Company Registration No. 06004566 (England and Wales)

CONSORT HEALTHCARE (MID YORKSHIRE) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CONSORT HEALTHCARE (MID YORKSHIRE) LIMITED

COMPANY INFORMATION

Directors	Mr M G D Holden Ms E J Beswetherick Ms N Poupard
Secretary	Vercity Management Services Limited
Company number	06004566
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE

CONSORT HEALTHCARE (MID YORKSHIRE) LIMITED

CONTENTS

CONSORT HEALTHCARE (MID YORKSHIRE) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Principal Activity

The principal activity of the Company is to design, build, finance and maintain Pinderfields General Hospital and Pontefract General Infirmary in accordance with a 35 year contract with the Mid Yorkshire Hospitals NHS Trust (the "Trust"). Contract negotiations were successfully completed on 28 June 2007 and construction commenced immediately. The project has been operational since 15 October 2011.

The directors do not foresee any change in the activities of the Company.

Principal risks and uncertainties

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

Major maintenance

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

Availability

Investment in the project is funded primarily by the Bonds, bank loan and subordinated unsecured loan stock. During the operational phase the principal source of funds available to meet its liabilities under the Bonds and bank loan is the unitary charge received from the Trust under the Project Agreement. Failure to achieve the forecast levels of availability would result in lower than forecast revenues and this may adversely affect the Company's ability to make payments to Bondholders and funders.

Service performance

Performance risk under the Project Agreement and related contracts are passed on to the service providers. The obligations of these subcontractors are underwritten by parent company guarantees. Ultimately, poor performance may result in the Trust having the right to terminate the Project Agreement. As noted in the discussion of the Company's KPIs, the levels of deductions levied in the year were low and are not considered to pose a risk to the project.

Credit risk

The Company's credit risk is primarily attributable to its trade and other receivables and the finance debtor. With the exception of relatively small trade receivables for activities ancillary to the PFI contracts recharged to other parties, the receivables arise from the Company's client, The Mid Yorkshire Hospitals National Health Service Trust. The credit and cash flow risks are not considered significant as the client is a quasi-governmental organisation.

Development and performance

COVID-19

The Company is exposed to the COVID-19 risk as a result of the inherent uncertainty around the impact of the pandemic on UK society and economy. Whilst the Company itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the ability to continue to perform required services. Performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

Interest rate risk/inflation risk

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

The majority of the Company'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 Company thereby mitigates any exposure to movements in the retail price index.

Liquidity risk

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

Climate change

The company has considered whether it is exposed to additional risks as a result of climate change and has not identified any risks that would significantly impact the company. This is primarily due to nature of the operations of the project, where the majority of work is performed by sub-contractors who are responsible for the associated risks. Whilst, the company is subject to SPV costs through the provision and maintenance of facilities including, for instance, heating systems, the company's contractual protections are expected to protect the company from changes in law that result in any longer term pricing risk associated with climate change.

Tax risk

The Company is exposed to changes in tax rates, as an increase in tax rate will increase the tax charge for the year, increasing tax outflow in future years of the concession.

Development and performance continued
Operating profit is calculated by recognising a margin on regular service costs and lifecycle costs incurred; no margin is recognised on costs that are passed on to Mid Yorkshire Hospitals NHS Trust including additional capital works funded in full by Mid Yorkshire Hospitals NHS Trust.

On the 30 June 2020 a deed of variation was entered into with the Trust to remove agreed services, which were subject to periodic market testing, from the contractual obligations in the Project Agreement. The requirement to fulfil these services resides with the Trust from this date. The income received from the Trust and costs paid to the Service Providers have been reduced accordingly to reflect the reduction in service offered. The directors do not believe the variation to have a material impact on the Company or its ability to continue to perform the remaining contractual obligations in the Project Agreement , as there is no change to the risk profile for the Company.

Cost of sales will have increased in the first six months of the year due to the annual increase for RPI which was effective 1 April 2020, along with increased pass-through costs for services such as utilities and capital variation works. This increase is offset by the reduction in service fee from 1 July 2020 following the deed of variation to remove the market tested services, resulting in a de crease in cost of sales to £17,448,000 (2020 : £22,542,000). As the deed of variation had an equal impact on the income from the Trust gross profit has remained consistent at £11,284,000 (2020 : £10,493,000). Administration expenses have increased due to increased lifecycle costs, professional and legal fees, as well as an increase in the bad debt provision during the year. The bad debt provision relates to money due from the building contractor for defect rectification work no longer deemed recoverable. Accordingly operating profit has decreased to £1,881,000 (2020 : £6,418 ,000).

Interest receivable has reduced to £16,729,000 (2020 : £17,148,000) as the balance of the financial asset decreases. Interest payable has decreased to £21,637,000 (2020: £21,946,000), arising from the increase in interest costs on the subordinated debt payable to Consort Healthcare (Mid Yorkshire) Funding plc due to unpaid interest being rolled into the principal balance.

Overall loss before tax has increased to £3,027,000 (2020 : £1,620,000 profit), reflecting the reduction in operating profit. This led to a corporation tax credit of £757,000 (2020 : £309,000 tax charge). Retained earnings have decreased to £2,393,000 (2020 : £4,663,000). No dividend payments were made during the year (2020 : £Nil).

At 31 December 2021 the Company had net assets of £2,393,000 (2020 : £4,663,000). The cash held by the Company, £22,912,000 (2020 : £9,846,000) has increased due to no dividends being paid in the current year. Financial covenants have been met during the year and having considered the anticipated future performance and position of the Company, the directors are of the opinion that the covenants will continue to be met in the future.

The directors believe the Finance Debtor to be recoverable over the term of the Project Agreement.

Key performance indicators
Financial penalties are levied by Mid Yorkshire Hospitals NHS Trust in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service providers but the quantum is an indication of unsatisfactory performance. During the financial year deductions of £553,000 (2020: £473,000) were levied by the Mid Yorkshire Hospitals NHS Trust and passed onto the service providers. Deductions make up less than 2.5% of Turnover in both the current and preceding year, considered to be a low level of deductions and deemed satisfactory, the deductions in the year were passed to the FM provider.

The directors have modelled the anticipated financial outcome of the project across the term of the contract up to the end of the concession. The directors monitor actual performance against this anticipated performance. As discussed above the Company's performance as at 31 December 2021 against this measure was considered satisfactory.

Construction Defects

The Company has previously identified a number of construction non-compliances (defects) which have been raised with the construction contractor. The Company is working proactively with the construction contractor in order for them to carry out the required rectification works to remediate the defects. Whilst these discussions are ongoing, the Company is incurring legal, professional, management and rectification costs related to these defects.

During the year ended 31 December 2021, the Company has incurred £5,671k (2020: £1,101k) in defect related costs. Whilst discussions are ongoing, these costs are not considered recoverable at the balance sheet date 31 December 2021.

Going concern

The Directors have prepared cash flow forecasts which indicate that, taking account of severe but plausible downsides, the Company 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.

The Company was able to meet the financial covenants as at March 2021 and September 2021, and is forecast to meet them for the foreseeable future.

Taking into account reasonable possible risks in operations to the Company, the fact the obligations of the Company's sole customer 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 therefore appropriate to prepare these financial statements on the going concern basis.

On behalf of the board

Mark Holden

Mark Holden (May 30, 2022 16:53 GMT+1)

Mr M G D Holden
Director

30 May 2022

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and audited financial statements for the year ended 31 December 2021.

Principal activities
The principal activity of the company continued to be the design, build, finance and maintenance of Pinderfields General Hospital and Pontefract General Infirmary.

Results and dividends
The results for the year are set out on page 12.

No interim dividends were paid. The directors do not recommend payment of a final dividend.

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

Mr M G D Holden	
Mr R M Goulder	(Resigned 16 November 2021)
Ms E J Beswetherick	
Ms N Poupard	(Appointed 16 November 2021)

Qualifying third party indemnity provisions
The company has ensured qualifying third party indemnity provisions have been provided for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Financial risk management objectives and policies
The company's financial instruments result in the company's exposure to liquidity, credit rate and interest rate risks. Further information on the financial instruments employed by the company can be seen in the notes to these financial statements.

The Company has outsourced the financial reporting function to Vercity Management Services Limited (Vercity). Authorities remain vested in the board members of the Company. Vercity reports regularly to the board of the Company. The Board receives regular reports from Vercity which specifically summarise and address the financial, contractual and commercial risks that the company is exposed to, and are pertinent to the industry in which the Company operates.

The Board also receives quarterly management accounts with explanations of variances from annual budgets and forecasts, which are in turn compared to the Financial Model, which represents the long term business plan of the Company and outlines its ability to comply with its debt obligations and covenants. Material deviations from the business plan are investigated and reported on. Supporting this process, Vercity evaluates its performance under the framework of an Internal Audit and Assessment programme which sits within its own Corporate Governance framework. This process ensures that the project remains robust and viable throughout the life of the contract.

Auditor
Johnston Carmichael LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

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

On behalf of the board

Mark Holden
Mark Holden (May 30, 2022 16:53 GMT+1)

Mr M G D Holden
Director

30 May 2022

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice and FRS102, the financial reporting standard applicable in the UK and the 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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CONSORT HEALTHCARE (MID YORKSHIRE) LIMITED

Opinion

We have audited the financial statements of Consort Healthcare (Mid Yorkshire) Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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

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

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

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

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

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CONSORT HEALTHCARE (MID YORKSHIRE) LIMITED

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- UK GAAP
- Companies Act 2006
- Corporation Tax legislation
- VAT legislation

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of board meeting minutes.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services; and
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing judgements made by management in their calculation of accounting estimates for potential management bias.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission, or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CONSORT HEALTHCARE (MID YORKSHIRE) LIMITED

Use of our report

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

Johnston Carmichael LLP

Irvine Spowart (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

31 May 2022

Chartered Accountants
Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

CONSORT HEALTHCARE (MID YORKSHIRE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Turnover	3	28,768	33,035
Cost of sales		(17,484)	(22,542)
Gross profit		11,284	10,493
Administrative expenses		(9,403)	(4,075)
Operating profit		1,881	6,418
Interest receivable and similar income	7	16,729	17,148
Interest payable and similar expenses	8	(21,637)	(21,946)
(Loss)/profit before taxation		(3,027)	1,620
Tax on (loss)/profit	9	757	(309)
(Loss)/profit for the financial year		(2,270)	1,311
Other comprehensive income		-	-
Total comprehensive (expense)/income for the year		(2,270)	1,311

The profit and loss account has been prepared on the basis that all operations are continuing operations.

CONSORT HEALTHCARE (MID YORKSHIRE) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £'000	2021 £'000	2020 Restated £'000	2020 Restated £'000
Current assets					
Debtors falling due after more than one year	10	327,140		332,902	
Debtors falling due within one year	10	35,480		47,290	
Cash at bank and in hand		22,912		9,846	
		385,532		390,038	
Creditors: amounts falling due within one year	11	(31,983)		(35,650)	
Net current assets			353,549		354,388
Creditors: amounts falling due after more than one year	12		(351,156)		(349,725)
Net assets			2,393		4,663
Capital and reserves					
Called up share capital	14		-		-
Profit and loss account			2,393		4,663
Total shareholders' funds			2,393		4,663

The financial statements were approved by the board of directors and authorised for issue on 30 May 2022 and are signed on its behalf by:

Mark Holden
Mark Holden (May 30, 2022 16:53 GMT+1)

Mr M G D Holden
Director

Company Registration No. 06004566

CONSORT HEALTHCARE (MID YORKSHIRE) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Profit and loss reserves	Total
	£'000	£'000	£'000
Balance at 1 January 2020	-	3,352	3,352
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	1,311	1,311
Balance at 31 December 2020	-	4,663	4,663
Year ended 31 December 2021:			
Loss and total comprehensive income for the year	-	(2,270)	(2,270)
Balance at 31 December 2021	-	2,393	2,393

1 Accounting policies

Company information

Consort Healthcare (Mid Yorkshire) Limited is a private company limited by shares incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Consort Healthcare (Mid Yorks) Holdings Limited. These consolidated financial statements are available from Companies House.

1.2 Going concern

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 at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides including any impact of COVID-19, the Company will have sufficient funds to meet its liabilities as they fall due for that period and to operate within the covenants on its borrowings.

Specifically, the directors have considered and modelled severe but plausible downside scenarios, such as the potential quantum of rectification works required to remediate construction non-compliances. In addition to these scenarios, to date there has been no material adverse impact on the Company's cashflows, or the service levels provided and no indication of heightened risk of subcontractor failure. As a result, the cashflow forecasts indicate that, even in downside scenarios, the Company will be able to meet its liabilities as they fall due.

Consequently, the Directors are confident that the 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)**

1.3 Turnover

Construction phase - revenue is recognised based on the fair value of work completed in the period, deemed to be historical cost plus a margin, in accordance with FRS 102 Schedule 23.

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

Revenue and expenses are recognised on an accruals basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

1.4 Cash and cash equivalents

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

1.5 Financial instruments

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

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

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

Basic financial assets

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

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

1 Accounting policies **(Continued)**

Service concession accounting

The company is an operator of a Public Finance Initiative ("PFI") contract. The company entered into a project agreement (the "contract") with the Mid Yorkshire Hospitals NHS Trust (the "Trust") to design, build, finance, operate and maintain the Pinderfields General Hospital and Pontefract General Infirmary. The contract negotiations were successfully completed on 28 June 2007 and construction commenced immediately. The project has been fully operational since 15 October 2011. The concession period is for 35 years. Until 30 June 2020 the company was contracted to provide hard and soft services to the Trust. From 1 July 2020, following a contract amendment the company is now contracted to provide hard services only to the Trust. The obligation to provide major maintenance works (lifecycle) is undertaken by the Facilities Management Provider, however, as discussed in the strategic report, the risk that the costs exceed those forecast in the financial model is borne by the company. The timing and extent of the major maintenance works is a key assumption that will affect the cashflows of the company, further information is shown in note 2. The Contract entitles the Trust to a share in any savings made by the company on the actual insurance premiums incurred versus those assumed during the contract negotiations. Any savings are shared with the Trust on a quinquennial basis.

The Trust are entitled to terminate the Contract at anytime by giving 6 months written notice. If the Trust exercise this right they are liable to pay the company compensation as set out in the Contract, which would include the senior debt, redundancy costs and other Facilities Management provider losses and the market value of the subordinated debt and shareholder equity.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase the Trust pay the company a fixed Unitary Charge payment, as determined in the Contract, that is inflated by RPI each year. Income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The company recognises revenue in respect of the services provided, including lifecycle services, as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Impairment of financial assets

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

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

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

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

1 Accounting policies **(Continued)**

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

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

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

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

Other financial liabilities

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.6 Equity instruments

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

1.7 Taxation

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

Current tax

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

1 Accounting policies **(Continued)**

Deferred tax

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

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

1.8 Interest receivable and payable

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

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

1.9 Prior year restatement - Other financial assets

The amount classified as 'other financial assets' are deposit balances with a maturity of more than 3 months. The short term deposit balance of £35,981,000 was presented within cash at bank and in hand in the prior year, this was in error as the amount should have been presented as other financial assets. The prior year comparatives have been restated to reflect this. The restatement has neither any impact on the profit and loss, nor the overall net asset position of the company.

2 Judgements and key sources of estimation uncertainty

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.

Critical judgements

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

Service concession arrangements

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

If lifecycle expenditure over the life of the project increased by 5%, the service margin would decrease by 2.59%, resulting in a reduction in both revenue and profit before tax in 2021 of £301,000 (20: £309,000). If lifecycle expenditure over the life of the project decreased by 5%, the service margin would increase by 2.47% and the revenue and profit before tax would increase by £312,000 (2020: £239,000).

3 Turnover

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

	2021	2020
	£'000	£'000
Turnover analysed by class of business		
Services income	19,567	22,602
Pass through income	8,990	10,178
Rental income	211	255
	28,768	33,035

4 Auditor's remuneration

	2021	2020
Fees payable to the company's auditor and associates:	£'000	£'000
For audit services		
Audit of the financial statements of the company and the group	30	38

4 Auditor's remuneration **(Continued)**

Total audit fee's payable by the company were £30,000 (2020: £38,000) of which £11,000 (£2020: £13,000) was paid on behalf of associated entities, resulting in a fee of £19,000 (2020: £25,000) for the company itself.

Auditor's remuneration is payable to Johnston Carmichael LLP (2020: KPMG).

5 Employees

The company had no employees during the year (2020: nil).

6 Directors' remuneration

No directors received any remuneration for services to the company during the year (2020: nil). Directors services are payable to the shareholders (see Note 16).

7 Interest receivable and similar income

	2021 £'000	2020 £'000
Interest on bank deposits	16	112
Interest receivable on finance debtor	16,707	17,036
Other interest income	6	-
	16,729	17,148

8 Interest payable and similar expenses

	2021 £'000	2020 £'000
Interest payable to fellow group undertakings	20,960	21,245
Other interest	677	701
	21,637	21,946

9 Taxation

	2021 £'000	2020 £'000
Current tax		
UK corporation tax on (losses)/profits for the current period	-	309
Deferred tax		
Deferred tax on losses	(757)	-
Total tax (credit)/charge	(757)	309

9 Taxation **(Continued)**

For the year ended 31 December 2021, the UK corporation tax rate of 19% is applied.

The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate to from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

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

	2021 £'000	2020 £'000
(Loss)/profit before taxation	(3,027)	1,620
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(575)	308
Tax effect of expenses that are not deductible in determining taxable profit	-	1
Effects of rate change on deferred tax	(182)	-
Taxation (credit)/charge for the year	(757)	309

10 Debtors

Amounts falling due within one year:	2021 £'000	Restated 2020 £'000
Trade debtors	78	2,334
Corporation tax recoverable	1,184	348
Finance debtor	7,448	7,550
Other financial assets	26,443	35,981
Prepayments and accrued income	327	1,077
	35,480	47,290

Amounts falling due after more than one year:	Notes	2021 £'000	2020 £'000
Finance debtor		326,383	332,902
Deferred tax asset		757	-
		327,140	332,902
Total debtors		362,620	380,192

10 Debtors (Continued)

Other financial assets include amounts held within deposit accounts with a maturity of greater than three months but less than six months from the initial deposit date.

The short term deposit balance of £35,981,000 was presented within cash at bank and in hand in the prior year, this was in error as the amount should have been presented as other financial assets. The prior year comparatives have been restated to reflect this.

11 Creditors: amounts falling due within one year

	Notes	2021 £'000	2020 £'000
Loans owed to group undertakings	13	8,081	16,849
Trade creditors		1,194	2,188
Interest due to group undertakings	13	19,089	14,060
Other taxation		814	1,014
Accruals and deferred income		2,805	1,539
		31,983	35,650

12 Creditors: amounts falling due after more than one year

	Notes	2021 £'000	2020 £'000
Amounts owed to group undertakings	13	351,156	349,725

Amounts included above which fall due after five years are as follows:

	2021 £'000	2020 £'000
Payable by instalments	322,676	286,618

13 Loans and overdrafts

	2021 £'000	2020 £'000
Loans from parent undertakings	359,237	366,574
Payable within one year	8,081	16,849
Payable after one year	351,156	349,725
	359,237	366,574

13 Loans and overdrafts **(Continued)**

Amounts owing to Consort Healthcare (Mid Yorkshire) Funding plc represent a loan which is made up of the proceeds of £172,928,000 index linked secured bonds, subordinated debt of £31,048,000, a £154,906,000 index linked loan and a loan of £50,000 share capital.

Interest on the bonds is payable semi-annually at a rate of 2.055%, increased for RPI indexation. RPI indexation is the increase in the published RPI figure relating to October 2006 (base date) to the figure published 7 months prior to each payment date. Unless previously redeemed or purchased and cancelled, the bonds will mature on 27 June 2041 and will be subject to redemption in part from September 2011. Early redemption may be made at the Company'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 bears interest at a rate of 1.895% plus RPI indexation applied using the same method as for the bonds above. The loan was drawn down on 28 June 2007. Repayments commenced in September 2011 and are semi-annually thereafter until March 2040 and finally in June 2040. Early repayment may be made at the Company's option.

The secured subordinated debt interest at a rate of 10.17% plus RPI indexation. The RPI indexation applied is the increase, less 1 per cent, from the published RPI figure from the month of March which is 12 months prior to the current contract year (beginning April), to the published RPI figure relating to the March immediately prior to the current contract year. This is repayable in instalments between 2021 and 2042. It is secured by second floating charges over the undertaking and property of the Company.

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

The index-linked bonds, index-linked secured term loan and secured subordinated debt 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 4.95% (2020: 4.82%).The index-linked term loan has an effective interest rate of 4.81 % (2020: 4.66%). The secured subordinated debt has an effective interest rate of 12.74% (2020: 12.90%)

14 Share capital and reserves

	2021	2020	2021	2020
Ordinary share capital	**Number**	**Number**	**£'000**	**£'000**
Ordinary of £1 each	100	100	-	-

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.

15 Financial commitments, guarantees and contingent liabilities

The company has previously identified a number of construction non-compliances (defects) which have been raised with the construction contractor. The company is working proactively with the construction contractor in order for them to carry out the required rectification works to remediate the defects. The company has reached an in principle agreement with the Contractor for the required remedial works and is currently finalising the documentation with all parties which it expects to conclude in 2022. Whilst these discussions are ongoing, the company is incurring legal, professional, management and rectification costs related to these defects.

As at the date of signing the accounts, the company has an estimated contingent liability of £38,294,000 for remedial works relating to these construction non-compliances. These remedial works would be required to be carried out by the company in the unlikely event that the final agreement is not concluded with the construction contractor.

This is a possible cost to the company as at the time of signing the accounts, an agreement has not yet been reached.

16 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	2021 £'000	2020 £'000
Infrastructure Investments Limited Partnership	128	125

During the year Infrastructure Investments Limited Partnership charged fees of £128,000 (2020: £125,000) for the provision of Directors' services. The Directors received no salary or other benefits from Consort Healthcare (Mid Yorkshire) Limited, in the performance of their duties in respect of the company in the current or prior year.

Included within creditors falling due within one year is £675,000 (2020: £91,000) arising as a result of consortium tax loss sales received in the prior year. The Creditor outstanding will be paid to an entity under common control of HICL Infrastructure Plc, the ultimate parent undertaking of Consort Healthcare (Mid Yorkshire) Holdings Limited.

As a wholly-owned subsidiary of Consort Healthcare (Mid Yorkshire) Holdings Limited, the Company has taken advantage of the exemption in Section 33 of FRS102 'Related party disclosures' from disclosing related party transactions with other group companies within these financial statements.

17 Ultimate controlling party

The Company is a wholly owned subsidiary undertaking of Consort Healthcare (Mid Yorkshire) Holdings Limited, registered office 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

The smallest group in which the results of the Company are consolidated is Consort Healthcare (Mid Yorkshire) Holdings Limited. Copies of the financial statements are available from the registered office.

The ultimate controlling party is HICL Infrastructure Plc, a Company listed on the London Stock Exchange and registered at One Bartholomew Close, Barts Square, London, England, EC1A 7BL.

The largest group in which the results of Company are included is HICL Infrastructure Plc, the ultimate controlling party. HICL Infrastructure Plc does not consolidate its investments instead holding the Company at fair value.