REGISTERED NUMBER: 05113572 (England and Wales)

Strategic Report, Directors' Report and

Audited Financial Statements for the Year Ended 31 December 2019

for

St James's Oncology SPC Ltd

St James's Oncology SPC Ltd (Registered number: 05113572)

Contents of the Financial Statements for the Year Ended 31 December 2019

St James's Oncology SPC Ltd

Company Information
for the Year Ended 31 December 2019

Directors:	B Millsom C Solley A L Tennant
Secretary:	A Mitchell
Registered office:	C/O Albany SPC Services Ltd 3rd Floor 3 - 5 Charlotte Street Manchester M1 4HB
Registered number:	05113572 (England and Wales)
Independent auditors:	PricewaterhouseCoopers LLP No 1 Spinningfields 1 Hardman Square Manchester M3 3EB
Bankers:	Bank of Scotland 11 Earl Grey Street Edinburgh EH3 9BN
Solicitors:	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH

Strategic Report
for the Year Ended 31 December 2019

Company's objective

The objective of the company is to successfully design, construct, finance and operate certain facilities and provide non-clinical services at the Oncology Wing at St. James's University Hospital, Leeds for a period of 33 years and three months under a concession agreement with the Leeds Teaching Hospitals National Health Service Trust.

Company's Strategy

To ensure that the company achieves its objective, the strategy is to implement processes, policies and procedures to comply with the control matrices stipulated in the project documentation committed to at the inception of the project. This includes minimising performance and availability deductions, cash monitoring and maintenance of good working relationships between all stakeholders.

Principal risks and uncertainties

As the project is currently in its operational phase, operational risks are monitored closely. This takes the form of full-time representation on site through the Company's management services agent and periodic reporting by the independent Technical Assessor, plus regular dialogue with the executive team of the Leeds Teaching Hospitals National Health Service Trust.

Whilst the main elements of cash flow (unitary payments, facilities management costs and lifecycle costs) are contractually linked to the RPI index, a relatively small proportion of total costs are not protected from inflation increases via the RPI swap instrument. A rise in these costs above the general rate of inflation would reduce debt service cover ratios. The most significant of these costs is insurance, though claims history so far is good and current premium renewals have not been excessive.

Key performance indicators

There are two Key Performance Indicators which are monitored:

- The level of performance and availability deductions arising from failures to achieve specified levels of contract service. These are reported quarterly to the Board and have been extremely small in relation to total unitary payments and;

- The ratio of operating cash flow to the senior debt service amount. This ratio is tested at six-monthly intervals and each time it has been to the satisfaction of the credit provider.

Going Concern

The company currently has £266,308,000 (2018: £271,413,000) of total debt. Whilst it has net liabilities of £3,102,000 (2018: £15,316,000), this is as a result of accounting for the fair value of the interest rate swap agreement, the majority of which does not crystallise as liabilities for a number of years and as such the company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within the level of its current facilities.

The directors have reviewed the net liabilities position at 31 December 2019 together with the company's forecasts and projections, taking account of reasonably possible changes in trading performance and believe that it will not impact on the ability of the company to continue trading for the foreseeable future and have therefore prepared the financial statements on a going concern basis.

Business review and future developments

The company made a profit before taxation of £4,125,000 compared to £3,277,000 in 2018 which included a higher level of advisors' fees. The Trust has withdrawn funds from variation and investment fund accounts to the sum of £16,000 in the year (£38,000 in 2018).

The delivery of operational services is generally running well.

St James's Oncology SPC Ltd (Registered number: 05113572)

Strategic Report
for the Year Ended 31 December 2019

Statement in respect of section 172(1) of the companies act 2006
The board of directors of the Company, both individually and collectively, consider they have acted appropriately and in such a way as to promote the long term success of the Company for the benefit of its members as a whole.

The Company has no direct employees as the Company is managed under a Managed Service Agreement. The board of Directors is satisfied that those people employed under the MSA are appropriately qualified and have the support systems in place to carry out their role. The Directors are engaged with each team under the MSA to ensure the ongoing management of the underlying contracts of the Company and they work collaboratively with the teams to achieve success.

The Company is a special purpose company which has a finite lifespan with a defined set of obligations under Concession Agreements. The Company delivers its objectives through effective relationships with its stakeholders including suppliers and customers. This is affected by regular reporting and reviews with suppliers and customers to ensure delivery of the Company's objectives, whilst considering those stakeholders' needs. The Directors of the Company meet regularly to review strategies for effective risk mitigation and service delivery in the context its impact on all stakeholder interests, including shareholders, suppliers, customers and the wider community.

Due to the nature of the Company's operations, their impact on the community and environment is of paramount importance to the Company's success. Operating safely is the Company's primary objective and is as such integrated in everything the Company undertakes. A safe environment is managed through effective leadership, implementation of robust policies, procedures and instructions, safety management review processes both internally and externally with relevant stakeholders, reporting, audit and monitoring. An independent safety advisor is appointed by each of the companies within the Company, who reports directly to the Board of Directors.

The Company delivers contracts to support essential services to the public sector and takes its responsibility for ensuring that an appropriate environment is managed and maintained extremely seriously, ensuring the highest quality service is delivered from the assets under the Company's management.

On behalf of the board:

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C Solley - Director

Date: 29th June 2020

Directors' Report
for the Year Ended 31 December 2019

The directors present their report with the audited financial statements of the company for the year ended 31 December 2019.

Principal activities
The principal activities of the company are to successfully design, construct, finance and operate certain facilities and provide non-clinical services at the Oncology Wing at St. James's University Hospital, Leeds for a period of 33 years and three months under a concession agreement with the Leeds Teaching Hospitals National Health Service Trust.

Results
The profit for the financial year is £3,504,000 (2018: £3,299,000).

Dividends
No dividends were distributed for the year ended 31 December 2019 (2018: £nil).

Events since the end of the year
Information relating to events since the end of the year is given in the notes to the financial statements.

Directors
The directors during the year under review were:

B Millsom
C Solley
A L Tennant

The directors holding office at 31 December 2019 did not hold any beneficial interest in the issued share capital of the company at 1 January 2019 or 31 December 2019.

No appointments or resignations of directors occurred between the year end and the date of approval of these financial statements.

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Directors' Report
for the Year Ended 31 December 2019

Financial instruments
The company's principal financial instruments comprise of an index-linked bond, fixed rate bond, fixed rate notes, variation bond and unsecured loan stock. The terms of these financial instruments are such that the profile of the debt service costs is tailored to match expected revenues arising from the concession.

The company does not undertake financial instrument transactions which are speculative or unrelated to the company's trading activities.

Financial Risk Management

Inflation rate risk
Whilst the main elements of cash flow (unitary payments, facilities management costs and lifecycle costs) are contractually linked to the RPI index, a relatively small proportion of the total costs are not protected from inflation increases via the RPI swap instrument. A rise in these costs above the general rate of inflation would reduce debt service cover ratios. The most significant of these costs is insurance, though claims history so far is good and current premium renewals have not been excessive.

Liquidity risk
The latest financial forecast show that unitary payment receivable under the concession agreement will be sufficient to repay all future debt payments as they fall due.

Credit risk
The company received the majority of its income from the Trust and is not exposed to significant credit risk. Cash investments are with the institutions of a suitable credit quality.

Other information
An indication of performance of the business and likely future developments in the business have been included in the Strategic Report.

Impact of brexit
Britain exited from the European Union on 31 January 2020 and is in a transition period until 31 December 2020. The terms on which the United Kingdom may withdraw are not clear and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy. However, the company is not affected by the continued uncertainty surrounding the United Kingdom's membership of the European Union, as the cash flows generated from the PFI concession asset are secured under a contract with the client, which is a government body.

Covid-19
The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the Company in responding to COVID-19 has been assessed as low. This is because the Company is still able to provide the services required under the Project agreement as the sub-contracted Facilities Management company are still able to provide the necessary services as the work is deemed to be essential and the persons delivering those services deemed to be key workers, as confirmed by a guidance note released by the Infrastructure and Projects Authority on 2 April 2020.

Since the Covid-19 outbreak, the Trust have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

Directors' Report
for the Year Ended 31 December 2019

Statement of directors' responsibilities - continued
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

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

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors 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.

Statement as to disclosure of information to auditors
The directors who held office at the date of approval of this directors' report confirm that so far as they are each aware there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors
The auditors, PricewaterhouseCoopers LLP will be proposed for re-appointment at the forthcoming Annual General Meeting.

By order of the board:

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C Solley - Director

Date: 29th June 2020

Independent auditors' report to the members of St James's Oncology SPC Ltd

Report on the audit of the financial statements

Opinion

In our opinion, St James's Oncology SPC Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Audited Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; profit and loss account and other comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Paul Cheshire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
29 June 2020

St James's Oncology SPC Ltd (Registered number: 05113572)

Profit and Loss Account and Other Comprehensive Income for the Year Ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Turnover	3	**27,321**	20,816
Cost of sales		**(19,771)**	(13,313)
Gross profit		**7,550**	7,503
Administrative expenses		**(1,620)**	(2,017)
Operating profit	5	**5,930**	5,486
Interest receivable and similar income	6	**10,821**	10,578
Interest payable and similar expenses	7	**(12,626)**	(12,787)
Profit before taxation		**4,125**	3,277
Tax on profit	8	**(621)**	22
Profit for the financial year		**3,504**	3,299
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		**7,458**	1,096
Net change in fair value of cash flow hedges recycled to profit or loss		**(77)**	(22)
Unwinding of settled swap		**2,592**	2,636
Income tax relating to components of other comprehensive income		**(1,264)**	(184)
Other comprehensive income for the year, net of income tax		**8,709**	3,526
Total comprehensive income for the year		**12,213**	6,825

The notes on pages 12 to 24 form part of these financial statements

St James's Oncology SPC Ltd (Registered number: 05113572)

Balance Sheet
31 December 2019

	Notes	2019 £'000	2018 £'000
Current assets			
Debtors: amounts falling due within one year	9	**49,543**	44,254
Debtors: amounts falling due after more than one year	9	**207,347**	203,173
Investments	10	**14,780**	-
Cash at bank		**14,488**	32,512
		286,158	279,939
Creditors: amounts falling due within one year	11	**(20,647)**	(16,519)
Net current assets		**265,511**	263,420
Total assets less current liabilities		**265,511**	263,420
Creditors: amounts falling due after more than one year	12	**(251,649)**	(262,434)
Provisions for liabilities	15	**(16,965)**	(16,302)
Net liabilities		**(3,103)**	(15,316)
Capital and reserves			
Called up share capital	16	**50**	50
Other reserves	17	**(29,453)**	(38,162)
Retained earnings	17	**26,300**	22,796
Shareholders' funds		**(3,103)**	(15,316)

The financial statements were approved by the Board of Directors on 29th June 2020 and were signed on its behalf by:

....

C Solley - Director

The notes on pages 12 to 24 form part of these financial statements

St James's Oncology SPC Ltd (Registered number: 05113572)

Statement of Changes in Equity
for the Year Ended 31 December 2019

	Called up share capital £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2018	50	19,497	(41,688)	(22,141)
Changes in equity				
Total comprehensive income	-	3,299	3,526	6,825
Balance at 31 December 2018	50	22,796	(38,162)	(15,316)
Changes in equity				
Total comprehensive income	-	3,504	8,709	12,213
Balance at 31 December 2019	50	26,300	(29,453)	(3,103)

The notes on pages 12 to 24 form part of these financial statements

Notes to the Financial Statements
for the Year Ended 31 December 2019

1. Statutory information

St James's Oncology SPC Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. Accounting policies

Basis of preparing the financial statements
These financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 102. The presentation currency of these financial statements is sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

All amounts in the financial statements have been rounded to the nearest £1,000.

Measurement convention
The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

Financial Reporting Standard 102 - reduced disclosure exemptions
The following exemptions have been taken in these financial statements:

- Service concession arrangements - the Company entered into its Service concession arrangement before the date of transition to this FRS. Therefore its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS.

The Company's ultimate parent undertaking, Consolidated Investment Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Consolidated Investment Holdings Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from C/O Albany SPC Services Ltd, 3rd Floor, 3 - 5 Charlotte Street, Manchester, M1 4HB. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Consolidated Investment Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

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

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2. **Accounting policies - continued**

Going concern

The company currently has £266,308,000 (2018: £271,413,000) of total debt. Whilst it has net liabilities of £3,103,000 in 2019 (2018: £15,316,000), this is as a result of accounting for the fair value of RPI swap agreements. The majority of which do not crystallise as liabilities for a number of years and as such the company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within the level of its current facilities for at least the next twelve months.

The company has considerable financial resources together with long-term contracts with the NHS Trust. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for twelve months from the date of signing the annual report and accounts. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Significant judgements and estimates

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. 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 if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the company's accounting policies are described below:

- Accounting for the service concession contract and finance debtors requires estimation of a finance debtor interest rate.

Financial instruments

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

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2. **Accounting policies - continued**
Basic financial instruments

(a) Trade and other debtors / creditors
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. 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.

(b) Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

(c) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

(d) Restricted cash
The Company is obligated to keep a separate cash reserve in respect of future financing costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £4,459,000 at the year end (2018: £4,223,000).

The Company is also obligated to keep a separate cash reserve in respect of future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £8,468,000 at the year end (2018: £13,920,000)

Other financial instruments
Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging
Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income (OCI). Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

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2. **Accounting policies - continued**

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account and Other Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Financial assets
- Financial assets (including trade and other debtors)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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2. **Accounting policies - continued**

Finance debtor and service income
The Company is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company and rewards of ownership are deemed to lie principally with the Trust.

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. Amounts receivable under the agreement with the Leeds Teaching Hospitals National Health Service Trust relating to the hospital facilities transferred are included under debtors and represent the total amount outstanding under the agreement less unearned interest. Finance lease income is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the lease.

In the operational phase, the balance of unitary payments received, after accounting for the finance debtor interest and amortisation components (which together sum to a constant figure in each period, as in a lease) is accounted for as turnover. This figure is adjusted in each period to ensure that income recognised more accurately reflects the value of economic benefits provided to the public sector client in each period, and is necessary due to the inflationary nature of the unitary payments. As a consequence of this adjustment to turnover, which is generally positive in the first half of the concession and negative in the second half (and must net out over the whole concession), a unitary payment control account debtor is recorded on the balance sheet.

Interest
Interest payable and similar charges include interest payable on borrowings and associated ongoing financing fees.

Interest receivable and similar income include interest receivable on funds invested and interest recognized on the finance debtor based upon the finance debtor accounting policy above.

Interest payable is recognized in profit or loss as it accrues, using the effective interest method. Interest receivable and similar income is recognised in profit or loss as it accrues.

Provisions
A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date. Provisions are made in respect of lifecycle maintenance costs to the extent that the company is obligated to undertake maintenance in future periods.

3. **Turnover**

The turnover and profit on ordinary activities before taxation arise entirely within the United Kingdom.

4. **Employees and directors**

continued...

	2019	2018
	£000	£000
Recharges in respect of non-executive directors' services to third parties	104	114

The company had no employees during the year (2018: none). Services provided by the contractors include the provision of staff and management to perform contractual responsibilities. Costs associated with the staff and management are included within the contractor's service charges. During the year, transaction with management personnel are as follows:

	2019	2018
	£'000	£'000
Kenneth Gillespie (Director - resigned in 2018)	-	13

Other directors received no remuneration for their services during the year (2018: £nil). A payment is made for the services of the non-executive directors to their employer.

5. Operating profit

The operating profit is stated after charging:

	2019	2018
	£'000	£'000
Audit of these financial statements	9	9
Audit of the financial statements of other group companies	4	4

6. Interest receivable and similar income

	2019	2018
	£'000	£'000
Deposit account interest	213	151
Finance debtor interest	7,435	7,623
Loan stock interest from group undertakings	3,096	2,782
Swap interest from financing company	77	22
	10,821	10,578

continued...

7. Interest payable and similar expenses

	2019	2018
	£'000	£'000
Loan interest payable to financing company	7,261	7,612
Amortisation of settled swap	2,592	2,636
Interest payable to parent company	2,773	2,539
	12,626	12,787

8. Tax on profit

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit for the year was as follows:

	2019	2018
	£'000	£'000
Current tax:		
UK corporation tax	885	118
Deferred tax	(264)	(140)
Tax on profit	621	(22)

UK corporation tax has been charged at 19% (2018 - 19%).

Reconciliation of total tax charge/(credit) included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2019	2018
	£'000	£'000
Profit before tax	4,125	3,277
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	784	623
Effects of:		
Adjustments to tax charge in respect of previous periods	(164)	(145)
Reduction in tax rate on deferred tax balance	1	29
Losses surrendered from financing company	-	(529)
Total tax charge/(credit)	621	(22)

continued...

8. Tax on profit - continued

Tax effects relating to effects of other comprehensive income

	Gross £'000	Tax £'000	2019 Net £'000
Effective portion of changes in fair value of cash flow hedges	7,458	(787)	6,671
Net change in fair value of cash flow hedges recycled to profit or loss	(77)	15	(62)
Unwinding of settled swap	2,592	(492)	2,100
	9,973	(1,264)	8,709

	Gross £'000	Tax £'000	2018 Net £'000
Effective portion of changes in fair value of cash flow hedges	1,096	-	1,096
Net change in fair value of cash flow hedges recycled to profit or loss	(22)	(184)	(206)
Unwinding of settled swap	2,636	-	2,636
	3,710	(184)	3,526

	2019			2018		
	Current tax £'000	Deferred tax £'000	Total tax £'000	Current tax £'000	Deferred tax £'000	Total tax £'000
Recognised in profit and loss account	885	(264)	621	118	(140)	(22)
Recognised in other comprehensive income	-	1,264	1,264	-	184	184
Total tax	885	1,000	1,885	118	44	162

Deferred tax charges relate to:

	2019 £000	2018 £000
Origination and reversal of timing differences	1,000	44
Effects of changes in tax rates	-	-
	1,000	44

continued...

8. **Tax on profit - continued**

Factors that may affect future tax charges

A change to the future UK corporation tax rate was announced in the March 2020 Budget. The rate will no longer drop to 17% with effect from 1 April 2020 but will remain at the previous rate of 19%. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements. The effect of this change, if it applied to the deferred tax balance at 31 December 2019, would be to increase the deferred tax liability by £70,000.

9. **Debtors**

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	**22**	242
Finance debtor	**12,353**	10,371
Other debtors	**36,695**	33,028
Tax	**372**	512
Prepayments	**101**	101
	49,543	44,254
Amounts falling due after more than one year:		
Amounts owed by group undertakings	**36,822**	27,397
Finance debtor	**170,525**	175,701
Deferred tax asset (note 14)	**-**	75
	207,347	203,173
Aggregate amounts	**256,890**	247,427

Within amounts owed by group undertakings are long term borrowings loaned to St James's Oncology Financing Plc of which £19,242,000 is repayable after five years (2018: £16,655,000).

10. **Current asset investments**

	2019	2018
	£'000	£'000
Cash held on deposits maturing within 1 year	**14,780**	-
	14,780	-

11. **Creditors: amounts falling due within one year**

	2019	2018
	£'000	£'000
Financing due to group (see note 13)	**11,566**	10,657
Trade creditors	**1,218**	1,002
Amounts owed to group undertakings	**6,358**	2,177
VAT	**463**	686
Accrued expenses	**1,042**	1,997
	20,647	16,519

continued...

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

	2019	2018
	£'000	£'000
Financing due to group (see note 13)	233,772	242,686
Amounts owed to group undertakings	17,877	19,284
Other financial liabilities due to group	-	464
	251,649	262,434

13. Loans

An analysis of the maturity of loans is given below:

	2019	2018
	£'000	£'000
Amounts falling due within one year or on demand:		
Fixed rate notes	7,199	6,579
Variation bond	127	116
Fixed rate bond	2,107	1,929
Index-linked bond	2,133	2,033
	11,566	10,657
Amounts falling due between one and two years:		
Fixed rate notes	5,868	6,013
Variation bond	104	106
Fixed rate bond	1,718	1,761
Index-linked bond	2,025	2,068
	9,715	9,948
Amounts falling due between two and five years:		
Fixed rate notes	19,224	19,070
Variation bond	340	338
Fixed rate bond	5,634	5,588
Index-linked bond	5,539	6,549
	30,737	31,545
Amounts falling due in more than five years:		
Repayable by instalments		
Fixed rate notes	125,193	131,213
Variation bond	2,216	2,323
Fixed rate bond	36,840	38,606
Index-linked bond	29,071	29,051
	193,320	201,193

continued...

13. **Loans - continued**

Terms and debt repayment schedule - due to group undertaking
The total cash repayable on the loan is as follows:

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2019 £'000	2018 £'000
Loan stock	GBP	12.530%	2035	Semi-annual	**23,493**	20,804
Index-linked bond	GBP	0.05%	2037	Semi-annual	**37,001**	37,720
Fixed rate bonds	GBP	2.804%	2037	Semi-annual	**46,116**	47,701
Fixed rate notes	GBP	2.804%	2037	Semi-annual	**156,931**	162,324
Variation bond	GBP	2.804%	2037	Semi-annual	**2,767**	2,862

The term loan and variation loan are secured by a fixed charge over the whole of the property, assets and undertaking of the company, assignment of all rights to any proceeds of any insurance policies and all present and future book and other charges over all assets which have not been secured by way of a fixed charge or assignment.

The amounts owing to immediate parent company are unsecured.

14. **Other financial (assets) / liabilities**

	2019 £'000	2018 £'000
Amounts falling due after more than one year:		
RPI swap contract with parent company	**(6,917)**	464

Derivative financial instruments measured at fair value

The fair value of RPI swaps is provided by the swap counterparty.

15. **Provisions for liabilities**

	2019 £'000	2018 £'000
Deferred tax		
Accelerated capital allowances	**-**	881
Deferred tax	**1,923**	118
	1,923	999
Other provisions		
Lifecycle provision	**15,042**	15,303
Aggregate amounts	**16,965**	16,302

continued...

15. **Provisions for liabilities - continued**

	Deferred tax £'000	Lifecycle Provision £'000
Balance at 1 January 2019	**999**	**15,303**
(Credit)/charge to Profit and Loss Account and Other Comprehensive Income during year	**(264)**	**5,765**
Utilised during year	**1,188**	**(6,026)**
Balance at 31 December 2019	**1,923**	**15,042**

Lifecycle provisions represent the difference between the cumulative charge to profit and loss and the cumulative amount of cash expenditure paid to the lifecycle sub-contractor. Lifecycle expenditure is charged to profit and loss on a systematic basis, so as to give an annual charge, increasing with inflation each year, which in total equates to the total amount of the forecast lifecycle expenditure to be paid over the whole concession. The amounts and timing of these payments are defined in the sub-contract agreement.

Deferred Tax

Deferred tax assets and liabilities are attributable to the following:

	Assets 2019 £'000	Assets 2018 £'000	**Liabilities 2019 £'000**	Liabilities 2018 £'000	**Net 2019 £'000**	Net 2018 £'000
Accelerated capital allowance	-	-	**735**	999	**735**	999
Other	-	(75)	**1,188**	-	**1,188**	(75)
Tax (assets)/liabilities	-	(75)	**1,923**	999	**1,923**	924
Net of tax liabilities/(assets)	-	999		(999)	-	-
	-	924	**1,923**	-	**1,923**	924

16. **Called up share capital**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	**2019 £**	2018 £
50,000	Ordinary (2018: £1)	£1	**50,000**	50,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The company paid no dividend in the current year (2018: £0).

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17. **Reserves**

Cash flow hedging reserve

	2019	2018
	£'000	£'000
Hedging reserve settled swap	35,181	37,773
Hedging reserve un-settled swap	(5,728)	389
	29,453	38,162

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. The RPI swap held at 31 December 2016 was settled on 31 March 2017. Due to the hedged item still being recognised on the balance sheet, the settlement of the swap did not result in the loss being immediately recognised in the income statement instead it will be amortised over the remaining life of the hedged item

Retained earnings

The profit and loss account records retained earnings and accumulated losses.

18. **Ultimate parent company and parent company of larger group**

The company is a subsidiary undertaking of St James's Oncology Financing Plc, a company incorporated in England and Wales, of which 100% is owned by Consolidated Investment Holdings Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by Consolidated Investment Holdings Limited incorporated in England and Wales. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

19. **Post balance sheet events**

Covid-19
The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the Company in responding to COVID-19 has been assessed as low. This is because the Company is still able to provide the services required under the Project agreement as the sub-contracted Facilities Management company are still able to provide the necessary services as the work is deemed to be essential and the persons delivering those services deemed to be key workers, as confirmed by a guidance note released by the Infrastructure and Projects Authority on 2 April 2020.

Since the Covid-19 outbreak, the NHS Trust have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.