

COMPANY REGISTRATION NUMBER: SC187449

Consort Healthcare (Edinburgh Royal Infirmary) Limited
Annual Report and Financial Statements
31 December 2020

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Consort Healthcare (Edinburgh Royal Infirmary) Limited

Annual Report and Financial Statements

Year Ended 31 December 2020

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Consort Healthcare (Edinburgh Royal Infirmary) Limited

Officers and Professional Advisers

The Board of Directors

John Cavill
Kirsty O'Brien
Matthew Edwards
Glenn Pearce

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) Limited

Strategic Report

Year Ended 31 December 2020

The directors present their Strategic Report for Consort Healthcare (Edinburgh Royal Infirmary) Limited for the year ended 31 December 2020.

Principal Objectives and Strategies

On 20 August 1998, Consort Healthcare (Edinburgh Royal Infirmary) Limited, 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 concession commenced in 1998 and runs for 30 years until 2028.

Review of the Business

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

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 Company's financial covenants as set out in the bank facility agreement. The key conditions reviewed being the debt service cover ratio. During the year the Company successfully met this ratio and has been compliant with the covenants laid out in the group loan agreement,

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

Principal Risks and Uncertainties

Financial Risk

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

Interest Rate Risk

The financial risk management objectives of the Company are to ensure that financial risks are mitigated by the use of financial instruments where they cannot be addressed by contractual provisions. The Company uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

Liquidity Risk


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

Consort Healthcare (Edinburgh Royal Infirmary) Limited

Strategic Report *(continued)*

Year Ended 31 December 2020

This report was approved by the board of directors on 28 June 2021 and signed on behalf of the board by:


JC (Jun 28, 2021 14:19 GMT+1)

John Cavill
Director

Consort Healthcare (Edinburgh Royal Infirmary) Limited

Directors' Report

Year Ended 31 December 2020

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

Directors

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

John Cavill	
Kirsty O'Brien	
Matthew Edwards	
Glenn Pearce	(Appointed 15 March 2021)
Amit Thakrar	(Resigned 15 March 2021)

Performance Review

The profit for the year, after taxation, amounted to £15,623,220 (2019: £17,574,623).

The profit for the year will be transferred to reserves.

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

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

Key Performance Indicators

As the 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 facilities agreement for the next 12 months.

Going Concern

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

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

Consort Healthcare (Edinburgh Royal Infirmary) Limited

Directors' Report *(continued)*

Year Ended 31 December 2020

Dividends

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

Financial Instruments

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

Interest rate risk

The financial risk management objectives of the Company are to ensure that financial risks are mitigated by the use of financial instruments. The Company uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

Cash flow and liquidity risk

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

Qualifying Third Party Indemnity Provisions

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

Disclosure of Information to Auditors

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

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

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

This report was approved by the board of directors on 28 June 2021 and signed by order of the board by:



Infrastructure Managers Limited
Company Secretary

Consort Healthcare (Edinburgh Royal Infirmary) Limited

Directors' Responsibilities Statement

Year Ended 31 December 2020

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

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

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

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

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

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

Consort Healthcare (Edinburgh Royal Infirmary) Limited

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

Year Ended 31 December 2020

Report on the Audit of the Financial Statements

Opinion

In our opinion, Consort Healthcare (Edinburgh Royal Infirmary) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2020; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for Opinion

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

Independence

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

Conclusions Relating to Going Concern

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

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

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

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

Consort Healthcare (Edinburgh Royal Infirmary) Limited

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

Year Ended 31 December 2020

Reporting on Other Information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the Financial Statements and the Audit

Responsibilities of the Directors for the Financial Statements

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

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

Consort Healthcare (Edinburgh Royal Infirmary) Limited

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

Year Ended 31 December 2020

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Understanding of management's controls designed to prevent and deter irregularities;
- Review of board minutes;
- Challenging management on assumptions and judgements made in their significant accounting estimates, 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.

Consort Healthcare (Edinburgh Royal Infirmary) Limited

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

Year Ended 31 December 2020

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

Use of This Report

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

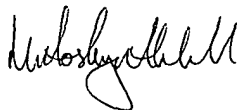
Other Required Reporting

Companies Act 2006 Exception Reporting

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

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

We have no exceptions to report arising from this responsibility.



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

28 June 2021

Consort Healthcare (Edinburgh Royal Infirmary) Limited

Statement of Comprehensive Income

Year Ended 31 December 2020

	Note	2020 £	2019 £
Turnover	4	25,757,219	24,702,169
Cost of sales		(16,469,050)	(16,441,131)
Gross profit		9,288,169	8,261,038
Administrative expenses		(1,010,526)	(781,792)
Operating profit	5	8,277,643	7,479,246
Interest receivable and similar income	7	21,822,020	22,959,767
Interest payable and similar expenses	8	(8,252,242)	(9,069,738)
Profit before taxation		21,847,421	21,369,275
Tax on profit	9	(6,224,201)	(3,794,652)
Profit for the financial year		<u>15,623,220</u>	<u>17,574,623</u>
Fair value movements on cash flow hedging instruments, net of tax		2,012,425	4,927,597
Total comprehensive income for the year		<u>17,635,645</u>	<u>22,502,220</u>

All the activities of the Company are from continuing operations.

The notes on pages 14 to 27 form part of these Financial Statements.

Consort Healthcare (Edinburgh Royal Infirmary) Limited

Statement of Financial Position

As at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	11	138	1,815
Investments	12	<u>64,183,577</u>	<u>64,183,577</u>
		64,183,715	64,185,392
Current assets			
Debtors: amounts falling due within one year	13	22,017,452	35,933,161
Debtors: amounts falling due after more than one year	13	<u>136,773,536</u>	<u>146,204,527</u>
Cash at bank and in hand		<u>16,405,379</u>	<u>20,847,893</u>
		175,196,367	202,985,581
Creditors: amounts falling due within one year	14	<u>(31,652,486)</u>	<u>(47,222,183)</u>
Net current assets		143,543,881	155,763,398
Total assets less current liabilities		207,727,596	219,948,790
Creditors: amounts falling due after more than one year	15	(134,755,663)	(150,425,757)
Provisions for liabilities	16	<u>(22,148,085)</u>	<u>(21,195,789)</u>
Net assets		<u>50,823,848</u>	<u>48,327,244</u>
Capital and reserves			
Called up share capital	19	50,000	50,000
Share premium account	20	450,000	450,000
Hedging reserve	20	<u>(16,620,870)</u>	<u>(18,633,295)</u>
Retained earnings	20	<u>66,944,718</u>	<u>66,460,539</u>
Total shareholders' funds		<u>50,823,848</u>	<u>48,327,244</u>

The Financial Statements were approved by the board of directors and authorised for issue on 28 June 2021, and are signed on behalf of the board by:


JC (Jun 28, 2021 14:19 GMT+1)
John Cavill
Director

Company registration number: SC187449

The notes on pages 14 to 27 form part of these Financial Statements.

Consort Healthcare (Edinburgh Royal Infirmary) Limited

Statement of Changes in Equity

Year Ended 31 December 2020

	Called up share capital £	Share premium account £	Hedging reserve £	Retained earnings £	Total £
At 1 January 2019	50,000	450,000	(23,560,892)	56,057,466	32,996,574
Profit for the financial year				17,574,623	17,574,623
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax	—	—	4,927,597	—	4,927,597
Total comprehensive income for the year	—	—	4,927,597	17,574,623	22,502,220
Dividends paid and payable 10	—	—	—	(7,171,550)	(7,171,550)
Total investments by and distributions to owners	—	—	—	(7,171,550)	(7,171,550)
At 31 December 2019	50,000	450,000	(18,633,295)	66,460,539	48,327,244
Profit for the financial year				15,623,220	15,623,220
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax	—	—	2,012,425	—	2,012,425
Total comprehensive income for the year	—	—	2,012,425	15,623,220	17,635,645
Dividends paid and payable 10	—	—	—	(15,139,041)	(15,139,041)
Total investments by and distributions to owners	—	—	—	(15,139,041)	(15,139,041)
At 31 December 2020	50,000	450,000	(16,620,870)	66,944,718	50,823,848

Included in the fair value movement on cash flow hedging instruments is £5,620,854 (2019: £5,793,302) that was recycled through Interest Payable in the Statement of Comprehensive Income.

The notes on pages 14 to 27 form part of these Financial Statements.

Consort Healthcare (Edinburgh Royal Infirmary) Limited

Notes to the Annual Report and Financial Statements

Year Ended 31 December 2020

1. General Information

Consort Healthcare (Edinburgh Royal Infirmary) 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 principal activity of the company during the year was the provision and operation of the Royal Infirmary for NHS Lothian and a medical school for the University of Edinburgh.

The Company's 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) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

3. Accounting Policies

(a) Basis of preparation

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

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

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

(b) Going concern

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

Consort Healthcare (Edinburgh Royal Infirmary) Limited

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

Year Ended 31 December 2020

3. Accounting Policies *(continued)*

(c) Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited which can be obtained from the Company Secretary at 2nd Floor, 11 thistle Street, Edinburgh, EH2 9DF. As such, advantage has been taken of the following disclosure exemptions available under FRS 102:

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

(b) The disclosures required by Sections 11 and 12 of FRS 102 (Basic Financial Instruments and Other Financial Instruments Issues respectively) in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

(d) Judgments and key sources of estimation uncertainty

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

Key sources of estimation uncertainty

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

i) Impairment of assets

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

Consort Healthcare (Edinburgh Royal Infirmary) Limited

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

Year Ended 31 December 2020

3. Accounting Policies *(continued)*

ii) Fair values for derivative contracts

Fair values for derivative contracts are based on market-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 forecast results of the contract.

(e) Revenue recognition

Turnover represents the services' share of the management services income received by the Company 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 the 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) Limited

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

Year Ended 31 December 2020

3. Accounting Policies *(continued)*

(f) Income tax

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

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

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

ii) Deferred tax

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

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

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

(g) Finance debtor

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

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

(h) Cash and cash equivalents

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

Consort Healthcare (Edinburgh Royal Infirmary) Limited

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

Year Ended 31 December 2020

3. Accounting Policies *(continued)*

(i) Borrowings

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

(j) 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 the Statement of Comprehensive Income.

(k) 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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(l) Investments

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

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

(m) Impairment of investments

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.

Consort Healthcare (Edinburgh Royal Infirmary) Limited

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

Year Ended 31 December 2020

3. Accounting Policies *(continued)*

Impairment of investments *(continued)*

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.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units.

(n) Provisions

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

(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.

Consort Healthcare (Edinburgh Royal Infirmary) Limited

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

Year Ended 31 December 2020

3. Accounting Policies *(continued)*

Financial instruments *(continued)*

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.

(p) Hedge accounting

The Company 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 Company 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 Company 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.

The Company has elected to early adopt the FRS 102 Interest Rate Benchmark Reform Amendment.

4. Turnover

Turnover arises from:

	2020	2019
	£	£
Rendering of services	<u>25,757,219</u>	<u>24,702,169</u>

Consort Healthcare (Edinburgh Royal Infirmary) Limited

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

Year Ended 31 December 2020

4. Turnover *(continued)*

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

5. Operating Profit

Operating profit or loss is stated after charging:

	2020	2019
	£	£
Depreciation of tangible assets	1,677	2,369
Impairment of trade debtors	–	14,146
Fees payable for the audit of the annual report and financial statements	17,210	16,375

Included in the fee above is £6,720 (2019: £6,330) for the audit of the immediate group entities Consort Healthcare (Edinburgh Royal Infirmary) Finance Limited, Consort Healthcare (Edinburgh Royal Infirmary) Investments Limited and Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited.

6. Particulars of Employees and Directors

The average number of persons employed by the Company during the financial year amounted to nil (2019: nil). The directors are not employed by the Company and did not receive any remuneration from the Company during the year (2019: £nil).

7. Interest Receivable and Similar Income

	2020	2019
	£	£
Interest on loans and receivables	3,851,014	3,851,060
Interest on cash and cash equivalents	72,198	105,344
Other interest receivable	1,079,309	1,203,134
Interest receivable on the finance debtor	16,819,499	17,800,229
	21,822,020	22,959,767

8. Interest Payable and Similar Expenses

	2020	2019
	£	£
Interest on bank loans and overdrafts	5,620,854	5,793,302
Interest due to Group undertakings	858,681	884,854
Commitment fees payable	43,509	48,894
Interest payable on secured senior loan	1,397,949	1,931,130
Other interest payable and similar expenses	331,249	411,558
	8,252,242	9,069,738

Consort Healthcare (Edinburgh Royal Infirmary) Limited

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

Year Ended 31 December 2020

9. Tax on Profit

Major components of tax expense

	2020 £	2019 £
Current tax:		
UK current tax expense	5,271,905	5,149,747
Deferred tax:		
Origination and reversal of timing differences	(1,541,327)	(1,514,518)
Impact of change in tax rate	2,493,623	159,423
Total deferred tax	952,296	(1,355,095)
Tax on profit	6,224,201	3,794,652

Reconciliation of tax expense

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

	2020 £	2019 £
Profit before taxation	21,847,421	21,369,275
Profit before taxation by rate of tax	4,151,010	4,060,162
Effect of expenses not deductible for tax purposes	311,261	306,768
Effect of revenue exempt from tax	(731,693)	(731,701)
Change in tax rates	2,493,623	159,423
Total tax charge	6,224,201	3,794,652

Factors that may affect future tax expense

A change to the future UK corporation tax rate was announced in the March 2021 Budget. The rate will increase from 19% to 25% with effect from 1 April 2023. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements. The effect of this change, if it applied to the deferred tax balance at 31 December 2020, would be to increase the deferred tax asset by £1,231,176.

10. Dividends

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

	2020 £	2019 £
Interim dividends of £22.51 (2019: £6.58) per ordinary share	11,255,935	3,288,444
Interim dividends of £7.77 (2019: £7.77) per ordinary share	3,883,106	3,883,106
	15,139,041	7,171,550

Consort Healthcare (Edinburgh Royal Infirmary) Limited

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

Year Ended 31 December 2020

11. Tangible Assets

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 1 January 2020 and 31 December 2020	<u>59,248</u>	<u>379,603</u>	<u>35,008</u>	<u>473,859</u>
Depreciation				
At 1 January 2020	59,248	378,059	34,737	472,044
Charge for the year	—	1,544	133	1,677
At 31 December 2020	<u>59,248</u>	<u>379,603</u>	<u>34,870</u>	<u>473,721</u>
Carrying amount				
At 31 December 2020	<u>—</u>	<u>—</u>	<u>138</u>	<u>138</u>
At 31 December 2019	<u>—</u>	<u>1,544</u>	<u>271</u>	<u>1,815</u>

12. Investments

	Shares in group undertakings £
Cost	
At 1 January 2020 and 31 December 2020	<u>64,183,577</u>
Impairment	
At 1 January 2020 and 31 December 2020	<u>—</u>
Carrying amount	
At 31 December 2020	<u>64,183,577</u>
At 31 December 2019	<u>64,183,577</u>

The Company owns 100% of the cumulative 6% preference share capital of Consort Healthcare (Edinburgh Royal Infirmary) Finance Limited which is registered at Infrastructure Managers Limited, 2nd Floor 11 Thistle Street, Edinburgh, EH2 1DF.

13. Debtors

Debtors amounts falling due within one year are as follows:

	2020 £	2019 £
Trade debtors	679,300	17,041,388
Amounts owed by Group undertakings	962,754	962,754
Prepayments and accrued income	903,656	975,103
Corporation tax repayable	28,734	—
Finance debtor	14,780,700	14,929,551
Other debtors	4,662,308	2,024,365
	<u>22,017,452</u>	<u>35,933,161</u>

Consort Healthcare (Edinburgh Royal Infirmary) Limited

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

Year Ended 31 December 2020

13. Debtors *(continued)*

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

	2020	2019
	£	£
Deferred tax asset	3,898,723	3,816,458
Finance debtor	132,874,813	142,388,069
	<u>136,773,536</u>	<u>146,204,527</u>

The movement in the finance debtor is analysed as follows:

	2020	2019
	£	£
At beginning of year	157,317,620	166,840,251
Lifecycle replacement costs	4,321,971	4,278,188
Interest income	16,819,499	17,800,229
Income recognised in operating profit	6,340,319	5,149,954
Cash received	(37,143,896)	(36,751,002)
At end of year	<u>147,655,513</u>	<u>157,317,620</u>

14. Creditors: amounts falling due within one year

	2020	2019
	£	£
Bank loans	11,561,375	10,172,813
Payments received on account	1,002,037	851,670
Trade creditors	1,749,678	1,929,827
Amounts owed to Group undertakings	1,330,203	1,228,731
Accruals and deferred income	16,009,193	29,770,033
Corporation tax	–	2,517,608
Taxation and social security	–	751,501
	<u>31,652,486</u>	<u>47,222,183</u>

In 2007, Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited provided a loan of £18,361,000 to the Company at a margin over LIBOR. Instalments are repayable twice a year between 2007 and 2028. It is secured by second fixed and floating charges over the undertaking, property, assets and rights of the Company. Repayment of the loan due in one year amounts to £1,032,103 (2019: £921,826). The interest accrued on this loan at the year end amounts to £298,046 (2019: £306,850).

Consort Healthcare (Edinburgh Royal Infirmary) Limited

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

Year Ended 31 December 2020

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

	2020	2019
	£	£
Bank loans	97,365,637	108,994,161
Amounts owed to Group undertakings	11,437,677	12,469,780
Accruals and deferred income	5,432,756	6,512,064
Derivative financial liability	20,519,593	22,449,752
	<u>134,755,663</u>	<u>150,425,757</u>

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 2020 is £110,990,568 (2019: £121,561,780). Issue costs of £2,063,557 (2019: £2,394,806) have been set off against the total loan drawdowns.

b) Amounts owed to Group undertakings - in 2007, Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited provided a loan of £18,361,000 to the Company at a margin over LIBOR. Instalments are repayable twice a year between 2007 and 2028. It is secured by second fixed and floating charges over the undertaking, property, assets and rights of the Company. The total amount of the loan outstanding at the balance sheet date was £11,507,025 (2019: £12,428,851). Repayment of the loan due in more than one year amounts to £10,474,923 (2019: £11,507,026).

At 31 December 2020 the Company's shares are held in trust by Project and Export Finance (Nominees) Limited as security for the senior loan.

Included within creditors: amounts falling due after more than one year is an amount of £46,589,206 (2019: £63,728,398) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

16. Provisions for Liabilities

	Deferred tax (note 17) £
At 1 January 2020	21,195,789
Movement through comprehensive income	952,296
At 31 December 2020	<u>22,148,085</u>

Consort Healthcare (Edinburgh Royal Infirmary) Limited

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

Year Ended 31 December 2020

17. Deferred Tax

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

	2020	2019
	£	£
Included in debtors (note 13)	3,898,723	3,816,458
Included in provisions for liabilities (note 16)	(22,148,085)	(21,195,789)
	<u>(18,249,362)</u>	<u>(17,379,331)</u>

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

	2020	2019
	£	£
Accelerated capital allowances	22,145,618	21,193,030
Short term timing differences	2,467	2,759
Derivative financial instruments	(3,898,723)	(3,816,458)
	<u>18,249,362</u>	<u>17,379,331</u>

	2020
	£
Opening balance	17,379,331
Movement through the profit or loss	952,296
Movement through other comprehensive income	(82,265)
Closing balance	<u>18,249,362</u>

The net deferred tax liability expected to reverse in 2021 is £2,219,726 (2020: £1,140,520). This primarily relates to the reversal of timing differences on capital allowances and short term timing differences.

18. Financial Instruments

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

	2020		2019	
	No.	£	No.	£
Ordinary shares of £0.10 each	<u>500,000</u>	<u>50,000</u>	<u>500,000</u>	<u>50,000</u>

Shares issued and fully paid

	2020		2019	
	No.	£	No.	£
Ordinary shares of £0.10 each	<u>500,000</u>	<u>50,000</u>	<u>500,000</u>	<u>50,000</u>

Consort Healthcare (Edinburgh Royal Infirmary) Limited

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

Year Ended 31 December 2020

19. Called Up Share Capital *(continued)*

Shares issued and partly paid

2020		2019	
No.	£	No.	£

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

20. Reserves

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

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

Retained earnings records retained earnings and accumulated losses.

21. Controlling Party

The immediate parent undertaking is Consort Healthcare (Edinburgh Royal Infirmary) Investments Limited.

The intermediate parent undertaking is Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Consort Healthcare (Edinburgh Royal Infirmary) Holdings Limited consolidated financial statements can be obtained from the Company Secretary at C/O Infrastructure Managers Limited, 2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF.

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.