Company Registration Number
05538276

CONSORT HEALTHCARE (BIRMINGHAM) HOLDINGS LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Consort Healthcare (Birmingham) Holdings Limited
Report and Financial Statements
Contents

Consort Healthcare (Birmingham) Holdings Limited
Strategic Report
for the year ended 31 December 2021

Strategic Review
On 14 June 2006, the Company's subsidiary Consort Healthcare (Birmingham) Limited, entered into a 40 year Private Finance Initiative (PFI) concession contract to design, construct, finance, maintain, and manage the lifecycle costs of the new acute hospital for the University Hospital Birmingham NHS Foundation Trust and mental health facilities for Birmingham and Solihull Mental Health NHS Foundation Trust.

Review of the Business
The Acute Hospital represents 89.6% of the construction value and opened in phases up to August 2011. The remaining 10.4% consists of the construction and refurbishment of the mental health facilities which was completed on the 14th March 2008.

The Group loss for the year after taxation amounted to £5,105,000 (2020: loss of £3,288,000). The net assets at the year end amounted to £20,676,000 (2020: £25,781,000).

The losses for 2021 are primarily due to increased sub-ordinated debt interest charges as the Group has not been permitted to make any sub-ordinated debt interest payments since 2016. This is a consequence of the lenders not permitting interest payments to be made to shareholders until a settlement agreement is signed between the Trust, construction and FM contractors and Consort in relation to PFP matters. The year on year decrease in net assets results from the loss for the year.

Key Performance Indicators
As part of their stewardship of the project the Directors regularly consider Board Reports related to the performance of the Group and the information and KPIs contained therein. These include, amongst other things, variance against budget in the financial statements and forward cash flow forecasting and other qualitative and quantitative indictors of performance that, as a whole, provide the basis for the management of the Group.

The Group has set specific business objectives, which are monitored using a number of key performance indicators ("KPIs"). The relevant KPIs for this report are detailed below.

Net cash flow
For the year ended 31 December 2021, the net cash inflow from operating activites was £137,000 (2020: outflow of £2,729,000).

Financial performance
The Directors have modelled the anticipated financial outcome of the project across its full term. The Directors monitor actual performance against this anticipated performance. As at 31 December 2021 the Group's performance against this measure was satisfactory and in line with modelled expectations.

Principal risks and uncertainties
The Group recognises that effective risk management is fundamental to achieving its business objectives in order to meet its commitments in fulfilling the PFI contract and in delivering a safe and efficient service. Risk management contributes to the success of the business by identifying opportunities and anticipating risks in order to improve business performance and fulfil the Group's contractual obligations.

Consort Healthcare (Birmingham) Holdings Limited
Strategic Report (continued)
for the year ended 31 December 2021

Contractual relationships
The Group operates within a contractual relationship with its primary customers, University Hospital Birmingham NHS Foundation Trust & Birmingham and Solihull Mental Health NHS Foundation Trust, (the "Trusts"). Failure to perform obligations under this contract could have a direct and detrimental effect on the Group's result and could result in termination of the concession. To manage this risk the Group has regular meetings with the Trusts including discussions on performance, project progress, future plans and customer requirements carrying out all of the routine and major life cycle maintenance for the life of the concession. Historically the concession has incurred service failure points which are disclosed further in the Directors' Report.

Passive fire protection issues
The Group has been notified of alleged defects in relation to the passive fire protection measures which are in place at both the acute and mental health facilities. To mitigate against any adverse risk the Group could face in relation to this, the Group has been proactively working with the Trusts, the construction contractor and the facilities management contractor in order to carry out rectification works and implement mitigation measures.

Health and safety is of paramount importance to the Group, and so it has proactively worked with contractors to ensure that robust mitigation procedures are in place while rectification works are undertaken.

Consort Healthcare (Birmingham) Limited has entered into a Heads for Terms Agreement with BNHJV (the construction contractor) in relation to the passive fire protection matters, as a result the Group has agreed to contribute towards the cost of the misting solution and settlement agreement with BNHJV and University Hospital Birmingham NHS Foundation Trust.

Additionally, the Group has signed a Standstill Agreement with the University Hospital Birmingham NHS Foundation Trust and as part of ongoing discussions, it is likely that the standstill period will be extended, which will protect the rights of the relevant parties while solutions are being devised.

Financial Risk Management
The financial statements also include details of the Company's financial risk management objectives policies, and its exposure to credit risk, liquidity risk, interest risk and capital risk. Further disclosures are given in note 15 with respect to each of these risks.

Ownership
The Company is owned by its ultimate controlling parties Balfour Beatty plc, HICL Infrastructure plc, and InfraRed Infrastructure Yield L.P. (in the ratio 40:30:30) and operates in the United Kingdom.

Approved by the Board and signed on its behalf by:

M.G.D. Holden
Director
9 June 2022

Registered Office
Unit 18 Riversway Business Village, Navigation Way, Preston, PR2 2YP.

Consort Healthcare (Birmingham) Holdings Limited
Directors' Report
for the year ended 31 December 2021

The Directors present their annual report together with the consolidated financial statements and auditor's report, for the year ended 31 December 2021.

The following information has been disclosed in the strategic report:

- Principal risks and uncertainties
- Financial Risk Management
- Key Performance Indicators

Going Concern

The Directors do not expect any significant change to the Group's activities to occur in the following financial year.

The Group has considerable financial resources to cover its obligations for the financing of the operation of the New Acute Hospital and Mental Health Facilities for the University Hospital Birmingham NHS Foundation Trust and Birmingham and Solihull Mental Health NHS Foundation Trust, having raised substantial senior debt at the start of the PFI contract and with subordinated debt funding having been received from its shareholders, via a subsidiary.

Downgrades in the credit ratings of the institutions with which the Group hold investments of cash balances can cause the Group to change those institutions, either as a result of a requirement from the senior creditors or from management's risk assessment process. The senior creditors are aware of the downgrade of the institution that the Group hold their current accounts with and that the Group continues to work to put in a place a deposit taker of an appropriate credit rating.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The Directors have prepared cash flow forecasts which indicate that, taking account of severe but plausible downsides, the Group will have sufficient funds to meet its liabilities as they fall due. Further information of the Directors' assessment including the consideration of the impact of COVID-19 is contained within note 1.3.

The Group was able to meet the financial convenants as at 31 March 2021, 30 September 2021 and 31 March 2022 and is forecast to meet them for the foreseeable future.

Taking into account reasonable possible risks in operations to the Company, the fact that the obligations of the Company's customers are underwritten by the Secretary of State for Health, the Directors have a reasonable expectation that the Company will be able to settle its liabilities as they fall due to the foreseeable future. It is appropriate to prepare these financial statements on the going concern basis.

The Directors have also considered the ability of the client to continue to pay unitary fees due to a subsidiary of the Group and, having made enquiries, consider it is not unreasonable to conclude that the Trusts and UK Government will continue to meet their obligations in this respect. The Group's forecasts and projections, taking account of reasonably possible counterparty performance, show the Group expects to be able to continue to operate for the full term of the concession.

Further details regarding the adoption of the going concern basis can be found in notes to the financial statements - note 1 accounting policies.

Directors' Indemnities

The Group has made qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

Consort Healthcare (Birmingham) Holdings Limited
Directors' Report (continued)
for the year ended 31 December 2021

Results and dividends

The audited financial statements for the year ended 31 December 2021 are set out on pages 10 to 27. The Group loss for the year after taxation amounted to £5,105,000 (2020: £3,288,000).

The Directors do not propose the payment of a dividend in respect of the year ended 31 December 2021 (2020: Nil).

Future developments

The Directors are not aware, at the date of this report, of any major changes in the Group's activities in the next year.

Directors

The following persons served as Directors during the year, except as noted:

S.D. Worthy	
M.G.D. Holden	(appointed 21/05/2021)
B.R. Walker	(appointed 30/09/2021)
W.E. Morris	(appointed 15/11/2021)
A.B. Deacon	(appointed 26/11/2021)
J.C. Heath	(resigned 20/01/2021)
D.G. Blanchard	(resigned 17/09/2021)
E.G. Wegener	(resigned 26/11/2021)

Directors' Indemnities

The Group has made qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

Directors' Share Interests

No Director had any interests in the issued share capital or material interests in any contract of the Company or of the Company's subsidiary undertaking at 31 December 2021.

Disclosure of Information to Auditor

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 Auditor is unaware; and each Director has taken all steps that they ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board and signed on its behalf by:

M.G.D. Holden
Director
9 June 2022

Registered Office

Unit 18 Riversway Business Village, Navigation Way, Preston, PR2 2YP.

Consort Healthcare (Birmingham) Holdings Limited

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 the Group and of the profit or loss of the Group 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 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; and
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report
to the members of Consort Healthcare (Birmingham) Holdings Limited

Opinion

We have audited the financial statements of Consort Healthcare (Birmingham) Holdings Limited ("the company") for the year ended 31 December 2021 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's result for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management as to the Company's high-level policies and procedures to prevent and detect fraud, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as cash flow assumptions in the operating model. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is a fixed mark up by way of an agreement with a single customer.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included but not limited to entries posted to unusual account combinations/seldom used accounts and those posted by senior finance management.

- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and Directors' report

The directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report
to the members of Consort Healthcare (Birmingham) Holdings Limited

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities
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.

Dan Gibson

Dan Gibson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House, 110 Quayside
Newcastle Upon Tyne, NE1 3DX

Date: 14 June 2022

Consort Healthcare (Birmingham) Holdings Limited
Consolidated Profit and Loss Account and Other Comprehensive Income/Expense for the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Turnover	2	39,218	35,396
Cost of sales		(28,294)	(26,490)
Gross profit		10,924	8,906
Net operating expenses		(7,114)	(4,083)
Operating profit		3,810	4,823
Interest receivable and similar income	3	38,331	38,993
Interest payable and similar expenses	4	(46,897)	(46,567)
Loss before Tax		(4,756)	(2,751)
Tax on Loss	7	(349)	(537)
Loss for the financial year		**(5,105)**	**(3,288)**
Total comprehensive expense		**(5,105)**	**(3,288)**

The Profit and Loss Account has been prepared on the basis that all operations are continuing operations.

The accompanying notes on pages 14 to 27 form an integral part of these financial statements.

Consort Healthcare (Birmingham) Holdings Limited
Consolidated and Company Balance Sheet
as at 31 December 2021

	Notes	Group Year ended 31 December 2021 £'000	Group Year ended 31 December 2020 £'000	Company Year ended 31 December 2021 £'000	Company Year ended 31 December 2020 £'000
Fixed assets					
Investments	9	-	-	50	50
Debtors - finance debtor due after more than one year	12	679,356	679,597	-	-
		679,356	679,597	50	50
Current assets					
Debtors - due within one year	10	4,208	3,029	-	-
Debtors - finance debtor due within one year	12	3,851	2,658	-	-
Cash at bank and in hand	11	135,392	123,558	-	-
		143,451	129,245	-	-
Creditors: amounts falling due within one year	13	(117,881)	(99,679)	-	-
Net current assets		25,570	29,566	-	-
Total assets less current liabilities		704,926	709,163	50	50
Creditors: amounts falling due after more than one year	14	(684,250)	(683,382)	-	-
Net assets		**20,676**	**25,781**	**50**	**50**
Capital and reserves					
Called up share capital	16	50	50	50	50
Profit and loss reserve		20,626	25,731	-	-
Shareholders' funds		**20,676**	**25,781**	**50**	**50**

The Financial Statements of Consort Healthcare (Birmingham) Holdings Limited (Registered number 5538276) were approved by the Board of Directors and authorised for issue on 9 June 2022. They were signed on its behalf by:-

M.G.D. Holden
Director
9 June 2022

The accompanying notes on pages 14 to 27 form an integral part of these financial statements.

Consort Healthcare (Birmingham) Holdings Limited
Consolidated Statement of Changes in Equity
as at 31 December 2021

	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2020	**50**	**29,019**	**29,069**
Total comprehensive income	-	(3,288)	(3,288)
Dividends paid on equity shares	-	-	-
Balance at 31 December 2020	**50**	**25,731**	**25,781**
Balance at 1 January 2021	**50**	**25,731**	**25,781**
Total comprehensive (expense)/income	-	(5,105)	(5,105)
Dividends paid on equity shares	-	-	-
Balance at 31 December 2021	**50**	**20,626**	**20,676**

Company Statement of Changes in Equity
as at 31 December 2021

There were no changes in the equity of the Company during the year (2020: none).

The accompanying notes on pages 14 to 27 form an integral part of these financial statements.

Consort Healthcare (Birmingham) Holdings Limited
Consolidated Cash Flow Statement
for the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Cash generated from operating activities			
Cash generated from operations	17	475	(1,985)
Income taxes paid		(338)	(744)
Net cash inflow/(outflow) from operating activities		**137**	**(2,729)**
Investing activities			
Interest received		71	118
Income received on finance debtor	12	49,397	49,938
Decrease in investments realisable within one year		-	-
Net cash generated from investing activities		**49,468**	**50,056**
Financing activities			
Senior Debt principal repaid		(24,560)	(23,369)
Interest and fees paid		(13,211)	(13,510)
Net cash used in financing activities		**(37,771)**	**(36,879)**
Net increase in cash and cash equivalents		**11,834**	**10,448**
Cash at bank and in hand at beginning of year		123,558	113,110
Cash and bank and in hand		135,392	123,558
Less: Restricted cash	11	(50,356)	(47,485)
Cash and cash equivalents at end of year		**85,036**	**76,073**

1 Accounting policies

Consort Healthcare (Birmingham) Holdings Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 05538276 and the registered address is Unit 18 Riversway Business Village, Navigation Way, Preston, PR2 2YP.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

1.1) Measurement convention
The financial statements are prepared on the historical cost basis.

1.2) Basis of consolidation
The consolidated financial statements include financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2021. All intercompany balances, transactions and profits are eliminated on consolidation.

1.3) Going Concern
The Group had net assets of £20,676,000 as at 31 December 2021 and generated a loss for the year then ended of £5,105,000. The parent company had net assets of £50,000 as at 31 December 2021. The losses for 2021 are primarily a result of increased sub-ordinated debt interest charges as the company has not been permitted to make any sub-ordinated debt interest payments since 2016. This is a consequence of the lenders not permissing interest payments to be made to shareholders until a settlement agreement is signed between the Trust, construction and FM contractors and Consort in relation to PFP matters.

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts covering a period of 16 months from the date of approval of these financial statements through to September 2023 which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement which are underwritten by the Secretary of State for Health.

In making this assessment the Directors have considered the potential impact of COVID-19.

The Group operating cash inflows are largely dependent on unitary charge receipts receivable from University Hospitals Birmingham Foundation Trust and the Birmingham & Solihull Mental Health Foundation Trust and the Directors expect these amounts to be received even in severe but plausible downside scenarios.

The Group continues to provide the asset in accordance with the contract and is available to be used. Further, the Trust has agreed to review the contract monitoring regime to remove any jobs that the FM Provider may fail as a result of COVID-19, pending furhter Cabinet Office direction. Deductions will therefore not be levied during this period for COVID-19 related failures. As a result, the Company does not believe there is any likelihood of a material impact to the unitary payment.

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 in line with the contract without significant additional costs to the Group, even in downside scenarios, due to the underlying contractual terms. To date, there has been no adverse impact on the services provided by the Company or its sub-contractors arising from COVID-19. However, in the unlikely event of a sub-contractor failure, the Company has its own business continuity plans to ensure that service provision will continue.

The Directors believe the Group has sufficient funding in place and expect the Company to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1 Accounting policies (continued)

1.4) Foreign currency

Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

1.5) Classification of financial instruments issued by the Group

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

(a) they include no contractual obligations upon the Group 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 Group; and

(b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group'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.

1.6) Basic financial instruments

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.

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.

Senior secured debt

Senior secured bonds and loans are initially stated at the amount of the net proceeds after deduction of related issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

Secured subordinated debt

Secured subordinated debt is initially stated at the amount of the net proceeds after deduction of related issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in that period.

1 Accounting policies (continued)

1.6) Basic financial instruments (continued)

Investments realisable within one year

Investments realisable within one year held by the Group represent amounts held on deposit with a financial institution which are not available for withdrawal without penalty in under 24 hours. Investments realisable within one year are stated at amortised cost with the interest receivable being recognised at a constant rate over the life of the investment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7) Other financial instruments

The Company's subsidiary, Consort Healthcare (Birmingham) Funding plc, holds listed debt and has prepared its accounts in accordance with FRS 102 Section 11 (Basic Financial Instruments), Section 12 (Other Financial Instruments Issues), and Section 22 (Liabilities and Equity).

1.8) Finance debtor

The Company is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company under FRS102 section 34C, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Trusts. The 'grandfathering' provisions that permit the retention and use of the existing financial reporting standard, Financial Reporting Standard 5 Application Note F, have been used.

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 income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The Company recognises income in respect of the services provided 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.

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

1.9) Impairment

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 Group 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.

1 Accounting policies (continued)

1.10) Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced for services provided in the period. These amounts are separately identifiable services from the contract discussed below.

The income streams from the Trusts contain separable elements for property and the provision of services. It has been determined that the balance of risks and rewards derived from the underlying asset is not borne by the Group and therefore the asset created under the contract will be accounted for as a finance debtor upon completion.

Revenues received from the Group's clients are apportioned between capital repayments and operating revenue. The "finance income" element of the capital repayment is shown within interest receivable.

Income is deferred where payment is received from the Trusts in advance of the performance of the related services.

1.11) Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset/are expensed as incurred.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

1.12) Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment. The carrying values of these investments are reviewed annually by the Directors to determine whether there has been any impairment to their values.

2 Turnover

Turnover by origin and destination from the Group's principal activity:	Group Year ended 31 December 2021 £'000	Group Year ended 31 December 2020 £'000
United Kingdom	39,218	35,396

3 Interest receivable and similar income

		Group Year ended 31 December 2021 £'000	Group Year ended 31 December 2020 £'000
Interest receivable on cash at bank		71	118
Interest income on finance debtor	(note 12)	38,260	38,875
Interest receivable and similar income		**38,331**	**38,993**

4 Interest payable and similar expenses

	Group Year ended 31 December 2021 £'000	Group Year ended 31 December 2020 £'000
Interest payable on secured senior loan	(31,493)	(32,298)
Interest payable on secured subordinated loan stock	(15,404)	(14,269)
Interest payable and similar expenses	**(46,897)**	**(46,567)**

5 Remuneration of Directors and employees

The shareholder groups received £278,000 for the provision of Directors in respect of the Company and Group in the current year (2020: £254,000). The Company and Group had no employees during the year (2020: nil).

6 Auditor's remuneration

	Group	
	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
The analysis of the auditor's remuneration is as follows:		
Fees payable to Company's auditor for the audit of the Company's annual accounts	1	1
Fees payable to the Company's auditor for other services to the Group		
- The audit of the Company's subsidiaries pursuant to legislation	36	36
	37	**37**

The auditor's remuneration for the Group was borne by Consort Healthcare (Birmingham) Limited.

No non-audit fees were paid to the auditor.

7 Tax on profit/loss

The tax charge is based on the loss for the period at a taxation rate of 19.00% (2020: 19.00%).

	Group	
	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Current tax on profit:		
UK corporation tax on loss for the year	344	537
Prior year adjustment	5	-
Total tax on profit	**349**	**537**

7 Tax on profit/loss (continued)

The differences between the total current tax charge and the amount calculated by applying the standard rate of UK corporation tax of 19.00% (2020: 19.00%) to the loss before tax are as follows:

	Group	
	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Loss before tax	(4,756)	(2,751)
Tax on loss on at standard UK corporation tax rate 19.00% (2020: 19.00%).	(904)	(523)
Effects of:		
UK corporation tax adjustments in respect of prior years	5	-
Deferred Tax not recognised	1,248	1,060
Current tax charge	**349**	**537**

A net deferred tax asset of £1,248,000 (2020: £1,060,000) has not been recognised in the statutory accounts due to the uncertainty of future use. This arises because the allowable interest expense for tax purposes is restricted to £2m per annum. Taxable profit forecasts for the foreseeable future are insufficient to support the future reversal of this difference.

In the March 2021 UK Government Budget, it was announced that the standard rate of Corporation Tax would increase to 25% from 1 April 2023. This will increase the company's future tax charge accordingly.

8 Retained profit

The profit for the financial period dealt with in the financial statements of the parent company, Consort Healthcare (Birmingham) Holdings Limited, was £nil (2020: £nil). As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company.

9 Fixed asset investments

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Shares in subsidiary undertaking	-	-	50	50
	-	-	50	50

The undertakings in which the Group's interest at the year end is greater than 20% are as follows:

	Country of incorporation	Principal activity	Class and % of shares held	
Consort Healthcare (Birmingham) Limited	Great Britain	PFI Operator	£1 ordinary shares	100%
Consort Healthcare (Birmingham) Funding PLC	Great Britain	PFI funding vehicle	£1 ordinary shares	99.998%

The registered address for Consort Healthcare (Birmingham) Limited and Consort Healthcare (Birmingham) Funding PLC is Unit 18 Riversway Business Village, Navigation Way, Preston, PR2 2YP.

10 Debtors - due within one year

	Group		Company	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Trade debtors	1,680	1,732	-	-
Prepayments	445	410	-	-
Accrued operating income	2,083	887	-	-
	4,208	**3,029**	**-**	**-**

11 Restricted cash

Cash at bank and in hand includes £50,356,000 (2020: £47,485,000) restricted from use in the business, being held in the Company's reserve accounts under the terms of its senior loan facility.

12 Analysis of net investment in the finance debtor

	Group		Company	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
At beginning of year	**682,255**	**688,925**	-	-
Added within the year:				
Life cycle replacement costs	10,003	2,477	-	-
Notional interest on finance debtor (note 3)	38,260	38,875	-	-
Income recognised in operating profit	2,086	1,916	-	-
Cash received	(49,397)	(49,938)	-	-
	952	(6,670)	-	-
At end of period	**683,207**	**682,255**	**-**	**-**
Due within one year	3,851	2,658	-	-
Due after more than one year	679,356	679,597	-	-
	683,207	**682,255**	**-**	**-**

Included in the above debtor is an amount of £104,889,000 (2020: £104,889,000) which relates to interest capitalised during the construction period.

13 Creditors: amounts falling due within one year

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Index linked secured bonds and secured term loan - interest	3,098	3,144	-	-
Index linked secured bonds and secured term loan - principal	25,959	25,059	-	-
Secured subordinated loan stock - interest	79,974	64,570	-	-
Construction creditor	446	446	-	-
Trade creditors	1,594	1,411	-	-
Corporation tax payable	673	662	-	-
VAT creditor	1,481	1,727	-	-
Deferred income	-	94	-	-
Other accruals	4,656	2,566	-	-
	117,881	**99,679**	**-**	**-**

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Secured subordinated loan stock	56,430	56,430	-	-
Index linked secured bonds	387,424	389,775	-	-
Index linked bank secured term loan	232,396	237,177	-	-
Other liabilities	8,000	-		
	684,250	**683,382**	**-**	**-**
Repayable as follows:				
Between one and two years	34,472	26,098	-	-
Between two and five years	82,544	82,304	-	-
After five years	567,234	574,980	-	-
	684,250	**683,382**	**-**	**-**

The main purpose of the borrowings is to provide finance for the Consort Healthcare (Birmingham) Group contractual undertakings.

Index-linked secured bonds due 2044 of £398,680,000 were created on 14 June 2006. Of this, £343,680,000 were issued and sold. The Group has £55,000,000 variation bonds which may be issued to finance certain contingencies. Interest on the bonds is payable semi-annually at a rate of 1.972% plus RPI indexation. Unless previously redeemed or purchased and cancelled, the bonds will mature on 14 August 2044 and will be subject to redemption in part from September 2011. Early redemption may be made at the Group's option, at a price being the higher of the indexed outstanding principal and a price calculated with regard to the yield of a reference gilt over the period to the original bond maturity date.

The index-linked bank secured term loan is from the European Investment Bank and bears interest at a rate of 1.834% plus RPI indexation. A main tranche of £225,000,000 was drawn on 14 June 2006. Repayments commenced in September 2011 and are semi-annually thereafter until March 2039. Early repayment may be made at the Group's option.

The secured subordinated debt is from the controlling parties and bears interest at a rate of 10.47% plus RPI indexation. This is repayable in semi-annual instalments between 2018 and 2046. It is secured by second floating charges over the undertaking and property of the Group.

14 Creditors: amounts falling due after one year (continued)

The index-linked borrowings are secured by a fixed and floating charge over the whole of the undertaking and assets of the Group. The bond and loan contracts contain covenants regarding, inter alia, performance by the Group of financial and non-financial obligations under the PFI contracts. In circumstances of non-compliance, lenders' rights include direction of the Group's business, requirements for immediate repayment and enforcement of security.

The index-linked bonds and index-linked secured term loan are each valued at amortised cost, using the effective interest rate method, taking account of projected indexation across the term of the liability. The index-linked bond has an effective interest rate of 4.878% (2020: 4.930%). The index-linked term loan has an effective interest rate of 4.673% (2020: 4.750%).

Borrowing facilities

At 31 December 2021 the Group had the following committed facilities:

	Drawn	Undrawn	Total
	£'000	£'000	£'000
Variation bonds	-	55,000	55,000
	-	55,000	55,000

15 Financial instruments

The Group's financial instruments are shown in the table below. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments be undertaken. The Group has not entered into derivatives transactions. The main risks arising from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and inflation risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged throughout the year. The Group has no significant foreign currency transactions. All the Group's borrowings are denominated in sterling.

Categories of financial instruments

	2021 Book Value	
	Loans and receivables at amortised cost including cash and short-term deposits	Financial liabilities at amortised cost
	£'000	£'000
Financial assets		
Trade and other receivables	3,763	-
Cash and short-term deposits	135,392	-
Finance debtor	683,207	-
	822,362	-
Interest income in the year	38,331	
Financial liabilities		
Index-linked secured bonds	-	(403,386)
Index-linked bank secured term loan	-	(245,491)
Secured subordinated loan stock - commitment and letter of credit fees	-	(136,404)
Trade and other payables *	-	(14,696)
	-	(799,977)

* Comprises trade creditors, construction creditors & other accruals

15 Financial instruments (continued)

	2020 Book Value	
	Loans and receivables at amortised cost including cash and short-term deposits £'000	Financial liabilities at amortised cost £'000
Financial assets		
Trade and other receivables	2,619	-
Cash and short-term deposits	123,558	-
Finance debtor	682,255	-
	808,432	**-**
Interest income in the year	38,993	
Financial liabilities		
Index-linked secured bonds	-	(405,349)
Index-linked bank secured term loan	-	(249,806)
Secured subordinated loan stock - commitment and letter of credit fees	-	(121,000)
Trade and other payables *	-	(4,423)
	-	**(780,578)**

* Trade and other payables comprises trade creditors, construction creditors & other accruals.

Credit Risk

The Group's principal financial assets are cash and short-term deposits, trade and other receivables and investments. The Group's credit risk is primarily attributable to its cash and short term deposits and current asset investments, for which only independently rated counterparties with a minimum senior debt rating of at least AA- from Standard & Poor's and Aa3 from Moody's are acceptable.

Should the ratings of existing counterparties fall below these levels, the Group and its senior lenders each have the right to require that an acceptable replacement counterparty be appointed, unless each chooses to waive this right using an acceptable waiver form.

The receivables arise from the Group's clients, University Hospital Birmingham NHS Foundation Trust and Birmingham and Solihull Mental Health NHS Foundation Trust. The credit and cash flow risks are not considered significant as the clients are quasi-governmental organisations.

The maximum exposure to credit risk is the carrying value of the financial assets in the table above.

15 Financial instruments (continued)

Interest rate risk/Inflation Risk

All borrowings are at fixed rates other than index-linking, and therefore no interest rate risk arises on them. Interest rate risk arises on the Group's cash and short-term deposits.

The majority of the Group's borrowings comprise an index linked secured bond and an index linked secured loan. Repayment of these loans, and meeting operational expenditure commitments, will be made from income which is itself subject to indexation. The Group thereby mitigates any exposure to movements in the retail price index.

Liquidity risk

The Group's liquidity risk is principally managed through financing the Group by means of long-term borrowings with an amortising profile that matches the expected availability of funds from the Group's operating activities.

Capital risk management

The Group manages its capital to ensure it is able to continue as a going concern, to meet the requirements of its finance contracts, and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Company comprises equity attributable to equity holders consisting of ordinary share capital, reserves and retained earnings as disclosed in note 16 and cash and short-term deposits and borrowings as disclosed in notes 11, 13, 14 and 15. The Group has complied with capital requirements imposed by its finance contracts throughout the year. There have been no changes in the Group's management of capital from previous years.

16 Called-up share capital and other reserves

	Group		Company	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Authorised, issued and fully paid share capital				
20,040 Class 'A' ordinary shares of £1 each	20	20	20	20
15,030 Class 'B' ordinary shares of £1 each	15	15	15	15
15,030 Class 'C' ordinary shares of £1 each	15	15	15	15
	50	**50**	**50**	**50**

The different classes of equity rank 'pari passu' in respect of voting, dividends and other rights. These carry no rights to fixed income

The Group's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses.

17 Reconciliation of profit to net cash generated from operations

	Group 2021 £'000	Group 2020 £'000
Loss for the year	(5,105)	(3,288)
Adjustments for:		
Depreciation, amortisation and impairment	-	-
Interest receivable and similar income	(38,331)	(38,993)
Interest payable and similar charges	46,897	46,567
Taxation	349	537
Life cycle replacement costs	(10,003)	(2,477)
Income recognised in operating profit in respect of finance debtor	(2,086)	(1,916)
(Increase)/decrease in trade and other debtors	(1,179)	404
Increase/(decrease) in trade and other creditors	9,933	(2,819)
Cash generated from operations	**475**	**(1,985)**

18 Related party transactions

	Group 2021 £'000	Group 2020 £'000
During the year the Group has incurred costs charged by related parties as follows:		
Subsidiaries of Balfour Beatty plc - construction costs	-	-
A subsidiary of Balfour Beatty plc - secondment and bid costs	-	6
Balfour Beatty, Infrastructure Investments Limited Partnership, and InfraRed Infrastructure Yield LP - provision of Directors' services	278	254

	Group 2021 £'000	Group 2020 £'000
Balances outstanding at the end of the year:		
Trade creditors and accruals		
A subsidiary of Balfour Beatty plc - secondment costs	-	54
Balfour Beatty, Infrastructure Investments Limited Partnership, and InfraRed Infrastructure Yield LP - provision of Directors' services	156	183

At 31 December 2021, the subordinated loan stock totalled £56,430,000, divided between BBPF LLP, £22,572,000 (2020: £22,572,000), Infrastructure Investments Limited Partnership, £16,929,000 (2020: £16,929,000), and InfraRed Infrastructure Yield LP, £16,929,000 (2020: £16,929,000). Subordinated Debt interest accrued at 31 December 2021 totalled £79,974,000 (2020: £64,570,000), divided between BBPF LLP for £31,990,000, Infrastructure Investments Limited Partnership for £23,992,000, and InfraRed Infrastructure Yield LP for £23,992,000.

19 Controlling parties

The Directors consider the ultimate controlling parties to be Balfour Beatty plc, HICL Infrastructure plc, and InfraRed Infrastructure Yield L.P.; in the ratio 40:30:30.

20 Accounting estimates and judgements

Critical accounting judgements in applying the Group's accounting policies

In the application of the Group'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.

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

As disclosed in note 1, the Group accounts for the project as a service concession arrangement. The Directors use their judgement in selecting the appropriate financial asset rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the finance debtor; and also the service margin that is used to recognise service revenue. The Directors have also used their judgement in assessing the appropriateness of the future maintenance costs that are included in the Group 's forecasts. The Directors will continue to monitor the condition of the assets and undertake a regular review of maintenance spend.

Effective Interest Rate Calculation on index-linked debt

As disclosed in note 15, the Group has index-linked secured bonds and an index-linked bank secured term loan. The Group calculates the effective interest rate of the index-linked debt, based on the assumption of a flat future rate of inflation of 3.0% (2020: 3.0%). The Directors consider this rate to be a reasonable long-term estimate given future uncertainty in inflation rates.

21 Post balance sheet events

The COVID-19 pandemic continues to cause significant impact to the UK's economy; however, the Group has continued to be paid in full since the year end in accordance with Government guidance and the concession contract and does not expect this position to change. The project remains fully operational