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Company Registration No. 04508763 (England and Wales)

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

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THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

COMPANY INFORMATION

Directors	C McLeod A Dixon
Secretary	Vercity Social Infrastructure (UK) Limited
Company number	04508763
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	BDO LLP 55 Baker Street London W1U 7EU

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Fair review of the business
The principal activity of the Company is to finance, design, build, and operate the Coventry and Rugby University Hospital with the University Hospitals Coventry and Warwickshire NHS Trust "UHCW" and the Coventry and Warwickshire Partnership Trust "CWPT" (together the "Trusts").

Contract negotiations were successfully completed in December 2002 and construction commenced immediately. The concession period is for 40 years. The project has been fully operational since 2006.

The hospital is fully operational, however as described more fully below, CWPT awarded Service Failure Points ("SFPs") above those that have been self-declared by the Service Providers. As a result of these SFPs on 1 February 2023 CWPT issued a termination notice to the Company that stated it had terminated the Project Agreement as it applies to CWPT only, pursuant to the terms of the Project Agreement. On 25 April 2023 the Company's parent company, The Coventry and Rugby Hospital Company (Holdings) Limited, was put into Administration by the Credit Provider. The Administrators' proposals are to achieve a better outcome for the creditors as a whole than would be likely if the company was wound up. There has been a change in leadership team. The Coventry and Rugby Hospital Company Plc continues to provide the services and trade with UHCW, however there are also issues with service provision to this Trust. More information is given below.

Principal risks and uncertainties
The Company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the Company's performance. The directors have policies for managing each of these risks and they are summarised below:

Service performance risk
CWPT
Following the engagement by CWPT of a third-party consultant, SFPs and deductions over those that were self-reported were awarded in respect of alleged failure events and unavailability. To date these SFPs and Deductions have been passed down in full to the Service Provider.

On 1 February 2023 the Company received a termination notice from CWPT under the Project Agreement. By this termination notice the Trust terminated the Project Agreement as it applies to CWPT, with effect from 1 February 2023. CWPT did not elect to Retender the Project Operations and therefore the No Retendering Procedure under the Project Agreement is being followed. CWPT will be liable to pay the Company Compensation on Termination based on the Estimated Fair Value of the Agreement. The Company has calculated the Estimated Fair Value of the Agreement as at 1 February 2023 to be £85,553,937 to be paid by CWPT to the Company. This was communicated to the Trust on 3 March 2023. The Trust responded on 18 April 2023, stating that in its assessment the Estimated Fair Value of the Agreement ("EFVA") is negative £39,749,282 to be paid by the Company to CWPT. The Trust's assessment of the Estimated Fair Value of the Agreement is being investigated by the Company, however no details on the basis of the Trust's calculation of forecast service costs from the termination date to the end of the original contract, the Trust's termination costs or the Trust's view of the remediation costs, all of which are inputs to the calculation of the EFVA, have been made available to substantiate their assessment at the time of signing these financial statements.

If the parties cannot agree on the EFVA the matter may be referred to the Dispute Resolution Procedure under the Project Agreement. The final amount of EVFA may have a negative impact on the cashflow of the Company. Forecasts show that the Company can meet its liabilities as they fall due with the support of the Credit Provider, which has not been formally obtained.

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

UHCW
The Hard Service Provider, Vinci Construction Ltd ("Vinci"), submitted their Performance Monitoring Report for the month of December 2022, in which they declared that sufficient SFPs had accrued over the 6-month period July 2022 to December 2022 in respect of the service provided to UHCW to constitute an Event of Default (" EoD") under the Collateral Deed. Additionally, the level of SFPs declared is above the threshold for an Event of Hard Services Provider Default under the Hard Services Contract and a Project Co Event of Default under the Project Agreement. However, this report was rejected by Project Co. and the Trust due to inaccuracies. The December report was not resubmitted and no further Performance Monitoring Reports have been received. Therefore the current position on SFPs is unknown and there is no formal Project Co. Event of Default in place.

The Trust has made deductions in respect of these failures. These deductions, in addition to deductions withheld by the Coventry and Warwickshire Partnership Trust, have taken the value of cumulative deductions for the Contract Year to over 80% of the total Hard Service Provider Liability Cap. This is also an Event of Hard Services Provider Default under the Hard Services Contract.

Contractual breaches
In addition to the above EOD, at 31 December 2022 there was a shortfall in the required Buildings Lifecycle Reserve Account, required under the Collateral Deed. This constituted a Trigger Event under the Collateral Deed.

Under the Collateral Deed, the implications of an EoD are that the Credit Provider has a number of rights/remedies available to them. As a consequence, of these EoDs, the Creditor Provider directed the Security Trustee to enforce the security granted by the Company's holding company (The Coventry and Rugby Hospital Company (Holdings) Limited) ("HoldCo") in order to effect the appointment of administrators to HoldCo. HoldCo has a controlling shareholding in the Company. Administrators were appointed on 25 April 2023. The aim of this action was to ensure the best outcome for the creditors, this will be achieved through a change the leadership of the Company. There are EoDs still subsisting, therefore the Credit Provider still has the right to direct the remaining amounts due under the bonds to be immediately repaid in full. Therefore, these amounts are shown as due within one year.

As a consequence of the termination by CWPT the Credit Provider had the right to direct the Company to redeem the portion of the Bonds relating to CWPT, this is defined in the Finance Documents as 9.826590% of the Outstanding Principal Amount of each Bond together with accrued interest adjusted for indexation. As this portion of the Bonds was unhedged by Unitary Charge income, the Credit Provider directed the Company to redeem the Bonds on 18 September 2023. This payment has been made, but the Company was required to make use of the Reserve Accounts. This was approved by the Credit Provider. Forecasts show that the Company will not be able to fully fund the Reserve Accounts on the next Scheduled Payment date, or future Scheduled Payment dates. This will result in an ongoing Event of Default on each Scheduled Payment Date. The Credit Provider is aware of this and is currently supportive of the Company accessing the reserve accounts. A formal waiver for the future shortfalls has been obtained, however the Credit Provider reserves the right to withdraw the waiver in its absolute discretion at any time.

Major maintenance
The principal risk borne by the Company is that maintenance and lifecycle costs exceed those forecast in the financial model agreed at financial close. This risk is reduced by regular management review of actual expenditure against budget and periodic technical evaluations of the physical condition of the facilities.

Remediation work
The Board is aware that remediation work will be required in order to bring certain aspects of the hospital up to the condition required in the Project Agreement. A full survey has not yet been undertaken and therefore the extent and costs of these works is unknown. Some of these costs may be passed down to the sub-contractors, however it is likely that the Company will bear some of these costs. These costs therefore represent a contingent liability to the Company. Remediation works include, but are not limited to, a plan to replace sections of plastic hot water pipework. A Supplemental Agreement entered into on 25 June 2013, with the original building contractor, sets out a protocol for managing the pipework and allows the Company to recover losses, damages or reasonable expenses incurred as a consequence of defective plastic piping. Whilst this Supplemental Agreement extends the liability of the building contract until expiry of the Project Agreement, the Company is potentially exposed to availability deductions, litigation risk, including litigation costs, and potential cashflow risk in relation to procuring remediation works in advance of recovery against other parties.

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Availability
The project is funded primarily by bonds and subordinated unsecured loan stock. During the operational phase the source of funds available to the Company to meet its liabilities under the bonds is the unitary charge received under the Project Agreement. Failure to achieve the forecast levels of availability will result in lower than forecast unitary charge receipts and this may adversely affect the Company's ability to make payments to bondholders and subordinated debt holders. Deductions transacted in the year were £8,397,000 (2021: £7,659,000). The deductions and withholdings were passed down in full to the Service Providers, resulting in net deductions of £nil (2021: £nil). The deductions transacted in the year form part of the trade debtor balances that have been written off during the year, the remainder of the write off relates to deductions that were transacted in prior years.

The Company is able to pass deductions down to the respective Service Providers up to the Service Providers annual Liability Cap for each contract year (1 April to 31 March). Deductions for the contract year 2022-23 have now reached 100% of the Hard Service Provider's Liability Cap for that year. Therefore, any additional deductions for this year will have to be borne by the Company.

Service Provider failure
The likelihood of this risk is assessed through the review of service provider financial statements and discussions with the service providers. The Company currently considers the likelihood of this risk as low as there is no indication from the reviews of the financial statements. However, as continuity of service delivery is of paramount importance, the Company has a Business Continuity Plan which details how the Company would deal with a service provider failure. This includes directly employing staff and sub-contractors until a replacement sub-contractor is in place.

Going concern
The directors have concluded that until the EoDs described above have been formally waived or deemed remedied by the Credit Provider this issue represents a material uncertainty that could (in the event of Creditors then exercising their rights) cast significant doubt on the Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors have reviewed cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, including the impact of the partial termination of the Project Agreement by CWPT, the Company will have sufficient funds to meet its liabilities as they fall due. This will require the support of the Credit Provider as the Company will need to use the reserve accounts, the Credit Provider has provided a waiver to allow the Company to use these reserves, however the Credit Provider can withdraw this at any time with its absolute discretion. Cashflow forecasts covering the full concession indicate that in the medium to long term there may be a funding shortfall, currently there is no certainty that any funding shortfall will be supported by the Credit Provider. Therefore, notwithstanding the uncertainties described above, the directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. The directors consider that it is appropriate to prepare the accounts on a going concern basis.

Further information of the directors' assessment including the consideration of the impact of the partial termination of the Project Agreement by CWPT and the EoD is contained within note 1.2.

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Development and performance
Financial performance

Turnover in the year increased to £103,868,000 (2021: £89,688,000) mainly due to the cost of the services provided, to which the service margin is applied, having increased. This is mainly due to increased spend on lifecycle during the year.

Costs of sales has increased proportionately more than Turnover due to an increase in passthrough costs, on which no margin is recognized. The increase has been driven by higher Hard FM deductions recognized and higher Variation costs and bad debt provisions and impairment loss recognised.

A bad debt provision of £10,686,000 has been made in relation to certain amounts due from CWPT in relation to the Unitary Charge due where this Trust has written to the Company stating that they are withholding amounts due to deficiencies in service provision. In addition, at 31 December 2022 £14,610,000 of trade creditors were derecognised. This relates to amounts invoiced by the Hard Services Provider that the Company believes it no longer has an obligation to pay under the Hard Services Contract due to the Hard Service Provider failing to fulfil its obligations under this contract. The figures differ due to invoices paid to CWPT for deductions and accrued income relating to deductions being derecognised.

An impairment loss of £20,780,000 (2021: nil) has been recognised against the CWPT portion of the Finance Debtor and Accrued Service Concession Income balances. Given the level of Compensation on Termination due to the Company following the termination of the CWPT portion of the Project Agreement is still being discussed as described in the Service Performance section of the Strategic Report - there is evidence that these balances may not be recoverable and therefore the impairment loss has been recognised.

Interest receivable increased to £43,029,000 (2021: £19,219,000) mainly due to the indexation factor applied to the Finance Debtor being higher than in the prior year.

Bond interest payable, which is also index-linked, increased to £58,396,000 (2021: £25,093,000), due to the higher indexation. Interest on subordinated debt has decreased to £4,470,000 (2021: £6,159,000) which is due to the introduction of an effective interest rate adjustment of £2,616,000 credit to the income statement. In accordance with the unsecured subordinated loan notes 2042, the unpaid interest was added to the outstanding balance and hence the average amount outstanding was higher for 2022 than for 2021. The subordinated debt balance as at 31 December 2022 was £54,155,000 (2021: £47,072,000) made up of £32,608,000 principal (2021: £32,608,000) and £21,547,000 accrued interest (2021: £14,464,000).

The impact of these movements has resulted in a loss before tax of £34,233,000 (2021: loss of £384,000) for the year on a turnover of £107,005,000 (2021: £89,688,000).

Financial position
At 31 December 2022 the Company had net liabilities of £66,526,000 (2021: net liabilities of £40,801,000).

During the year, the Company repaid £7,813,000 of the Index Linked Secured Guaranteed Bonds (the "Bonds"). In the previous financial year, the Company repaid a total of £16,233,000. Scheduled loan repayment dates are 30 June and 31 December each year. As 31 December 2022 fell on a non-working day, payment of £8,439,000 was made on 3 January 2023, this was in line with the terms and conditions of the bond.

The company has not repaid any of the subordinated unsecured loan stock as scheduled repayments do not commence until 2042.

The finance debtor amortisation during the year was £7,293,000 (2021: £6,875,000). This is being amortised over the life of the concession and the carrying value at the reporting date is £263,340,000 (2021: £294,694,000). The reduction is higher than the amount amortised as £24,062,000 relates to the Finance Debtor for CWPT and as the recoverability of this asset is not certain an impairment loss has been recognized against this balance. The directors believe the finance debtor relating to UHCW to be recoverable over the term of the Project Agreement based on projected cashflows and given the fact that despite the issues with service provision, there is no formal Project Co. Event of Default that would give the Trust the right to terminate the contract. A Project Co. Event of Default would give the Trust the right to terminate the contract.

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Key performance indicators
Financial penalties are levied by the Trusts in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service providers but the quantum is an indication of unsatisfactory performance. During the financial year deductions totalling £8,397,000 (2021: £7,659,000) were levied by the Trusts and passed onto the service providers. These deductions amounts to10.2% (2021: 8.61%) of the service revenue earned from the Trusts in the year.

The level of deductions, which at the time of signing stand at 9% of the liability cap for the contract year 2023 to 2024, indicate that issues with service provision are continuing, the board is fully engaged in working with the service providers to rectify this.

Section 172 Companies Act 2006 Statement
The directors have a duty to promote the success of the Company for the benefit of the shareholders as a whole and to describe how this duty has been performed with regard to those matters set out in section 172 of the Companies Act 2006 ("section 172"). They are also aware of their duties to Creditors under the Insolvency Act 1986. The directors also owe certain duties to creditors.

The directors have identified the Company's main stakeholders as the following:

i. The client
The board recognises the importance of working in partnership with its public sector clients, the Trusts, to successfully deliver a key public infrastructure asset. On behalf of the company, the manager fosters this partnership through regular meetings with the client representatives and other key managers. The manager provides regular monthly reporting to the public sector clients on the performance of its obligations under the PFI arrangement. Periodically the directors will also meet with the public sector clients to discuss key service delivery matters.

As noted previously, post year end CWPT chose to terminate their element of the PFI.

However, the directors are fully engaged in working with UHCW to rectify the current issues surrounding service provision. The directors are in regular contact with UHCW.

ii. The Company's shareholders, bondholders and Credit Provider
Principal considerations of the board are whether the investment objective of the Company is meeting creditor and bondholder expectations and how the manager implements the objective. These are discussed at all board meetings, which are held regularly throughout the year.

The Bonds are secured by an irrevocable financial guarantee policy issued by MBIA Assurance S.A (succeeded by Assured Guaranty (London) Limited), the Credit Provider. The Board regularly discusses the obligations under this policy and how the manager is fulfilling these at board meetings and through engagement with the senior management of the manager. The board frequently engages with the Credit Provider and keep them updated on matters as required.

iii. The service providers
On behalf of the Company, the manager seeks to maintain a constructive relationship with the service providers by meeting regularly. The service provider reports provided to the company contain service provision information and relevant information about the performance of the PFI contract. These reports are reviewed by both the manager and the board. The directors meet regularly with the service providers to discuss how they can support in improving the service provision.

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iv. The manager
The Company has outsourced the management of the Company to Vercity Social Infrastructure (UK) Limited ("Vercity"), the manager. The delivery by the manager of its services is fundamental to the long term success of the Company. The board seeks to engage regularly with the manager through a number of forums, including at board meetings, portfolio briefings and through engagement with the manager's senior leadership team. Regular reporting is provided to the board by the manager, which will alert the board to changes to regulation or market practice, which will inform the board's decision making.

Throughout the year the board has made due consideration during its discussions and decision-making of the matters set out in section 172. Since the Administration of the Holding company there has been a change in the leadership team. The new Board members have also made due consideration to the matters set out in section 102. Below is a description of how the directors have had regards to these matters when performing their duties:

(a) The likely consequences of any decision in the long term
In working closely with the manager the long term consequences of decisions are continually and carefully considered. Long term decisions taken by the Board during the year included tendering Hard FM services and engaging additional support to deal with the ongoing dispute with CWPT and considered the impact this has on the Company. Since the balance sheet date, CWPT have terminated the Project Agreement relating to that Trust and the Holding company has been put into administration to facilitate a change in leadership team with an aim to achieve the best outcome for the creditors. The new leadership team is currently planning the best strategy for the Company and are in regular contact with the creditors to discuss the future consequences of any direction that may be taken.

(b) The interests of the Company's employees
As an externally managed company, the Company's activities are all outsourced and therefore it does not have any direct employees. Due regard is given to the interests and safety of all those engaged by contractors to the Company to perform services on its behalf. The Company undergoes annual external health and safety reviews and the directors undertake regular health and safety inspections.

(c) The need to foster the Company's business relationships with suppliers, customers and others
The Company is committed to upholding the underlying principle of PFI of working in partnerships with all parties to the arrangement. As noted above, the Company has policies and procedures to ensure regular communication is maintained between the parties and to ensure that the supply chain is managed effectively in order that Company's obligations to its public sector clients and service providers can be upheld.

(d) The impact of the Company's operations on the community and the environment
The Company has very limited direct impact on the environment as it has no greenhouse gas emissions. Notwithstanding that the Company is committed to minimising environmental disruption from its activities. The board upholds the Company's environmental policy in all its activities and requires all parties to the arrangement to do the same.

The board recognises that the Company is a key partner in the delivery of public infrastructure and encourages its partners in considering and delivering Environmental, Social and Governance (ESG) values and initiatives to achieve socially responsible investing.

(e) The desirability of the Company maintaining a reputation for high standards of business conduct
The Company is committed, in its day to day operations and dealings with all affiliates to uphold the highest standard of business conduct and integrity. The directors are not responsible for setting a "business culture" in the traditional sense, but are committed to understanding the culture of the manager and service providers and raise any concerns in this regard if necessary.

(f) The need to act fairly between members of the Company
The Company is immediately solely owned by one member and therefore has no fairness considerations as between members in decision making.

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THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are cognisant of their duty under s172 in their deliberation as a board on all matters Decisions made by the board take into account the interests of all the Company's key stakeholders and reflect the board's belief that the long term sustainable success of the Company is linked directly to its key stakeholders.

On behalf of the board

Andrew Dixon
....

A Dixon
Director
14-Dec-2023

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The directors present their annual report and audited financial statements for the year ended 31 December 2022.

Results and dividends

The results for the year are set out on page 18.

No ordinary dividends were paid. (2021: nil). The directors do not recommend payment of a final dividend. (2021: nil).

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr B Dean	(Resigned 26 April 2023)
Mr M Fry	(Resigned 26 April 2023)
Mrs S Clark	(Resigned 26 April 2023)
Mr D J Brooking	(Resigned 26 April 2023)
C McLeod	(Appointed 25 April 2023)
A Dixon	(Appointed 25 April 2023)

Supplier payment policy

The Company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the Company's contractual and other legal obligations.

Trade creditors of the Company at the year end were equivalent to 33 (2021: 61) days purchases, based on the average daily amount invoiced by suppliers during the year. The decrease is due to amounts contractually withheld from the Service Provider being derecognised, as explained in the Strategic Report.

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Financial risk management objectives and policies

Liquidity Risk
The Company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring sufficient liquid resources to meet operating needs. At the start of the PFI contract, Indexed Linked Secured Guaranteed Bonds were issued, negotiated to ensure that the Company has sufficient funds over the life of the PFI concession. The Bonds are linked to the Retail Price Index ('RPI'). As the Unitary Charge income received from the Trusts is also linked to RPI, the board does not consider future changes to RPI will significantly impact the Company.

The Strategic Report indicates that there may be further deductions from the Unitary Charge. These will be passed down to the Service Providers to the fullest extent possible. There is a risk that these deductions breach the Service Provider Liability Caps and have to be borne by the Company. At the date of signing, Deductions for the contract year 1 April 2022 - 31 March 2023 have reached 100% of the Hard Services Provider Liability Cap, therefore any further deductions for this contract year will be borne by the Company. Deductions for the contract year 1 April 2023 - 31 March 2024 are currently at 9% of the Hard Services Provider Liability Cap. The Company is working with the Trust and the Service Providers to rectify service provision issues and so minimise the risk of deductions.

A further risk to the liquidity of the Company is the amount of compensation received or due because of the partial termination of the Project Agreement by CWPT, as further described in the Strategic Report. The risk is that the eventual settlement of the claims between the Company and CWPT adversely affects Company's cashflow.

As a consequence of the post year end CWPT partial termination, the Credit Provider had the right to require the Company to partially redeem the bonds. This was effected on 18 September 2023, with the Company partially using the reserve accounts to fund this redemption. Forecasts show that the Company will not be able to fully fund the reserve accounts to the required contractual levels going forward and forecasts indicate additional funding may be required. This represents another liquidity risk as it reduces the liquidity cushion held.

Interest Rate and Inflation Risk
The Company is exposed to interest rate risk on bank balances with floating interest rates. However the directors do not consider this exposure to be significant.

The unsecured subordinated loan note has a fixed rate until 2042, however the senior debt is index linked. The bonds are linked to RPI, as Unitary Charge income is also linked to RPI, the inflation risk on the bonds is partially mitigated.

Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for another party by failing to discharge an obligation. The UHCW Trust is now the only client of the Company. The directors consider that no significant risk arises from such a small client base since there are no indications that the Trust will not be able to fulfil its obligations. In addition the Secretary of State for Health has underwritten the Trust's obligations. During the year CWPT used contractual mechanisms to reduce payments to the Company. The non-payment has not been fully accepted by the Company. There is a risk that the remaining Trust could also levy deductions over the amount that the Company can pass down to the Service Providers. The carrying value of the finance debtor is £263,340,000 (2021: £294,694,000) and the carrying value of cash at bank is £117,521,000 (2021: £91,893,000). These balances represent the maximum expected credit exposure.

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Post Balance Sheet Events
On 1 February 2023 the Company received a termination notice from the Coventry and Warwickshire Partnership Trust ("CWPT"). By this termination notice the Trust stated that it had terminated the Project Agreement in its entirety as it applies to CWPT only, pursuant to the terms of the Project Agreement, and that such termination took effect on 1 February 2023. The Company will therefore provide services to University Hospital Coventry and Warwickshire Trust ("UHCW") only going forward.

Given the level of Compensation on Termination receivable by the Company is unknown, the recoverability of the Finance Debtor and Accrued Service Concession Income is uncertain, therefore an impairment loss has been recognized against these balances, further information is given in note 19.

Following a termination by CWPT, the Credit Provider can direct the Company to redeem the CWPT Portion of the outstanding principal amount of the Bonds. The Credit Provider directed the company to do this and the CWPT portion of the Bonds were redeemed on 18 September 2023. The remaining Bonds are also presented as due within one year as there are continuing Events of Default under the Collateral Deed, that confer on the Creditor Provider the ability to require the Company to immediately pay the amounts due relating to the Bonds.

On 25 April 2023 the Company's parent company, The Coventry and Rugby Hospital Company (Holdings) Limited, was put into Administration by the Credit Provider. This has facilitated a change in leadership team, with an aim to achieve the best outcome for the creditors. The Coventry and Rugby Hospital Company Plc continues to carry on providing services and to trade normally with the remaining client, UHCW.

Auditor
In accordance with the Company's articles, a resolution proposing that BDO LLP be reappointed as auditor of the company will be put at a General Meeting.

Energy and carbon report
The provision of services under the contract are not deemed to relate to energy consumed by the Company nor is it within its operational control. The Company has therefore excluded such activities from its reporting. The Company itself is considered to be a low energy user and therefore energy and carbon information for the company has not been disclosed.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the board

Andrew Dixon
....
A Dixon
Director

14-Dec-2023
Date: ....

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis and 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.

Directors' responsibilities pursuant to DTR4
The directors confirm to the best of their knowledge:

- The financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.
- The annual report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

Disclaimer of Opinion on the Company Financial Statements

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements of The Coventry and Rugby Hospital Company Plc ("the Company") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, Statement of Changes in Equity, the Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for disclaimer of opinion

We do not express an opinion on the Company financial statements, as we have been unable to conclude on the going concern basis of preparation of the Company financial statements based upon the following matters and their potential impact on the valuation and timing of the cash outflows of the Company.

1. Termination Compensation

As disclosed in note 1.2 to the Company financial statements, on 1 February 2023 the Company received a termination notice from the Coventry and Warwickshire Partnership Trust ("CWPT"), with the termination taking effect from 1 February 2023. As a result, CWPT will be liable to pay the Company compensation on termination, based upon the Estimate Fair Value of the Agreement ("EFVA"). The Company has calculated the EFVA as at 1 February 2023 to be £85.6m to be paid by CWPT to the Company. The Trust has assessed the EVFA to be £39.7m to be paid by the Company to CWPT. There is no certainty over the value and timing of any potential cash outflow and the Company has reflected no cash outflow in its projections.

As a result of uncertainty of the valuation of the final EFVA, we have therefore been unable to obtain sufficient appropriate audit evidence on the potential valuation and timing of any settlement and the timing and method of any funding that may be necessary to settle any potential cash outflow.

2. Rectification Works

As disclosed in note 16 to the financial statements, work is currently ongoing to assess the rectification costs at University Hospitals Coventry and Warwickshire NHS Trust ("UHCW") for assets that had fallen below the condition required in the Project Agreement. This process has yet to come to a conclusion and professional costings of the works have not yet been prepared.

In the absence of such professional costings, there is an uncertainty over the valuation of rectification works and the timing of any cash outflows relating to these, and we have therefore been unable to obtain sufficient appropriate audit evidence on the potential valuation and timing of the payments required to maintain the Hospital to the required condition, and the timing and method of any funding that may be necessary to settle any potential cash outflow.

3. Forecast Additional Funding Requirements

The forecasts prepared by the Directors show that the Company will require additional funding at a later stage in the project, beyond the twelve months from the date of approval of the financial statements referred to in note 1.2 for the consideration of going concern. The timing and value of the additional funding required cannot currently be quantified due to the potential adverse impact that the termination compensation and recertification works could have on the cash flows of the Company, as noted above. If the Credit Provider were to withdraw its support of the Company, the Company would need to seek alternative sources of funding to meet any shortfall in funding requirements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

Additional matters

Notwithstanding that we do not express an opinion on the Company financial statements as a result of the matter noted above, during the course of our audit we identified additional matters over which we were unable to obtain sufficient audit evidence in respect of and which would have result in a qualified opinion on the Company financial statements had our opinion not been disclaimed:

Finance Debtor Valuation and Recoverability of Accrued Service Concession Income

The Finance Debtor balance amounting to £263m and Accrued Service Concession Income amounting to £36m have been recognised as Financial Assets. As disclosed in note 1.4 to the financial statements, Financial Assets are impaired where this objective evidence that estimated future cash flows have been affected.

The directors have prepared a cash flow forecast to assess the future cash flows, however, as a result of being unable to obtain sufficient appropriate audit evidence on the potential valuation and timing impact of the recertification works on the estimated future cash flows for the Company as set out in the above paragraphs, we are unable to determine whether the Finance Debtor and the Accrued Service Concession Income balances should also be impaired when using the cash flow forecast in this assessment. Therefore, we are unable to obtain sufficient appropriate evidence as to whether the assets are overstated or to determine the potential impact on the result for the financial year for any unrecorded impairment charge.

Deferred Tax Recoverability

A deferred tax asset balance amounting to £19m has been recognised on the balance sheet in respect of timing differences on taxable losses. As disclosed in note 2 to the financial statements, the carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

In considering the recoverability of the deferred tax asset the directors have prepared a forecast to assess the future profits of the Company. However, as a result of being unable to obtain sufficient appropriate audit evidence on the potential valuation and timing impact of the termination compensation and rectification works on the estimated future profits for the Company as set out above, we are unable to determine whether a provision should be made in respect of this deferred tax asset balance. Therefore, we are unable determine whether the deferred tax asset is overstated or the potential impact of any unrecorded provision on the results for the financial year.

Going concern

Notwithstanding that we do not express an opinion on the financial statements as a result of the matters noted above, we draw attention to 1.2 to the financial statements concerning the Company's ability to continue as a going concern which explains that the directors have reviewed cash flow forecast covering the concession period and noted that the Company will need the continued support of the Credit Provider to use reserve accounts at each scheduled payment date to enable it to have sufficient funds to meet its liabilities as they fall due. The use of such reserve accounts constitutes an Event of Default under the terms of the Collateral Deed.

The Credit Provider has provided a waiver in respect of such an Event of Default to allow the Company to transfer funds in order to maintain the minimum reserve balances required in the Collateral Deed and waive any potential Events of Default caused by failure to maintain the required reserve balances in the future. However, the Credit Provider reserves the right to revoke this waiver at its discretion at any time.

If the waiver were revoked by the Credit Provider, this would give the Credit Provider the right to demand repayment in full of the remaining amounts owed under the Collateral Deed. As the Credit Provider reserves the right to revoke this waiver in its discretion at any time and because additional funding required cannot currently be quantified, the directors have concluded that these events or conditions indicate that material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include any adjustments that may be necessary if the Company is not a going concern. As we do not express an opinion on the financial statements, we have been unable to conclude on the going concern basis of preparation of the financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

Other Companies Act 2006 Reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	Because of the significant of the matters described in the Basis for disclaimer of opinion section of our report, we have been unable to form an opinion whether based on the work undertaken in the course of the audit: · the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and · the strategic report and directors' report have been prepared in accordance with applicable legal requirements. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report above, we are unable to conclude in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, whether there are any material misstatements in the Strategic report or the Directors' report.
Matters on which we are required to report by exception	Arising from the limitation of our work referred to above: · we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and · we were unable to determine whether adequate accounting records have been kept. Notwithstanding the matters set out in the Basis for our disclaimer of opinion section of our report above, we have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: · returns adequate for audit have not been received from branches not visited by us; or · the Company financial statements are not in agreement with the accounting records and returns; or · certain disclosures of Directors' remuneration specified by law are not made.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

Auditor's responsibilities for the audit of the financial statements
Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company 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.

Extent to which the audit was capable of detecting irregularities, including fraud
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:

Non-compliance with laws and regulations
Based on our understanding of the Company and the industry in which it operates, discussion with management and those charged with governance and obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations, we considered the significant laws and regulations to be the applicable accounting framework and the Companies Act 2006.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations; and
- Agreement of the financial statement disclosures to underlying supporting documentation.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

Irregularities including fraud
We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud; and
- Discussion among the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management bias in accounting estimates and posting inappropriate journal entries to manipulate the fair value of the Company's assets (management override of controls).

Our procedures in respect of the above included:

- Challenging assumptions and judgements made by management in areas involving significant estimates, with the key sources of estimation identified as the determination of service margin and lifecycle costs; and
- We tested journal entries based on identified characteristics the audit team considered could be indicative of fraud, as well as large and unusual transactions based upon our knowledge of the business by agreeing to supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it. In addition, the extent to which the audit was capable of detecting irregularities, including fraud was limited by the matters described in the Basis for disclaimer of opinion section of our report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Cassie Forman-Kotsapa

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Cassie Forman-Kotsapa (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

Dated: 14 December 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Turnover	3	103,868	89,688
Cost of sales		(99,935)	(77,209)
Gross profit		3,933	12,479
Exceptional one-off items			
Impairment of Finance Debtor relating to CWPT		(20,780)	-
Trade Debtor Impairment		(8,905)	-
Trade Creditor Derecognition		12,175	-
Operating (loss)/profit		(13,577)	12,479
Interest receivable and similar income	7	43,029	19,219
Interest payable and similar expenses	8	(63,685)	(32,082)
Loss before taxation		(34,233)	(384)
Tax on loss	9	8,558	2,718
(Loss)/profit for the financial year		(25,675)	2,334
Other comprehensive income		-	-
Total comprehensive (expense)/income for the year		(25,675)	2,334

The statement of comprehensive income has been prepared on the basis that all operations were continuing operations at the balance sheet date.

After the balance sheet date the operations relating to the CWPT Trust were discontinued, this is further explained in Note 19.

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

BALANCE SHEET

AS AT 31 DECEMBER 2022

		2022		2021	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Current assets					
Debtors falling due after more than one year	**10**	312,137		298,584	
Debtors falling due within one year	**10**	16,200		30,764	
Short term deposits	**11**	10,036		-	
Cash at bank and in hand		107,485		91,893	
		445,858		421,241	
Creditors: amounts falling due within one year	**12**	(506,956)		(460,950)	
Net current liabilities			(61,098)		(39,709)
Provisions for liabilities					
Provisions	**14**	5,378		1,092	
			(5,378)		(1,092)
Net liabilities			(66,476)		(40,801)
Capital and reserves					
Share capital	**17**		50		50
Profit and loss account			(66,526)		(40,851)
Total shareholders' funds			(66,476)		(40,801)

The financial statements were approved by the board of directors and authorised for issue on 14-Dec-2023 and signed on its behalf by:

Andrew Dixon

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A Dixon

Director

Company Registration No. 04508763

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Profit and Loss Account	Total
	£'000	£'000	£'000
Balance at 1 January 2021	50	(43,185)	(43,135)
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	2,334	2,334
Balance at 31 December 2021	50	(40,851)	(40,801)
Year ended 31 December 2022:			
Loss and total comprehensive income for the year	-	(25,675)	(25,675)
Balance at 31 December 2022	50	(66,526)	(66,476)

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2022 £'000	2021 Unaudited £'000	2021 £'000
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	21		(2,797)		23,711
Income taxes paid			(1)		-
Net cash (outflow)/inflow from operating activities			(2,798)		23,711
Investing activities					
Net movement in amounts on short term deposits		(10,036)		-	
Interest received		43,029		19,219	
Net cash generated from investing activities			32,993		19,219
Financing activities					
Repayment of bank loans		(7,813)		(16,233)	
Bond Interest		(6,790)		(13,352)	
Net cash used in financing activities			(14,603)		(29,585)
Net increase in cash and cash equivalents			15,592		13,345
Cash and cash equivalents at beginning of year			91,893		78,548
Cash and cash equivalents at end of year			107,485		91,893

The 2021 comparative figures have not been audited as the Company was not required to present a Statement of Cash flows in the prior year.

As the Holding Company is in administration , no consolidated accounts will be produced, therefore the Company could not take the exemptions available for the current year in accordance with the Companies Act 2006.

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

The Coventry and Rugby Hospital Company Plc is a private company limited by shares incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

In the prior year the Company was a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements including this Company and therefore took advantage of exemptions from several disclosure requirements. Now that the parent company is in Administration the consolidated accounts of that company will not be available. Therefore, the Company is no longer exempt from presenting a cash flow and related notes. Therefore, these statements and notes form part of the financial statements for this year. The prior year are presented but have not been audited.

1.2 Going concern

Following the engagement by CWPT of a third-party consultant, the Trust awarded SFPs and deductions over those that were self-reported by the Hard FM Service Provider in respect of alleged failure events and unavailability. To date these SFPs and Deductions have been passed down in full to the Service Provider.

On 31 January 2022 the Trust referred the matter to Adjudication, part of the Dispute Resolution Procedure available to them under the Project Agreement. The Trust was seeking clarification whether and to what extent the Failure Events and Unavailability have arisen and their entitlement to award SFPs and Deductions. An interim decision was received on 25 April 2022 in which it was ruled that due to a lack of maintenance the Trust was able to levy deductions and SFPs for Unavailability, Failure Events and Failure to Report under the Project Agreement. The final decision was received on 23 May 2022. The final decision found that the level of deductions between October 2020 and November 2021 was £7,152,000 These deductions have been passed down to the Subcontractor under the terms of the Hard Service Contract. The level of SFPs totalled 431,130 from November 2020 and November 2021. Performance issues persisted resulting in further SFPs and Deductions being awarded by the Trust. The level of points resulted in Project Co. Events of Default ("EoD") under the Project Agreement, which gave the Trust the right to terminate the Project Agreement. This level of SFPs also exceeds the thresholds for an EoD under the terms of the Collateral Deed.

An EoD gives CWPT the right to terminate the agreement as it applies to that Trust only. On 22 June 2022 CWPT served a Termination Notice in relation to the issues. Under the Termination Notice, CWPT gave the Security Trustee notice that an EoD had occurred and stated that CWPT was entitled to terminate the Project Agreement as it relates to CWPT after the Required Period. The Required Period under the Funders Direct Agreement is 60 Business Days commencing on the date of the Termination Notice. A similar Termination Notice was served to the Security Trustee and Credit Provider on 5 August 2022. The serving of a Termination Notice under the Funders Direct Agreement is an EoD under the Collateral Deed.

1 Accounting policies (Continued)

The first termination notice stated a termination date of 31 October 2022; a Standstill Agreement was entered into on 17 October 2022 to extend this to 21 November 2022. On 21 November 2022 a further Standstill Agreement was entered into until 31 January 2023. During this time settlement discussions took place between the Company and CWPT, with a view to avoiding termination. However, on 1 February 2023 the Company received a termination notice from CWPT under the Project Agreement. By this termination notice the Trust stated that it had terminated the Project Agreement in its entirety as it applies to CWPT only, pursuant to the terms of the Project Agreement, and that such termination took effect on 1 February 2023. CWPT did not elect to Retender the Project Operations and therefore the No Retendering Procedure under the Project Agreement is being followed. CWPT will be liable to pay the Company Compensation on Termination based on the Estimated Fair Value of the Agreement. The Company has calculated the Estimated Fair Value of the Agreement as at 1 February 2023 to be £85,553,937, being the amount owed by CWPT to the Company as a result of the termination. This was communicated to the Trust on 3 March 2023. The Trust responded on 18 April 2023, stating that in its assessment the Estimated Fair Value of the Agreement ("EFVA") is negative £39,749,282, being the amount owed to the Trust as a result of the termination. The Trust's assessment of the Estimated Fair Value of the Agreement is being investigated by the Company, currently the Company does not agree with this assessment.

The implications of an EoD under the Collateral Deed are that the Credit Provider has a number of rights/ and remedies available to it. As a consequence, of these Events of Default, the Credit Provider directed the Security Trustee to enforce the security granted by the Company's holding company (The Coventry and Rugby Hospital Company (Holdings) Limited) ("HoldCo") in order to effect the appointment of administrators to HoldCo. HoldCo owns all of the shares in the Company. Administrators were appointed on 25 April 2023. The aim of this action is to achieve an improved outcome for the Bondholders. This will be achieved through a change in leadership.

As a consequence of the termination by CWPT the Credit Provider had the right to direct the Company to redeem the portion of the Bonds relating to CWPT, this is defined in the Finance Documents as 9.826590% of the Outstanding Principal Amount of each Bond together with accrued interest adjusted for indexation. As this portion of the Bonds now remained unhedged by Unitary Charge income, the Credit Provider directed the Company to redeem the Bonds on 18 September 2023. This payment has been made, but the Company was required to make use of the Reserve Accounts, this was approved by the Credit Provider. Forecasts show that the Company will not be able to fully fund the Reserve Accounts on the next Scheduled Payment date, or future Scheduled Payment dates. This will result in an EoD on each Scheduled Payment Date. The Credit Provider is aware of this and have so far been supportive of the Company using funds standing to the credit of the Reserve Accounts. The Credit Provider has provided a waiver to allow the future use of the reserve accounts, this can be withdrawn at their discretion, and although the Board expect their continued support this does pose a material uncertainty to the going concern of the Company. There are no implications under the Project Agreement as a result of these Collateral Deed EoDs.

Further rights available to the Credit Provider include requiring that the remaining amounts owing under the Collateral Deed are immediately repaid in full. The directors are in regular and continuing discussions with the Credit Provider which remains supportive at the time of signing the financial statements.

The impact of the above circumstances on the balance sheet at 31 December 2022 is to classify the outstanding amounts of the bond as a current liability because the Company does not have an unconditional right to avoid repayment for at least 12 months at the balance sheet date. As a result, £376,129,000 of bonds which would otherwise be classified as 'Creditors: Amounts due after more than one year' have been included in 'Creditors: Amounts due within one year'.

1 Accounting policies **(Continued)**

In addition, under the terms of the subordinated loan notes, as a result of the EoD the Company's subordinated debt also becomes repayable on demand. Therefore, £32,608,000 of Loans from Group undertakings has been classified as current at 31 December 2022.

The Credit Provider is updated regularly by the directors to ensure that they are kept informed of the issues. In addition, the Finance Documents contain covenants with regard to financial performance. The directors have reviewed cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which have included different scenarios relating to the amount of Compensation on Termination that the Company may receive. These indicate that, so long as there is no acceleration of debt, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. However,this will require the use of some of the funds held in the reserve accounts, which the Credit Provider is aware of. The downside scenarios have assumed/include the following:

- the potential consequences of revenue deductions for service delivery failures that cannot be passed down to the Service Providers;
- the associated costs for further operational improvement and legal activity;
- the potential rectification costs of the facilities that offset the amount of compensation received;
- the Credit Provider will not accelerate the repayments of principal; and
- the Credit Provider continues to allow the use of reserve accounts, for which a formal waiver has been received, but the Credit Provider reserves to right to withdraw.

The Company's operating cash inflows are dependent on unitary charge receipts receivable from UHCW and the directors expect these amounts to be received even in severe but plausible downside scenarios. Since the year end, deductions totalling 3.1% of the Unitary Charge have been withheld by the Trusts, these have been passed down to the Service Providers in full.

The directors have assessed the viability of its main sub-contractors and reviewed the contingency plans of the sub-contractors and are satisfied in their ability to provide the services without significant additional costs to the company, even in downside scenarios. However, in the unlikely event of a subcontractor failure, the Company has its own business continuity plans to ensure that service provision will continue.

The directors have concluded that until the EoD has been formally waived or deemed remedied by the Credit Provider and also until the value of the EFVA has been agreed, these issues represent a material uncertainty that could cast significant doubt on the Company's ability to continue as a going concern and that therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. This will require the support of the Credit Provider as the Company will need to use the reserve accounts, the Credit Provider has provided a waiver to allow the Company to use these reserves, however the Credit Provider can withdraw this at any time with its absolute discretion. Cashflow forecasts covering the full concession indicate that in the medium to long term there may be a funding shortfall, currently there is no certainty that any funding shortfall will be supported by the Credit Provider. Consideration has also been given to the cost of rectifications identified at UHCW. Nevertheless, after considering the uncertainties described above, and notwithstanding the Company having net liabilities of £66,476,000, the directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. For these reasons, the directors consider that it is appropriate to prepare the accounts on a going concern basis.

1.3 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Income received in respect of the service concession is allocated between revenue and capital repayment of, and interest income on, the PFI financial asset using the effective interest rate method. Service revenue is recognised as a margin on non-pass-through operating and maintenance costs.

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1 Accounting policies **(Continued)**

Pass through income represents the direct pass through of recoverable costs, as specified in the Project Agreement.

Variation income relates to the recharge of costs incurred for the alteration of the facilities or the services provided, requested by the Trusts.

1.4 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Recoverability of trade and other debtors is performed on an invoice by invoice basis, reviewing evidence received from suppliers on whether invoices will be paid. Given that CWPT has written to the Company to withhold amounts from the unitary charge invoices in relation to deficiencies in performance there is evidence that these invoices will not be paid and therefore bad debt provisions have been made against these.

Accrued service concession income

Accrued service concession income relates to future periods income for services already performed.

Cash and short term deposits

Cash and cash equivalents comprise cash balances and call deposits with a maturity less than 3 months. Short term deposits comprise of deposits with a maturity of more than 3 months.

Restricted cash

The Company is obligated to keep separate cash reserves in respect of requirements in the Company's funding agreements. The restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £84,805,000 at the year end (2021: £87,027,000). A further £10,000,000 of restricted cash is held in short term deposits (2021: nil).

1 Accounting policies **(Continued)**

Service Concession

The Company is an operator of a Private Finance Initiative ("PFI") contract. The Company entered into a project agreement (the "Contract") with the University Hospital Coventry and Warwickshire NHS Trust and the Coventry and Warwickshire Partnership Trust (together the "Trusts") to finance, design, build, operate and maintain the new Coventry and Rugby University Hospital and Caludon Centre. The contract negotiations were successfully completed in December 2002 and construction commenced immediately. The project has been fully operational since 2006. The concession period is for 40 years. During this period the Company has contracted to provide hard, soft and equipment services to the Trusts. The Company has passed these obligations down to Vinci construction UK Plc, ISS Mediclean Limited and GE Healthcare Limited respectively via subcontracts.

The contract does not entitle the Trusts to any share of the profits of the Company. The Trusts are entitled to terminate the contract at anytime by giving three month's written notice. If the Trusts exercise this right they are liable to pay the Company compensation as set out in the contract, which would include the senior debt, redundancy costs and other FM provider losses and the market value of the subordinated debt.

As the Company entered into the contract prior to the date of transition to FRS102, the Company has taken advantage of the exemption in section 35.10 (i) of FRS102 which permits it to continue to account for the service concession arrangements under the accounting policies adopted under previous UK GAAP. In particular, the underlying asset is not deemed to be an asset of the Company under previous UK GAAP, because the risks and rewards of ownership as set out in that standard are deemed to lie principally with the Trusts. During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor.

During the operational phase the Trusts pay the Company a fixed unitary charge payment, as determined in the contract, that is inflated by RPI each year. Income is allocated between interest receivable and the finance debtor using a project specific interest rate. This interest rate is inflated in line with the inflation on the Bond. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The Company recognises revenue in respect of the services provided, including lifecycle services, the costs of which are recognised as incurred, as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss. An impairment loss has been recognized against the CWPT portion of the Finance Debtor and the Accrued Service Concession Income balances.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies **(Continued)**

Classification of financial liabilities
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 company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans and loans from fellow group entities are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

1.5 Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

1.6 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
Tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax
Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies **(Continued)**

1.7 Provisions

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

2 Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements
The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Recoverability of Finance Debtor
An impairment loss of £20,780,000 (2021: nil) has been recognised against the CWPT portion of the Finance Debtor and Accrued Service Concession Income balances. Given the level of Compensation on Termination due to the Company following the termination of the CWPT portion of the Project Agreement is still being discussed there is evidence that these balances may not be recoverable and therefore the impairment loss has been recognised.

The directors believe the finance debtor relating to UHCW to be recoverable over the term of the Project Agreement based on projected cashflows and given the fact that despite the issues with service provision, there is no formal Project Co. Event of Default that would give the Trust the right to terminate the contract.

Recoverability of Deferred Tax Asset
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Given the present circumstances long term forecasts have been reviewed, which show that even in downside scenarios the current deferred tax asset can be fully recovered.

Derecogntion of Trade Creditors
Trade Creditors have been derecognized in the year. These balances relate to amounts invoiced by the Hard Service Provider for services provided under the Hard Services Contract. As the Hard Service Provider has failed to fulfil its obligation under this contract, the Company believes it no longer has the obligation under the Hard Services Contract to pay for these services. The balance relating to these services have therefore been derecognized.

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Service concession arrangement

Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the service concession contract. Lifecycle costs are a significant proportion of future expenditure. Given the length of the Company's service concession contract, the forecast of lifecycle costs is subject to significant estimation uncertainty and changes in the amount and timing of expenditure could have material impacts. As a result, there is a significant level of judgement applied in estimating future lifecycle costs. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis and periodic technical evaluations of the physical condition of the facilities are undertaken. In addition, comparisons of actual expenditure are compared to the lifecycle forecast.

Provision for remediation costs

The directors identified certain assets that are below the condition required by the contract. The estimated costs to remediate these assets to bring them to the required condition have been estimated based on specialist estimations and past experience of the level of cost required to remediate similar assets. If remediation costs were to increase by 5%, this would reduce revenue by £637,000 and increase the loss by £637,000.

Estimated credit losses

Trade receivables are recognised initially at their transaction price and subsequently measured at amortised cost less loss allowance for expected credit losses.

When applying a loss allowance for expected credit losses, judgement is exercised as to the collectability of trade receivables and to determine if it is appropriate to impair these assets. When considering expected credit losses, management has taken into account days past due, credit status of the counterparty and historical evidence of collection.

Future inflation assumptions

The bonds are linked to RPI, therefore to prepare future forecast the Board make assumption on future inflation. However as the Unitary Charge is also linked to RPI, the inflation risk on the bonds is partially mitigated, with the only risk being the timing differences of the inflation uplifts, which the Board do not consider to be significant.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2022 £'000	2021 £'000
Turnover analysed by class of business		
Services income	82,106	69,049
Pass through income	12,084	15,263
Variation income	9,442	5,140
Other income	236	236
	103,868	89,688

	2022 £'000	2021 £'000
Turnover analysed by geographical market		
United Kingdom	103,868	89,688

Turnover relating to CWPT was £8,958,000 in the year (2021: £7,509,000).

4 Employees

The Company had no employees during the year (2021: nil).

5 Auditor's remuneration

Fees payable to the Company's auditor and associates:	2022 £'000	2021 £'000
For audit services		
Audit of the financial statements of the Company	46	32
For other services		
Extended audit work	-	3

6 Directors' remuneration

No directors received any remuneration for services to the company during the year (2021: nil).

7 Interest receivable and similar income

	2022 £'000	2021 £'000
Interest on bank deposits	978	34
Interest receivable on the finance debtor	42,051	19,185
	43,029	19,219

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

8 Interest payable and similar expenses

	2022	2021
	£'000	£'000
Interest on financial liabilities measured at amortised cost:		
Interest on bond	58,396	25,093
Interest payable on subordinated debt	4,470	6,159
	62,866	31,252
Other finance costs:		
Amortisation of finance arrangement costs	819	830
	63,685	32,082

9 Taxation

	2022	2021
	£'000	£'000
Current tax		
Adjustments in respect of prior periods	-	(31)
Deferred tax		
Changes in tax rates	-	(2,683)
Adjustment in respect of prior periods	-	69
Tax losses carried forward	(8,558)	(73)
Total deferred tax	(8,558)	(2,687)
Total tax credit	(8,558)	(2,718)

Current tax for the year ended 31 December 2022 has been calculated using the UK corporation tax rate of 19% (2021: 19%).

The UK government has announced that UK corporation tax will increase to 25% for periods from 1 April 2023. The deferred tax asset as at 31 December 2022 has, therefore, been calculated based on a rate of 25% (2021: 25%).

Forecasts show that the deferred tax asset will be recoverable against future profits.

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Taxation **(Continued)**

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £'000	2021 £'000
Loss before taxation	(34,233)	(384)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(6,504)	(73)
Adjustments in respect of prior years	-	38
Effect of change in corporation tax rate	(2,054)	(2,683)
Taxation credit for the year	(8,558)	(2,718)

The Company has tax losses of £78,968,000 (2021: £44,733,000) which have been carried forward and will be offset against future trading profits. A deferred tax asset in respect of tax losses has been recognised as the directors consider the balance to be recoverable over the life of the PFI contract.

10 Debtors

Amounts falling due within one year:	2022 £'000	2021 £'000
Trade debtors	1,926	9,439
Amounts owed by Parent undertakings	1,757	660
Finance debtor	7,090	7,293
Other debtors	1,688	690
Prepayments and accrued service concession income	3,739	12,682
	16,200	30,764

Amounts falling due after more than one year:	**Notes**	2022 £'000	2021 £'000
Finance debtor		256,250	287,401
Accrued service concession income		36,145	-
		292,395	287,401
Deferred tax asset	15	19,742	11,183
		312,137	298,584
Total debtors		328,337	329,348

All financial assets included above are held at amortised cost.

10 Debtors **(Continued)**

A bad debt provision of £10,686,000 has been made in relation to certain amounts due from CWPT in relation to the Unitary Charge due where this Trust has written to the Company stating that they are withholding amounts due to deficiencies in service provision.

CWPT issued a termination notice post balance sheet date on 1 February 2023. Given the level of the compensation on termination due to the Company is currently unknown, there is evidence that a portion of the Finance Debtor and Accrued Service Concession income may not be recoverable. Therefore, an impairment loss of £20,780,000 has been recognised against these balances. The carrying value of the Finance Debtor balance before impairment was £287,401,000 and after the impairment the carrying value is £263,340,000. The carrying value of the Accrued Service Concession income before the write back was £32,864,000 and after the write back the carrying value was £36,145,000.

11 Current asset investments

	2022 £'000	2021 £'000
Short term deposits	10,036	-

These deposits relate to cash held on deposit in a 95 day notice account.

12 Creditors: amounts falling due within one year

	Notes	2022 £'000	2021 £'000
Bonds	13	425,380	387,915
Trade creditors		8,748	12,905
Loans from Group undertakings	13	51,539	47,072
Other taxation		2,202	1,845
Accruals and deferred income		19,087	11,213
		506,956	460,950

At 31 December 2022 £14,610,000 of trade creditors were derecognised. This relates to amounts invoiced by the Hard Services Provider that the Company believes it no longer has an obligation to pay under the Hard Services Contract due to the Hard Service Provider failing to fulfil its obligations under this contract.

As at the balance sheet date there was an Event of Default subsisting pursuant to the Collateral Deed, which the Credit Provider had not formally waived or deemed remedied. Consequently, the Company's Bonds and Loans from Group undertakings are classified as due within one year in the balance sheet. Upon remediation of the Events of Default and receipt of a waiver from the Credit Provider amounts falling due within one year of £376,129,000 and £32,608,000 respectively will be transferred to Creditors: amounts falling due after more than one year. The Credit Provider required that the CWPT portion of the Bonds was redeemed following a termination by CWPT. The CWPT portion of the Bonds totalling £44,801,000 were redeemed on 18 September 2023.

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13 Loans

	2022 £'000	2021 £'000
Bonds	425,380	387,915
Loans from group undertakings	51,539	47,072
	476,919	434,987
Payable within one year	476,919	434,987
	476,919	434,987

The bond is secured by an irrevocable financial guarantee policy issued by MBIA Assurance S.A (succeeded by Assured Guaranty (UK) Limited), in favour of Mourant & Co. Capital Trustees Limited (subsequently replaced by Apex Corporate Trustees (UK) Ltd) as security trustee over all of the undertakings and assets of the Company. The bond is repayable in bi-annual instalments ending in 2040 and is subject to an interest rate of 3.246% index linked.

The loans from group undertakings comprise subordinated loans of £32,608,000 (2021: £32,608,000). The loans are subject to interest rates of 14.52% per annum and are repayable in 2042 in line with the agreed repayment schedule. Interest accrued on these loans at 31 December 2022 is included in the total and amount to £21,547,000 (2021: £14,464,000).

14 Provisions for liabilities

	2022 £'000	2021 £'000
Remediation costs	5,378	1,092

Movements on provisions:

	Remediation costs £'000
At 1 January 2022	1,092
Additional provisions in the year	4,286
At 31 December 2022	5,378

14 Provisions for liabilities **(Continued)**

The provision recorded during the year relates to the directors' best estimate of the rectification costs of certain assets that at 31 December 2022 had fallen below the condition required by the contract.

Of the provision, £2,500,000 related to works relating to the CWPT site. The remainder relates to works at the UHCW site. Considerable work is being undertaken to assess the condition of the building fabric and building related systems of UHCW. This process has yet to come to a conclusion and no professional costings of the works were prepared by the date of signing these financial statements. It is clear to the board that rectification works are required and that lifecycle works need to be re-profiled and accelerated. It is expected that these costs may exceed the existing lifecycle funding, albeit some may be recoverable from the service provider or others. However, this is not certain. Currently no reliable estimate can be made of these costs, therefore this represents a contingent liability to the Company as explained further in Note 23.

No provision has been made for the EFVA as the values are still in discussion between the Company and CWPT and there is currently no formal claim against the company. This does however represent a contingent liability to the company as described in note 16.

15 Deferred taxation

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2022	Assets 2021
Balances:	**£'000**	**£'000**
Tax losses	19,742	11,183

	2022
Movements in the year:	**£'000**
Asset at 1 January 2022	11,183
Tax losses carried forward	8,559
Asset at 31 December 2022	19,742

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16 Contingent liabilities

In the opinion of the Board in discussion with the Service Providers, a level of rectification costs are required to bring the Hospital up to the standard required in the Project Agreement. This includes, but is not limited to, replacement of sections of plastic hot water pipe, which has been the cause of water leaks in the Hospital. To determine the extent of the works required, and therefore the costs involved, extensive surveys will need to be undertaken. At present the Directors have a high level estimate of these costs but due to the fact that no surveys have been carried out yet they do not have sufficient information on which to base a materially reliable estimate of the amount and timing of these costs. Therefore, it is not practicable to disclose a materially correct estimate of this estimate. It is however expected that these may exceed the existing lifecycle funding over the next five to eight years. These costs therefore represent a contingent liability to the Company.

It is expected that some of these costs may be recoverable from the Service Providers or others, however the extent of this is also currently unknown.

There are ongoing discussions on the EFVA following the termination of the CWPT portion of the contract and as disclosed previously the estimate of the Company is £85,553,937 to be paid by CWPT to the Company. The Trust have stated that in its assessment the Estimated Fair Value of the Agreement ("EFVA") is negative £39,749,282 to be paid by the Company to CWPT. There are currently no formal claims regarding this, however if the figure were to be negative, then this would represent a contingent liability to the Company.

17 Share capital and reserves

	2022	2021	2022	2021
Ordinary share capital	**Number**	**Number**	**£'000**	**£'000**
Issued and fully paid				
Ordinary shares of £1 each	50,000	50,000	50	50

The holders of the ordinary share are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Other reserves
The Company's other reserves are as follows:

The profit and loss account represents cumulative profits or losses.

18 Related party transactions

Remuneration of key management personnel
The remuneration of key management personnel is as follows:

	2022	2021
	£'000	£'000
Directors services	33	40

The Company incurred the above fees from Innisfree Limited.

In December 2002, the Company entered into transactions in the ordinary course of business for the duration of the project agreement with company management service provider Vercity Social Infrastructure (UK) Limited.

Vercity Holdings Limited, the parent company of Vercity Social Infrastructure (UK) Limited, is owned by Innisfree M&G PPP LP, a fund co-managed by Innisfree Limited and M&G Investment Management Limited. Innisfree Limited also manages the funds invested in the company.

Innisfree Nominees Limited, acting on behalf of Innisfree PFI Continuation Fund, holds legal title to the entire share capital of The Coventry and Rugby Hospital Company Plc.

The following transactions were entered into during the year:

	Management Services	
	2022	2021
	£'000	£'000
Vercity Social Infrastructure (UK) Limited	1,412	1,090

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2022	2021
	£'000	£'000
Vercity Social Infrastructure (UK) Limited	15	62
Innisfree PFI Continuation Fund	54,155	47,090

As per Note 12, Other borrowings have been classified as due within one year in the balance sheet. Consequently, the above reflects the subordinated loan note balance (£54,155,000) as well as the interest that was accrued thereon as at the balance sheet date. the Subordinated loan note balance is due to The Coventry and Rugby Hospital (Holdings) Limited. It is then due from that company to Innisfree PFI Continuation Fund.

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

19 Ultimate controlling party

The Company is a wholly owned subsidiary undertaking of The Coventry and Rugby Hospital Company (Holdings) Limited (in administration), which is incorporated in the United Kingdom, registered at Suite 3, Regency House, 91 Western Road, Brighton, BN1 2NW. The Coventry and Rugby Hospital Company (Holdings) Limited was put into Administration on 25 April 2023, the Ultimate Controlling Parties are the Joint Administrators Rob Croxen and Mark Firmin of Alvarez and Marsal LLP, Suite 3 Regency House, 91 Western Road, Brighton, BN1 2NW.

The ultimate shareholder is Innisfree PFI Continuation Fund, registered at 1st Floor Boundary House, 91 - 93 Charter House Street, London, EC1M 6HR.

20 Post Balance Sheet Events

CWPT termination
On 1 February 2023 the Company received a termination notice from the Coventry and Warwickshire Partnership Trust. By this termination notice the Trust stated that it had terminated the Project Agreement as it applies to CWPT only, and that such termination took effect on 1 February 2023. CWPT has not elected to Retender the Project Operations and therefore the No Retendering Procedure under the Project Agreement will be followed. The Company and the Trust will now be seeking to agree or determine the Estimated Fair Value of the Project Agreement (as it relates to CWPT only) in accordance with the principles set out in the Project Agreement. The CWPT partial termination has no material impact on the operation of the UHCW element of the PFI.

The Project Agreement sets out the methodology for calculating the Estimated Fair Value of the Agreement, however, this includes costs that have yet to be determined. These costs therefore represent a Contingent Liability to the Company as their amount cannot be reliably estimated at this stage. If these costs are significant they may reduce the amount of compensation receivable to an extent that the Finance Debtor balance and the UCCA balance relating to CWPT may not be recoverable. Therefore an impairment loss has been recognised against the full CWPT portion of these balances.

As a consequence of the termination by CWPT the Credit Provider had the right to direct the Company to redeem the portion of the Bonds relating to CWPT, this is defined in the Finance Documents as 9.826590% of the Outstanding Principal Amount of each Bond together with accrued interest adjusted for indexation. This totalled principal of £44,801,000 and interest of £316,000. As this portion of the Bonds now remained unhedged by Unitary Charge income, the Credit Provider directed the Company to redeem the Bonds on 18 September 2023. This payment has been made, but the Company was required to make use of the Reserve Accounts. Forecasts show that the Company will not be able to fully fund the Reserve Accounts on the next Scheduled Payment date, or future Scheduled Payment dates. This will result in an Event of Default on each Scheduled Payment Date. The Credit Provider is aware of this and is supportive and has allowed the use of the reserve accounts.

Parent company administration
On 25 April 2023 the Company's parent company, The Coventry and Rugby Hospital Company (Holdings) Limited, was put into Administration by the Credit Provider with a view to them gaining increased control in order to achieve a better outcome for the creditors as a whole than would be likely if the company was wound up. This will be achieved through a change in leadership team. The Company continues to carry on providing the services to UHCW and to trade normally with that client.

THE COVENTRY AND RUGBY HOSPITAL COMPANY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

21 Cash (absorbed by)/generated from operations

	2022 £'000	2021 £'000
(Loss)/profit for the year after tax	(25,675)	2,334
Adjustments for:		
Taxation credited	(8,558)	(2,718)
Finance costs	55,833	32,082
Interest received	(43,029)	(19,219)
Movements in working capital:		
Increase in provisions	4,286	-
Impairment of Finance Debtor and Accrued Service Concession income	20,780	
Write off of Trade Debtor balances	10,686	
Derecognition of Trade Creditor balances	(14,610)	
Decrease/ (Increase) in debtors	(20,899)	(4,001)
Increase in creditors	18,389	15,236
Cash (absorbed by)/generated from operations	(2,797)	23,714

22 Analysis of changes in net debt

	1 January 2022 £'000	Cash flows £'000	Other non-cash changes £'000	31 December 2022 £'000
Cash at bank and in hand	91,893	25,628	-	117,521
Borrowings excluding overdrafts	(434,987)	7,813	(49,745)	(476,919)
	(343,094)	33,441	(49,745)	(359,398)

Other non-cash movements relate to RPI inflation on the Bonds (£44,354,000), capitalization of unpaid subdebt interest (£7,083,000), amortisation of Bond Issue costs (£819,000) and Effective Interest Rate movement (£2,511,000).

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Signer Events

Signer Events	Signature	Timestamp
Andrew Dixon andrew.dixon@rosemarch.co.uk Mr Security Level: Email, Account Authentication (None)	Andrew Dixon Signature Adoption: Pre-selected Style Using IP Address: 212.139.79.146	Sent: 14-Dec-2023 | 11:06 Viewed: 14-Dec-2023 | 14:54 Signed: 14-Dec-2023 | 15:28

Electronic Record and Signature Disclosure:
Accepted: 14-Dec-2023 | 14:54
ID: 15f0c289-6b29-4f84-874a-ac6b1104ea5d

In Person Signer Events	Signature	Timestamp

Editor Delivery Events	Status	Timestamp

Agent Delivery Events	Status	Timestamp

Intermediary Delivery Events	Status	Timestamp

Certified Delivery Events	Status	Timestamp

Carbon Copy Events	Status	Timestamp
Hannah Savage hannah.savage@vercitygroup.com Security Level: Email, Account Authentication (None)	COPIED	Sent: 14-Dec-2023 | 11:06 Viewed: 14-Dec-2023 | 11:16

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Witness Events	Signature	Timestamp

Notary Events	Signature	Timestamp

Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	14-Dec-2023 | 11:06
Certified Delivered	Security Checked	14-Dec-2023 | 14:54
Signing Complete	Security Checked	14-Dec-2023 | 15:28
Completed	Security Checked	14-Dec-2023 | 15:28

Payment Events	Status	Timestamps

Electronic Record and Signature Disclosure

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If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

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How to contact CoSec Team:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:
To contact us by email send messages to: nigel.keen@vercitygroup.com

To advise CoSec Team of your new email address

To let us know of a change in your email address where we should send notices and disclosures electronically to you, you must send an email message to us at nigel.keen@vercitygroup.com and in the body of such request you must state: your previous email address, your new email address. We do not require any other information from you to change your email address.

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To request paper copies from CoSec Team

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an email to nigel.keen@vercitygroup.com and in the body of such request you must state your email address, full name, mailing address, and telephone number. We will bill you for any fees at that time, if any.

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i. decline to sign a document from within your signing session, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;

ii. send us an email to nigel.keen@vercitygroup.com and in the body of such request you must state your email, full name, mailing address, and telephone number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

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The minimum system requirements for using the DocuSign system may change over time. The current system requirements are found here: https://support.docusign.com/guides/signer-guide-signing-system-requirements.

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- Until or unless you notify CoSec Team as described above, you consent to receive exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you by CoSec Team during the course of your relationship with CoSec Team.