,351</u>	<u>–</u>	<u>–</u>

The net deferred tax liability expected to reverse in 2019 is £1,520,617. This primarily relates to the reversal of timing differences on capital allowances offset by expected utilisation of tax losses and short term timing differences.

	2018
	£
Opening balance	17,916,351
Movement through the profit or loss	1,091,213
Movement through other comprehensive income	(1,282,405)
<b>Closing balance</b>	<b><u>17,725,159</u></b>

#### 18. Financial Instruments

The carrying amount for each category of financial instrument is as follows:

##### Financial assets that are debt instruments measured at amortised cost

	Group	
	2018	2017
	£	£
Financial assets that are debt instruments measured at amortised cost	<u>183,543,564</u>	<u>192,193,214</u>

##### Financial liabilities measured at fair value through profit or loss

	Group	
	2018	2017
	£	£
Financial liabilities measured at fair value through profit or loss	<u>28,386,617</u>	<u>34,805,515</u>

# Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

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

### Year Ended 31 December 2018

#### 18. Financial Instruments *(continued)*

##### Financial liabilities measured at amortised cost

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Financial liabilities measured at amortised cost	<b><u>190,600,154</u></b>	<b><u>196,421,424</u></b>

The fair values of the interest rate and RPI swap have been calculated by discounting the fixed cash flows at forecasted forward interest and RPI rates over the term of the financial instrument. The bank borrowing and finance debtor are both held at amortised cost.

#### 19. Called Up Share Capital

##### Issued, called up and fully paid

	<b>2018</b>		<b>2017</b>	
	<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
Ordinary shares of £0.10 each	<b><u>500,000</u></b>	<b><u>50,000</u></b>	<b><u>500,000</u></b>	<b><u>50,000</u></b>

#### 20. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Hedging reserve - This reserve records fair value movements on cash flow hedging instruments.

Retained earnings - This reserve records retained earnings and accumulated losses.

#### 21. Hedging Reserve

The following movements on the hedging reserve are included within hedging reserve in the statement of changes in equity:

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>At start of year</b>	<b>(28,888,578)</b>	<b>(34,807,160)</b>
Fair value movements on cash flow hedging instruments	<b><u>5,327,686</u></b>	<b><u>5,918,582</u></b>
<b>At end of year</b>	<b><u>(23,560,892)</u></b>	<b><u>(28,888,578)</u></b>

# Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

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

### Year Ended 31 December 2018

#### 22. Cash (Used in)/Generated from Operations

	2018 £	2017 £
Profit for the financial year	12,415,386	8,277,732
<i>Adjustments for:</i>		
Depreciation of tangible assets	2,371	3,623
Other interest receivable and similar income	(19,015,384)	(13,782,948)
Interest payable and similar expenses	9,787,240	10,307,844
Tax on profit	3,608,947	2,777,752
Lifecycle replacement costs	(2,201,532)	(2,451,534)
Increase in deferred income	58,861	595,729
Decrease in payments on account	498,921	(136,675)
Income recognised in operating profit in respect of financial asset	(4,032,442)	(5,597,384)
<i>Changes in:</i>		
Trade and other debtors	(749,793)	836,531
Trade and other creditors	549,283	(3,626,673)
	<u>921,858</u>	<u>(2,796,003)</u>

#### 23. Related Party Transactions

##### Company

The Group paid £856,648 (2017: £843,789) to BIIF L.P. for repayments of subordinated debt principal and repayments of subordinated debt interest in proportion to their loan holding.

The Group paid £856,648 (2017: £843,789) Equitix Fund III L.P. for repayments of subordinated debt principal and repayments of subordinated debt interest in proportion to their loan holding.

The Group paid £338,654 (2017: £242,358) to BIIF Bldco Limited and its subsidiaries for director fees and the provision of management services.

The Group paid £16,682 (2017: £16,204) to Equitix Capital Eurobond 3 Limited for directors fees.

#### 24. Controlling Party

The Directors regard the ultimate controlling parties to be the ultimate shareholders of Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited, who are BIIF L.P. and Equitix Fund III L.P. in equal shares.