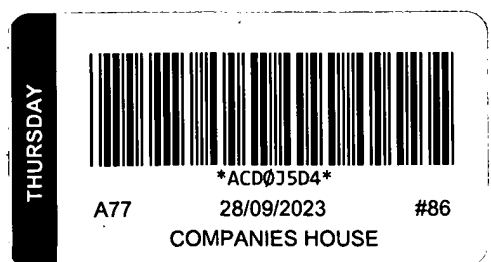


COMPANY REGISTRATION NUMBER: SC187448

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

**Annual Report and Consolidated Financial
Statements**

31 December 2022



Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited
Annual Report and Consolidated Financial Statements
Year Ended 31 December 2022

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Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

Officers and Professional Advisers

The Board of Directors

John Cavill
Kirsty O'Brien
Glenn Pearce
John Wrinn

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

Bankers

Royal Bank of Scotland Plc
49 Charing Cross
London
SW1A 2DX

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

Strategic Report

Year Ended 31 December 2022

The directors present their strategic report for Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited for the year ended 31 December 2022.

Principal Objectives and Strategies

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited ("the Company") 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 December 2027.

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. The Company 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. During the year an Event of Default occurred as a result of deficiency points awarded. For further details refer to the Going Concern section below.

The Group and 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 and Group to be profitable and in line with the forecasting model.

Going Concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The Group 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 that will prevail over the forecast period.

The Group has been in dispute with its client NHS Lothian ("NHSL") regarding performance scores for the period December 2020 onwards. The scores for the period December 2020 - June 2021 were referred to adjudication through the Dispute Resolution Procedure included within the Project Agreement. Following the adjudicators decision, the Group incurred 42 deficiency points for the 7-month period December 2020 to June 2021. The scores for the period July - November 2021 remain under discussion with NHSL and have yet to be agreed, however, following correspondence with NHSL, the Group has accepted that the threshold for a Serious Issue Event under the Project Agreement of 48 deficiency points incurred in a rolling twelve-month period was breached.

Under the provisions of this Serious Issue Event, NHSL has the option to terminate the contract. The contract with NHSL is the sole contract that the Group has to generate revenue. The Group remains actively engaged with NHSL to try and agree resolutions that do not involve the early termination of the contract. Regular meetings are held between representatives of the Group, NHSL and Equans to

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

Strategic Report *(continued)*

Year Ended 31 December 2022

discuss performance and agree steps forward. Both the Group and Equans have committed additional resources to the project, which should allow for acceleration of lifecycle works and improved service delivery. All services continue to be delivered and all parties remain committed to the long-term success of the project. It is hoped an agreement will be reached in the coming months that will allow all parties to move forwards. A £2.69m provision has been included within the accounts for potential settlement. This amount has been determined based on correspondence received from NHSL.

As noted in the Loan Facilities Agreement with the Group's lenders there was also an Event of Default as the Company incurred 48 or more deficiency points in a twelve-month period. Under an Event of Default the lenders have the option to require repayment of the outstanding debt. As a result, the Senior Debt has been presented as a current liability as the lenders had the right to recall this at the balance sheet date. There are currently insufficient funds to repay the debt and no alternative financing in place should this arise.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

The Group is actively engaged with both NHSL and its lenders and is of the opinion that the Group will be able to continue in operational existence until the end of the concession in 2027, therefore the directors believe adopting the going concern basis of accounting remains appropriate.

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 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.

Climate Change

The directors recognise that it is important to disclose their view of the impact of climate change on the Company. The Company's key operational contracts are long-term and with a small number of known counterparties. In most cases, the cashflows from these contracts can be predicted with reasonable certainty for at least the medium-term. Having considered the Company's operations, its contracted rights and obligations and forecast cash flows, there is not expected to be a significant impact upon the Company's operational or financial performance arising from climate change.

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

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

Strategic Report *(continued)*

Year Ended 31 December 2022

and through sub-contracts with suppliers that largely mirror the provisions of the Project Agreement with NHS Lothian and the University of Edinburgh.

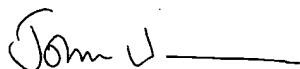
Interest rate risk

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 26 September 2023 and signed on behalf of the board by:



John Wrinn
Director

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

Directors' Report

Year Ended 31 December 2022

The directors present their report and the audited Annual Report and Consolidated Financial Statements of Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited ("the Company") for the year ended 31 December 2022.

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
Glenn Pearce
John Wrinn

Performance Review

The profit for the financial year, after taxation, amounted to £6,013,590 (2021: £6,505,066).

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

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 independent 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 26 September 2023 and signed by order of the board by:



Mike Forrest on behalf of Infrastructure Managers Limited
Company Secretary

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

Directors' Responsibilities Statement

Year Ended 31 December 2022

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 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.

The directors' responsibilities were approved by the board on 26 September 2023 and signed on its behalf by:



John Wrinn
Director

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 2022

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 of the Company's affairs as at 31 December 2022 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 Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2022; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and 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, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 2022

Material Uncertainty Related to Going Concern

We draw attention to note 3 in the Annual Report and Consolidated Financial Statements, which indicates that In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3(b) to the financial statements concerning the group's and the company's ability to continue as a going concern. The Group has been in dispute with its client NHS Lothian ("NHSL") regarding performance scores for the period December 2020 onwards. The Group has accepted that the threshold for a Serious Issue Event under the Project Agreement of 48 deficiency points incurred in a rolling twelve-month period was breached. Under the provisions of this Serious Issue Event, NHSL has the option to terminate the contract. The contract with NHSL is the sole contract that the Group has to generate revenue. The Group remains actively engaged with NHSL to try and agree resolutions that do not involve the early termination of the contract. The Serious Issues Event also gives rise to an Event of Default which gives the lenders the option to require repayment of the outstanding debt. These conditions, along with the other matters explained in note 3(b) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

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.

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

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 2022

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 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 2022 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, 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.

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 2022

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 group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax 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 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, in particular in relation to the fair value of derivative financial instruments;
- 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.

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

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.

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 2022

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.



Paul Cheshire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Edinburgh

26 September 2023

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

Consolidated Statement of Comprehensive Income

Year Ended 31 December 2022

	Note	2022 £	2021 £
Turnover	4	20,850,575	23,061,351
Cost of sales		(16,555,544)	(14,833,173)
Gross profit		4,295,031	8,228,178
Administrative expenses		(4,681,407)	(1,532,603)
Operating (loss)/profit	5	(386,376)	6,695,575
Interest receivable and similar income	7	14,911,509	16,621,030
Interest payable and similar expenses	8	(6,826,331)	(7,455,883)
Profit before taxation		7,698,802	15,860,722
Tax on profit	9	(1,685,212)	(9,355,656)
Profit for the financial year		6,013,590	6,505,066
Fair value movements on cash flow hedging instruments, net of tax		4,308,592	4,234,707
Total comprehensive income for the year		10,322,182	10,739,773

All the activities of the group are from continuing operations.

The notes on pages 18 to 33 form part of these Annual Report and Consolidated Financial Statements.

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	11	–	56
Current assets			
Debtors: amounts falling due within one year	13	26,371,398	20,005,841
Debtors: amounts falling due after more than one year	13	108,452,279	128,317,879
Cash at bank and in hand		27,294,747	21,369,934
		<u>162,118,424</u>	<u>169,693,654</u>
Creditors: amounts falling due within one year	14	<u>(111,176,119)</u>	<u>(33,706,581)</u>
Net current assets		<u>50,942,305</u>	<u>135,987,073</u>
Total assets less current liabilities		<u>50,942,305</u>	<u>135,987,129</u>
Creditors: amounts falling due after more than one year	15	<u>(22,346,669)</u>	<u>(114,975,312)</u>
Provisions for liabilities			
Taxation including deferred taxation	16	<u>(23,455,584)</u>	<u>(26,193,947)</u>
Net assets/(liabilities)		<u><u>5,140,052</u></u>	<u><u>(5,182,130)</u></u>
Capital and reserves			
Called up share capital	19	50,000	50,000
Share premium account	20	450,000	450,000
Hedging reserve	20	(8,077,571)	(12,386,163)
Retained earnings	20	12,717,623	6,704,033
Total shareholders' members funds/(deficit)		<u><u>5,140,052</u></u>	<u><u>(5,182,130)</u></u>

The Financial Statements were approved by the board of directors and authorised for issue on 26 September 2023, and are signed on behalf of the board by:



John Wrinn
Director

Company registration number: SC187448

The notes on pages 18 to 33 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 2022

	Note	2022 £	2021 £
Fixed assets			
Investments	12	10,976,923	10,976,923
Current assets			
Debtors: amounts falling due within one year	13	1,029,204	274,868
Cash at bank and in hand		<u>3,549</u>	<u>3,549</u>
		1,032,753	278,417
Creditors: amounts falling due within one year	14	<u>(3,478,586)</u>	<u>(1,430,439)</u>
Net current liabilities		<u>(2,445,833)</u>	<u>(1,152,022)</u>
Total assets less current liabilities		8,531,090	9,824,901
Creditors: amounts falling due after more than one year	15	<u>(8,025,541)</u>	<u>(9,319,352)</u>
Net assets		<u>505,549</u>	<u>505,549</u>
Capital and reserves			
Called up share capital	19	50,000	50,000
Share premium account	20	450,000	450,000
Retained earnings	20		
At beginning of year		5,549	5,549
Profit for the year		–	2,569,583
Dividends paid		–	(2,569,583)
At end of year		<u>5,549</u>	<u>5,549</u>
Total shareholders' members funds		<u>505,549</u>	<u>505,549</u>

The profit for the financial year of the parent company was £Nil (2021: £2,569,583).

The Financial Statements were approved by the board of directors and authorised for issue on 26 September 2023, and are signed on behalf of the board by:

John Wrinn
Director

Company registration number: SC187448

The notes on pages 18 to 33 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 2022

	Called up share capital £	Share premium account £	Hedging reserve £	Retained earnings £	Total £
At 1 January 2021	50,000	450,000	(16,620,870)	2,768,550	(13,352,320)
Profit for the financial year				6,505,066	6,505,066
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax	—	—	4,234,707	—	4,234,707
Total comprehensive income for the year	—	—	4,234,707	6,505,066	10,739,773
Dividends paid and payable 10	—	—	—	(2,569,583)	(2,569,583)
Total investments by and distributions to owners	—	—	—	(2,569,583)	(2,569,583)
At 31 December 2021	50,000	450,000	(12,386,163)	6,704,033	(5,182,130)
Profit for the financial year				6,013,590	6,013,590
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax	—	—	4,308,592	—	4,308,592
Total comprehensive income for the year	—	—	4,308,592	6,013,590	10,322,182
At 31 December 2022	<u>50,000</u>	<u>450,000</u>	<u>(8,077,571)</u>	<u>12,717,623</u>	<u>5,140,052</u>

Included in the fair value movement on cash flow hedging instruments is £3,626,130 (2021: £5,536,555) that was recycled through Interest Payable in the Statement of Comprehensive Income.

The notes on pages 18 to 33 form part of these Annual Report and Consolidated Financial Statements.

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

Company Statement of Changes in Equity

Year Ended 31 December 2022

		Called up share capital £	Share premium account £	Retained earnings £	Total £
At 1 January 2021		50,000	450,000	5,549	505,549
Profit for the financial year				2,569,583	2,569,583
Total comprehensive income for the year		—	—	2,569,583	2,569,583
Dividends paid and payable	10	—	—	(2,569,583)	(2,569,583)
Total investments by and distributions to owners		—	—	(2,569,583)	(2,569,583)
At 31 December 2021		50,000	450,000	5,549	505,549
Result for the financial year				—	—
At 31 December 2022		<u>50,000</u>	<u>450,000</u>	<u>5,549</u>	<u>505,549</u>

The notes on pages 18 to 33 form part of these Annual Report and Consolidated Financial Statements.

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

Consolidated Statement of Cash Flows

Year Ended 31 December 2022

	Note	2022 £	2021 £
Cash (used in)/generated from operations	22	29,512,966	32,587,881
Tax paid		(5,700,000)	(5,800,000)
Net cash generated from operating activities		<u>23,812,966</u>	<u>26,787,881</u>
Cash flows from investing activities			
Interest received		<u>1,046,959</u>	<u>981,087</u>
Net cash from investing activities		<u>1,046,959</u>	<u>981,087</u>
Cash flows from financing activities			
Repayments of borrowings		(13,202,039)	(11,857,380)
Repayments of loans from group undertakings		754,335	(1,055,280)
Interest paid		(6,487,408)	(7,329,578)
Dividends paid		–	(2,569,583)
Net cash used in financing activities		<u>(18,935,112)</u>	<u>(22,811,821)</u>
Net increase in cash and cash equivalents		5,924,813	4,957,147
Cash and cash equivalents at beginning of year		21,369,934	16,412,787
Cash and cash equivalents at end of year		<u>27,294,747</u>	<u>21,369,934</u>

The notes on pages 18 to 33 form part of these 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 2022

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 Scotland. The address of its registered office is Infrastructure Managers Limited, 2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF.

The Company 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 December 2027.

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. The Company 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 consolidated 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 2022

3. Accounting Policies *(continued)*

(b) Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The Group 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 that will prevail over the forecast period.

The Group has been in dispute with its client NHS Lothian ("NHSL") regarding performance scores for the period December 2020 onwards. The scores for the period December 2020 - June 2021 were referred to adjudication through the Dispute Resolution Procedure included within the Project Agreement. Following the adjudicators decision, the Group incurred 42 deficiency points for the 7-month period December 2020 to June 2021. The scores for the period July - November 2021 remain under discussion with NHSL and have yet to be agreed, however, following correspondence with NHSL, the Group has accepted that the threshold for a Serious Issue Event under the Project Agreement of 48 deficiency points incurred in a rolling twelve-month period was breached in the year.

Under the provisions of this Serious Issue Event, NHSL has the option to terminate the contract. The contract with NHSL is the sole contract that the Group has to generate revenue. The Group remains actively engaged with NHSL to try and agree resolutions that do not involve the early termination of the contract. Regular meetings are held between representatives of the Group, NHSL and Equans to discuss performance and agree steps forward. Both the Group and Equans have committed additional resources to the project, which should allow for acceleration of lifecycle works and improved service delivery. All services continue to be delivered and all parties remain committed to the long-term success of the project. It is hoped an agreement will be reached in the coming months that will allow all parties to move forwards. A £2.69m provision has been included within the accounts for potential settlement. This amount has been determined based on correspondence received from NHSL.

As noted in the Loan Facilities Agreement with the Group's lenders there was also an Event of Default as the Company incurred 48 or more deficiency points in a twelve-month period. Under an Event of Default the lenders have the option to require repayment of the outstanding debt. As a result, the Senior Debt has been presented as a current liability as the lenders had the right to recall this at the balance sheet date. There are currently insufficient funds to repay the debt and no alternative financing in place should this arise.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

The Group is actively engaged with both NHSL and its lenders and is of the opinion that the Group will be able to continue in operational existence until the end of the concession in 2027, therefore the directors believe adopting the going concern basis of accounting remains appropriate.

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

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

Year Ended 31 December 2022

3. Accounting Policies *(continued)*

(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 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.

(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 2022

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 Company's Statement of Financial Position, at amortised cost less any impairment losses, 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) Fair values for derivative contracts

Fair values for derivative contracts are based on mark-to-market valuations provided by the contract counterparty. Whilst these can be tested for reasonableness, the exact valuation methodology and forecast assumptions for future interest rates or inflation rates are specific to the counterparty.

iii) 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 projected trading results to the end 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 it is probable the expenses recognised will be recovered.

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

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

Year Ended 31 December 2022

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 2022

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:

Fixtures and fittings	3-10 years
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(j) Investments

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.

The Group is obligated to keep cash reserves as at the balance sheet date in respect of requirements in the Group's funding agreements. This restricted cash balance, which is shown within the "cash at bank and in hand" balance amounts to £17,147,701 (2021: £12,912,227).

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

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

Year Ended 31 December 2022

3. Accounting Policies *(continued)*

(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.

(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 2022

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 Group'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.

The UK Financial regulator (the FCA) legislated that sterling LIBOR would cease to be published after 31 December 2021. As described at Note 15, the Group's borrowings and hedge agreements have historically been linked to LIBOR.

The Group completed negotiations with lender, effective from 31 August 2022, to agree an amendment to both the loan and swap agreement to provide for the replacement of LIBOR, with an interest rate based on the Compounded Reference Rate. The Compounded Reference Rate will be SONIA (sterling overnight index average) plus a 5 day credit adjustment spread. The use of the same LIBOR replacement rate for both the loan and swap agreement means that the LIBOR Transition Amendments are materially net cash neutral for the company and that the current hedge effectiveness continues.

4. Turnover

Turnover arises from:

	2022	2021
	£	£
Rendering of services	<u>20,850,575</u>	<u>23,061,351</u>

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

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

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

Year Ended 31 December 2022

5. Operating Profit

Operating profit or loss is stated after charging:

	2022	2021
	£	£
Depreciation of tangible assets	56	82
Impairment of trade debtors	267	—
Fees payable for the audit of the annual report and consolidated financial statements	<u>22,060</u>	<u>17,540</u>

Included in the fee above is £19,570 (2021: £15,280) for the audit of other Group companies.

6. Particulars of Employees and Directors

The average number of persons employed by the Company during the financial year amounted to nil (2021: nil). The directors are not employed by the Company and did not receive any remuneration from the Company during the year (2021: £nil).

7. Interest Receivable and Similar Income

	2022	2021
	£	£
Interest on cash and cash equivalents	139,418	2,791
Other interest receivable	907,541	978,296
Interest receivable on the finance debtor	<u>13,864,550</u>	<u>15,639,943</u>
	<u>14,911,509</u>	<u>16,621,030</u>

8. Interest Payable and Similar Expenses

	2022	2021
	£	£
Interest on bank loans and overdrafts	3,626,130	5,536,555
Interest due to Group undertakings	754,336	790,645
Commitment fees payable	43,200	43,200
Interest payable on secured senior loan	1,879,301	756,880
Other interest payable and similar expenses	<u>523,364</u>	<u>328,603</u>
	<u>6,826,331</u>	<u>7,455,883</u>

9. Tax on Profit

Major components of tax expense

	2022	2021
	£	£
Current tax:		
UK current tax expense	4,423,575	5,429,856
Adjustments in respect of prior periods	—	(120,062)
Total current tax	<u>4,423,575</u>	<u>5,309,794</u>

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

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

Year Ended 31 December 2022

9. Tax on Profit *(continued)*

	2022 £	2021 £
Deferred tax:		
Origination and reversal of timing differences	(3,026,051)	(1,991,228)
Impact of change in tax rate	287,688	5,917,028
Adjustments in respect of prior periods	–	120,062
Total deferred tax	(2,738,363)	4,045,862
Tax on profit	1,685,212	9,355,656

Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022 £	2021 £
Profit before taxation	7,698,802	15,860,722
Profit before taxation by rate of tax	1,462,772	3,013,537
Effect of expenses not deductible for tax purposes	1,231,080	425,091
Effect of revenue exempt from tax	(720,952)	–
Other short term timing differences	(287,688)	–
Change in tax rates	–	5,917,028
Total tax charge	1,685,212	9,355,656

10. Dividends

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

	2022 £	2021 £
Dividend of £nil (2021: £5.14) per ordinary share	–	2,569,583

11. Tangible Assets

Group	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 1 January 2022 and 31 December 2022	59,248	379,603	35,008	473,859
Depreciation				
At 1 January 2022	59,248	379,603	34,952	473,803
Charge for the year	–	–	56	56
At 31 December 2022	59,248	379,603	35,008	473,859
Carrying amount				
At 31 December 2022	–	–	–	–
At 31 December 2021	–	–	56	56

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

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

Year Ended 31 December 2022

11. Tangible Assets *(continued)*

The company has no tangible assets.

12. Investments

The group has no investments.

Company	Shares in group undertakings £	Loans to group undertakings £	Total £
Cost			
At 1 January 2022 and 31 December 2022	<u>502,000</u>	<u>10,474,923</u>	<u>10,976,923</u>
Impairment			
At 1 January 2022 and 31 December 2022	<u>—</u>	<u>—</u>	<u>—</u>
Carrying amount			
At 1 January 2022 and 31 December 2022	<u>502,000</u>	<u>10,474,923</u>	<u>10,976,923</u>
At 31 December 2021	<u>502,000</u>	<u>10,474,923</u>	<u>10,976,923</u>

	Class of share	Percentage of shares held
Subsidiary undertakings		
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 investments in both Consort Healthcare (Edinburgh Royal Infirmary) Limited and Consort Healthcare (Edinburgh Royal Infirmary) Finance Limited are held indirectly.

The results and capital and reserves for the year are as follows:

	Capital and reserves		Profit/(loss) for the year	
	2022 £	2021 £	2022 £	2021 £
Subsidiary undertakings				
Consort Healthcare (Edinburgh Royal Infirmary) Investments Limited	(5,588,593)	(1,755,314)	(3,833,279)	811,361
Consort Healthcare (Edinburgh Royal Infirmary) Finance Limited	52,993	14,196	38,797	28,291
Consort Healthcare (Edinburgh Royal Infirmary) Limited	<u>70,271,139</u>	<u>56,154,475</u>	<u>9,808,072</u>	<u>10,176,551</u>

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

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

Year Ended 31 December 2022

12. Investments *(continued)*

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

13. Debtors

Debtors amounts falling due within one year are as follows:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade debtors	7,278,868	3,136,532	–	–
Amounts owed by Group undertakings	–	–	1,029,204	274,868
Prepayments and accrued income	2,907,829	1,667,945	–	–
Corporation tax repayable	1,795,365	518,940	–	–
Finance debtor	12,864,885	10,270,777	–	–
Other debtors	1,524,451	4,411,647	–	–
	<u>26,371,398</u>	<u>20,005,841</u>	<u>1,029,204</u>	<u>274,868</u>

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

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Deferred tax asset	2,692,524	4,128,721	–	–
Finance debtor	105,759,755	124,189,158	–	–
	<u>108,452,279</u>	<u>128,317,879</u>	<u>–</u>	<u>–</u>

The movement in the finance debtor is analysed as follows:

	2022	2021
	£	£
At beginning of year	134,459,935	147,655,512
Lifecycle replacement costs	7,162,597	3,364,543
Interest income	13,864,550	15,639,943
Income recognised in operating profit	2,559,712	5,442,673
Cash received	(39,422,154)	(37,642,736)
At end of year	<u>118,624,640</u>	<u>134,459,935</u>

14. Creditors: amounts falling due within one year

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Bank loans and overdrafts	84,719,561	12,711,616	–	–
Payments received on account	864,246	672,055	–	–
Trade creditors	2,967,040	2,384,125	–	–
Amounts owed to Group undertakings	3,478,641	1,430,495	3,478,586	1,430,439
Accruals and deferred income	19,146,631	16,508,290	–	–
	<u>111,176,119</u>	<u>33,706,581</u>	<u>3,478,586</u>	<u>1,430,439</u>

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

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

Year Ended 31 December 2022

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

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Bank loans and overdrafts	–	84,686,618	–	–
Amounts owed to Group undertakings	8,025,541	9,319,352	8,025,541	9,319,352
Accruals and deferred income	3,551,033	4,454,459	–	–
Derivative financial liability	10,770,095	16,514,883	–	–
	<u>22,346,669</u>	<u>114,975,312</u>	<u>8,025,541</u>	<u>9,319,352</u>

Included within creditors: amounts falling due after more than one year is an amount of £Nil (2021: £22,195,530) 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 Group under a facility agreement with a consortium of banks. The bank loan bears interest at a margin over SONIA 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 Group, and has certain covenants attached. The full amount of loan drawdown at 31 December 2022 is £85,931,150 (2021: £99,133,188). Issue costs of £1,211,590 (2021: £1,734,954) have been set off against the total loan drawdowns.

The Group has agreed with the lenders to replace the LIBOR reference in the loan and swap agreements with SONIA, adjusted for a historic credit adjustment spread of 0.2766% per annum.

As referenced in note 3(b) the Group is currently in breach of its loan covenants as a result of deficiency points awarded in the year. This breach gives the Group's lenders the right to recall the debt at any point and as a result the full debt service is considered a current liability. Assuming performance scores improve to a level where deficiency points awarded are below 48 in a 12 month period the breach of covenants will be rectified and in future years debt payments will be classified according to when they are contractually due.

b) Amounts owed to Group undertakings - The secured subordinated loan stock has been issued by the Group to its' shareholders in proportion to their equity holding. The loan stock bears interest at a margin of 6% over SONIA 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 Group.

At 31 December 2022 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 2022	26,193,947
Deferred tax	<u>(2,738,363)</u>
At 31 December 2022	<u>23,455,584</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 2022

17. Deferred Tax

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

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Included in debtors (note 13)	2,692,524	4,128,721	–	–
Included in provisions for liabilities (note 16)	(23,455,584)	(26,193,947)	–	–
	<u>(20,763,060)</u>	<u>(22,065,226)</u>	<u>–</u>	<u>–</u>

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

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Accelerated capital allowances	23,453,961	26,191,707	–	–
Short term timing differences	1,623	2,240	–	–
Derivative financial instruments	(2,692,524)	(4,128,721)	–	–
	<u>20,763,060</u>	<u>22,065,226</u>	<u>–</u>	<u>–</u>

	2022
	£
Opening balance	22,065,226
Movement through the profit or loss	(2,738,363)
Movement through other comprehensive income	1,436,197
Closing balance	<u>20,763,060</u>

The net deferred tax liability expected to reverse in 2023 is £2,568,628 (2022: £1,539,661). This primarily relates to the reversal of timing differences on capital allowances offset by expected utilisation of tax losses and short term timing differences.

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	
	2022	2021
	£	£
Financial assets that are debt instruments measured at amortised cost	<u>130,335,787</u>	<u>143,676,059</u>

Financial liabilities measured at fair value through profit or loss

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Financial liabilities measured at fair value through profit or loss	<u>10,770,095</u>	<u>16,514,883</u>	<u>10,770,095</u>	<u>16,514,883</u>

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

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

Year Ended 31 December 2022

18. Financial Instruments *(continued)*

Financial liabilities measured at amortised cost

	Group	
	2022	2021
	£	£
Financial liabilities measured at amortised cost	<u>120,303,310</u>	<u>130,492,496</u>

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

	2022		2021	
	No.	£	No.	£
Ordinary shares of £0.10 each	<u>500,000</u>	<u>50,000</u>	<u>500,000</u>	<u>50,000</u>

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

20. Reserves

Retained earnings records retained earnings and accumulated losses.

The share premium reserve records the amount above the nominal value received for shares sold, less transaction costs.

The hedging reserve records fair value movements on cash flow hedging instruments.

21. Hedging Reserve

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

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
At start of year	(12,386,163)	(16,620,870)	–	–
Fair value movements on cash flow hedging instruments	<u>4,308,592</u>	<u>4,234,707</u>	<u>–</u>	<u>–</u>
At end of year	<u>(8,077,571)</u>	<u>(12,386,163)</u>	<u>–</u>	<u>–</u>

Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited

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

Year Ended 31 December 2022

22. Cash (Used in)/Generated from Operations

	2022 £	2021 £
Profit for the financial year	6,013,590	6,505,066
<i>Adjustments for:</i>		
Depreciation of tangible assets	56	82
Interest receivable and similar income	(14,911,509)	(16,621,030)
Interest payable and similar expenses	6,826,331	7,455,883
Tax on profit	1,685,212	9,355,656
Lifecycle replacement costs	(7,162,597)	(3,364,543)
Decrease in deferred income	(903,426)	(978,297)
Increase/(decrease) in payments on account	192,191	(329,982)
Income recognised in operating profit in respect of financial asset	(2,559,712)	(5,442,673)
<i>Changes in:</i>		
Trade and other debtors	36,931,246	34,671,876
Trade and other creditors	3,401,584	1,335,843
	<u>29,512,966</u>	<u>32,587,881</u>

23. Analysis of Changes in Net Debt

	At 1 Jan 2022 £	Cash flows £	Non-cash movements £	At 31 Dec 2022 £
Cash at bank and in hand	21,369,934	5,924,813	–	27,294,747
Debt due within one year	(14,142,111)	13,202,038	(87,258,129)	(88,198,202)
Debt due after one year	(94,005,970)	–	85,980,429	(8,025,541)
	<u>(86,778,147)</u>	<u>19,126,851</u>	<u>(1,277,700)</u>	<u>(68,928,996)</u>

24. Related Party Transactions

Company

The Group paid £nil (2021: £922,963) 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 £nil (2021: £922,963) 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 £787,903 (2021: £462,229) to BIIF Bldco Limited and its subsidiaries for director fees and the provision of management services.

The Group paid £18,742 (2021: £18,049) to Equitix Capital Eurobond III Limited for directors fees.

25. 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.