

City Hospitals Independent Commercial Enterprises Limited

Report and Financial Statements

for the year ended 31 March 2022



City Hospitals Independent Commercial Enterprises Limited

Registered company number

08808703

City Hospitals Independent Commercial Enterprises Limited ("CHOICE") was incorporated under the Companies Act 2006 on 10 December 2013 and is a company limited by shares. Trading commenced on 4 August 2014.

Registered Address

City Hospitals Independent Commercial Enterprises Limited
Sunderland Royal Hospital
Kayll Road
Sunderland
Tyne and Wear
SR4 7TP

Banker

Lloyds Banking Group
54-55 Fawcett Street
Sunderland
SR1 1SF

NatWest Plc
Government Banking Service Branch
2nd Floor
280 Bishopgate
London
EC2M 4RB

Independent Auditors (appointed)

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

City Hospitals Independent Commercial Enterprises Limited

Strategic Report

Principal Activities and Review of the Business

The company is incorporated and domiciled in the UK, it is a wholly owned subsidiary company with the sole shareholder being the parent company South Tyneside and Sunderland NHS Foundation Trust.

The principal activities of the company are to provide and operate hospitals, healthcare establishments and healthcare facilities and the provision of related services. The company aims to provide safe, effective, sustainable and modern healthcare and working environments.

As part of an agreement to provide managed healthcare services, the company operates a 10 year lease arrangement with South Tyneside and Sunderland NHS Foundation Trust. On 1st February 2017, the company acquired a leasehold interest in the three main sites at Sunderland Royal Hospital, Sunderland Eye Infirmary and the Children's Centre, in order to provide an Operated Healthcare Facility to the named sites via a leaseback arrangement.

In March 2019 a new leasing agreement was made between South Tyneside and Sunderland NHS Foundation Trust and Assura. CHoICE is now operating the Durham Treatment Centre on behalf of the Trust.

The company operates under licence an independent outpatient pharmacy service at Sunderland Royal Hospital and Sunderland Eye Infirmary and started activities on 4 August 2014. It began operating an additional independent outpatient service at South Tyneside District Hospital on 4 October 2021.

The company also receives rental income from shorter term retail and independent healthcare providers which are located in the hospital properties.

The company managed its responsibilities and effectively delivered the services that it intended to its customers during the period to 31 March 2022.

Key Performance Indicators

The operating profit of £4,046,348 resulted from turnover of £81,709,231 and operating expenses of £77,662,883. Corporation tax on ordinary activities was a charge of £738,870 and the profit for the financial year was £3,250,533 after tax.

The company made a charitable donation to a connected party, South Tyneside and Sunderland NHS Foundation Trust Charitable Fund in the year, to be used in purchasing medical equipment. The value of the donation was £2m.

The strong liquidity position resulted in a positive cash balance of £13,098,827 at the end of the financial year.

Principal Risks and Uncertainties

The company maintains a comprehensive risk register as part of its risk management strategy and this is reviewed at the company's Risk Committee, a sub-committee of the Board. The expansion into healthcare facilities management and the associated transfer of staff and services to the company emphasises the importance of embedding a risk aware culture across the organisation.

The company has not suffered any significant financial risk and has met expectations of delivery of its financial commitments since incorporation.

Going concern

The financial statements have been prepared on a going concern basis. The company has recorded a profit before tax of £3,989,403 (2021: profit £2,945,538).

The company is forecasting sustained profitability from 2022/23, and has sufficient cash reserves to meet its liabilities as they fall due. The company is supported by intercompany loans from its ultimate parent entity of £1,000,000 and £27,749,722 of which £7,771,377 remains owing. The directors have obtained a Letter of Support from the parent entity confirming that this financial support will not be withdrawn for a period of at least 12 months from the date of signing the financial statements. Therefore, as the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, they consider that it is appropriate to prepare the financial statements on a going concern basis.

City Hospitals Independent Commercial Enterprises Limited

Strategic Report (continued)

Section 172 Statement

Section 172 of the Companies Act 2006 recognises that whilst companies are run for the benefit of the shareholders, a business's long-term success and reputation are dependent upon maintaining relationships with stakeholders and an appreciation of the external impact of its activities.

The board of directors comprises 3 Executive and 2 non-executive directors. Representatives of our ultimate parent, South Tyneside and Sunderland NHS Foundation Trust are invited to attend Open Board, these representatives are also senior executives of South Tyneside and Sunderland NHS Foundation Trust (STSFT – "the Trust").

The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006. They ensure proper reflection on stakeholder engagement and issues is given at Board level and that opportunities for development in this area are positively pursued.

The Board regularly reviews the business's principal stakeholders and how the business engages with them. The sections below set out a more detailed summary of the company's relationships with its key stakeholders and how the business engages with those stakeholders.

In addition to a scheduled programme of Board meetings, members of the Board and wider members of both the senior management and senior Trust management meet monthly. Quarterly updates are provided to STSFT Board sub-committees. These interactions feature feedback from the business areas, with particular focus on specific stakeholder groups. Minutes of these meetings are fed back to the Board.

Key stakeholders include the shareholders, customers, the Trust, suppliers and all employees.

Shareholders - Our ultimate parent South Tyneside and Sunderland NHS Foundation Trust, is the principal provider of capital funding and debt facilities. That combined investment enables the company to fund its activities and ultimately deliver long-term success. The method of engagement with the shareholders is via invite to Board, sharing of Board Minutes and, via reporting on Governance to STSFT Board Sub committees.

Customers - Our principle customer is the Trust, under formal contractual arrangements. The relationship is overseen by the Trust's Contract Manager (Facilities Management and Procurement) and by the Trust's Contract Manager in collaboration with the Trust's Chief Pharmacist (Pharmacy). Minutes of the formal contract meetings are received by Board.

Suppliers - Effective relationships with our supplier stakeholders are essential to ensuring an efficient and dependable service is available to our customer. The main method of engagement between management and suppliers is via informal interactions throughout the year ensuring that supply contracts have agreed payment terms and service standards. If management data presented to the directors at the board meetings shows there is unexpected movements in creditor days or business disruption caused by supply chain challenges the directors would instigate corrective action.

Employees - The success of the business predominantly comes from the professionalism, hard work and dedication of its employee stakeholders, they assist with sustaining service standards and achieving long-term success. The main method of engagement between management and employees is through on going informal daily interactions. In addition to this all employees have formal contracts of employment. The health & safety of employees is a key concern for the business and we run a H&S Committee.

If management data presented to the directors at the board meetings shows increasing accident reporting or unexpected staff turnover levels the directors would instigate corrective action.

The outcome of stakeholder engagement generally, is fed back to the Board via the channels referred to above. This influences the formulation and ongoing review of the long-term strategy and financial planning to ensure that the approach continues to deliver sustainable services and promotes reputational reward. The Directors aim to take the needs and priorities of each stakeholder group into account as part of their decision-making processes, recognising that the pertinence of a particular stakeholder group may vary depending upon the matter under consideration.

Signed:  (Pat Taylor, Chief Finance Officer)

Date:

5th December 2022

City Hospitals Independent Commercial Enterprises Limited

Directors' Report

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

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors, who served throughout the year and up to the date of signing the financial statements were as follows:

Mr W Carr, Estates and Facilities Director

Mr P N Farquhar, Non-executive Director

Dr I K Makinson, Managing Director

Mr M Stouph, Non-executive Director (Chair)

Mrs P Taylor, Chief Finance Officer

Political Donations

The company made no political donations nor incurred any political expenditure during the financial year.

Employment of Disabled Persons

It is the company's policy to give employment to disabled persons wherever practicable.

Streamlined Energy and Carbon Reporting

This report covers the period 1st April 2021 to 31st March 2022.

This report covers energy use and associated greenhouse gas emissions relating to gas, electricity and transport, intensity ratios and information relating to energy efficiency actions. CHoICE is a subsidiary company of South Tyneside and Sunderland NHS Foundation Trust (STSFT).

CHoICE provides Hard and Soft facilities services and management on behalf of the parent company. The energy used in the provision of this service is provided on a pass through basis by the parent organisation as part of the contract. The parent organisation reports the usage of all gas and electricity in its own annual accounts. Therefore, Scope 1 and Scope 2 emissions for CHoICE relating to these energy sources, have been excluded from this report.

Greenhouse Gas (GHG) Reporting Methodology

The GHG figures have been calculated using the methodology from the UK Government Environmental Guidelines. The factors used are the 2021 UK Government Greenhouse Gas conversion factors for company reporting.

As there are no reportable gas, oil or electricity emissions due to the parent company pass through arrangement, the report consists of the following activities:-

- Fuel used in fleet vehicles on business use, petrol and diesel measured in litres.

- Fuel used in personal/hire cars on business use (including fuel for which the organisation reimburses employees following claims for business mileage), mileage based on remuneration costs.

Intensity Metrics

The carbon intensity measure for CHoICE is in tonnes of CO₂e per full time equivalent of staff (FTE). The figure at 31st March 2022 was 657 FTE.

Data Estimation

An assumption has been made that grey fleet are all medium engine sized. Mileage for Scope 3 emissions have been derived from expense data.

City Hospitals Independent Commercial Enterprises Limited**Directors' Report (continued)****Streamlined Energy and Carbon Reporting (continued)****Organisational boundary**

We have used the financial control approach. CHoICE provides services as a subsidiary of STSFT but has control of and has the ability to direct the financial and operating policies of the company.

Operational scopes

Scope 1 emissions	2020/21		2021/22	
	Measured Units	Tonnes CO2e	Measured Units	Tonnes CO2e
Gas consumption (kWh)	0	0	0	0
Oil consumption (kWh)	0	0	0	0
Fuel used in fleet vehicles on business use (litres)	27,596.56	75.04	26,099.21	69.63
Scope 1 Total Tonnes CO2e		75.04		69.63
Scope 2 emissions				
Purchased Grid Electricity	0	0	0	0
Scope 2 Total Tonnes CO2e		0		0
Scope 3 emissions				
Fuel used in personal/hire cars on business use (miles)	20,249.13	47.73	21,128.23	49.71
Scope 3 Total Tonnes CO2e		47.73		49.71
Year Total Tonnes CO2e		122.77		119.35
Intensity Ratio Tonnes CO2e per FTE staff	659 FTE	0.19	657 FTE	0.18

Energy Efficiency Actions

We are committed to responsible energy management and will practice energy efficiency throughout our organisation, wherever it is cost effective. We recognise that climate change is one of the most serious environmental challenges currently threatening the global community and we understand we have a role to play in reducing greenhouse gas emissions. CHoICE is working in partnership with STSFT to assist in progressing its Green Plan to help reach its Net Zero target by 2040.

We have implemented the schemes below in 2021/22 for the purpose of increasing the business's energy efficiency in the relevant financial year for the parent company.

- Continuing a programme of upgrading lighting to LED on Sunderland Royal Site.
- De-steaming of two plantrooms to reduce steam losses.
- Replacement of ageing gas boiler plant with newer more efficient plant.

The following energy efficiency measures are planned for implementation during 2022/23:

- Continue to update lighting to LED on all sites.
- Investigation of the viability of solar power installation.
- De-steam last remaining plantroom served by steam.
- Replacement of single glazing with double glazing on main front facade.

Directors' and Officers' Liability Insurance

During the period, the company has made indemnity provision for the benefit of its directors which remains in force at the date of this report.

Disclosure of Information to Auditor

The directors who held office at the date of the 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 the steps that they ought to have taken as director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the directors have appointed Ernst & Young LLP as the company's registered auditor.

Signed on Behalf of the Board of Directors.

Ian Makinson, Managing Director

Ian — 5/12/22

City Hospitals Independent Commercial Enterprises 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, 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 period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 *Reduced Disclosure Framework*. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are 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.

City Hospitals Independent Commercial Enterprises Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY HOSPITALS INDEPENDENT COMMERCIAL ENTERPRISES LIMITED

Opinion

We have audited the financial statements of City Hospitals Independent Commercial Enterprises Limited (the 'company') for the year ended 31 March 2022 which comprise the Profit & Loss Account, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 21 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting
- 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 the provisions available for small entities, in the circumstances set out in note 2 to the financial statements, 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 12 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 this 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 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

City Hospitals Independent Commercial Enterprises Limited

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

City Hospitals Independent Commercial Enterprises Limited

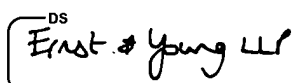
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant is the Companies Act 2006.
- We understood how City Hospitals Independent Commercial Enterprises Limited is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, internal audit and those charged with governance and obtaining and reviewing documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our review of the company's board minutes, through enquiry of employees to verify company policies, and through the inspection of employee handbooks and other information.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through inappropriate recognition of revenue) and management override of control to be our fraud risks.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

^{DS}
 Ernst & Young LLP

Peter Buckler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

Date 07 December 2022

City Hospitals Independent Commercial Enterprises Limited**Profit & Loss Account for the year ended 31 March 2022**

	NOTE	CHOICE 31 March 2022 £	CHOICE 31 March 2021 £
Turnover	3	81,709,231	73,546,885
Operating Expenses	4	(77,662,883)	(69,742,905)
Operating Profit		4,046,348	3,803,980
Interest receivable and similar income	5	745,302	159,969
Interest payable and similar charges	5	(802,247)	(1,018,411)
Profit on ordinary activities before taxation		3,989,403	2,945,538
Tax on ordinary activities	8	(738,870)	(586,960)
Profit for the financial year		3,250,533	2,358,578

All profit and loss categories comprise of continuing operations.

The company has no items of comprehensive income in the current or prior period other than the profits reported.

Accordingly, no statement of comprehensive income is presented.

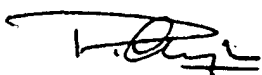
City Hospitals Independent Commercial Enterprises Limited**Balance Sheet as at 31 March 2022**

		CHOICE 31 March 2022	CHOICE 31 March 2021
	NOTE		
NON-CURRENT ASSETS			
Intangible assets	9	0	0
Tangible assets	10	1,072,299	942,624
Goodwill		0	0
Investment in Food Network		200,000	200,000
Receivables: amounts falling due after more than one year	12	28,639,713	32,554,778
		29,912,012	33,697,402
CURRENT ASSETS			
Stocks	11	2,839,493	2,512,951
Receivables: amounts falling due within one year	12	11,588,790	14,512,300
Cash at bank and in hand		13,098,827	6,505,303
		27,527,110	23,530,554
PAYABLES: Amounts falling due within one year	14	(13,092,377)	(14,530,782)
NET CURRENT ASSETS		14,434,733	8,999,772
TOTAL ASSETS LESS CURRENT LIABILITIES		44,346,745	42,697,174
PAYABLES: Amounts falling due after more than one year			
Trade and other payables	14	(6,275,377)	(7,771,377)
Finance lease payables		(13,334,100)	(13,462,696)
NET ASSETS		24,737,268	21,463,101
CAPITAL AND RESERVES			
Called up share capital	17	11,892,527	11,892,527
Revaluation reserve		163,871	140,237
Profit and loss account		12,680,870	9,430,337
TOTAL SHAREHOLDER'S FUNDS		24,737,268	21,463,101

The financial statements of City Hospitals Independent Commercial Enterprises Limited (registered number 08808703) were approved by the Board of Directors and authorised for issue on 5th December 2022.

They were signed on its behalf by:

Signed:



(Pat Taylor, Chief Finance Officer)

Date: 5th December 2022

Statement of Changes in Equity for the year ended 31 March 2022

	Called up Share Capital £	Profit and Loss account £	Revaluation Reserve	Total £
Balance as at 31 March 2020	11,892,527	7,071,758	97,468	19,061,753
Profit for the period - CHoICE 2020/21	0	2,358,578	0	2,358,578
Revaluation	0	0	12,769	12,769
Transfer to revaluation reserve I&E	0	0	30,000	30,000
Total comprehensive income for the financial year	0	2,358,578	42,769	2,401,347
CHoICE 31 March 2021	11,892,527	9,430,337	140,237	21,463,101
Profit for the period - CHoICE 2021/22	0	3,250,533	0	3,250,533
Revaluation	0	0	23,634	23,634
Transfer to revaluation reserve I&E	0	0	0	0
Total comprehensive income for the financial year	0	3,250,533	23,634	3,274,167
CHoICE 31 March 2022	11,892,527	12,680,870	163,871	24,737,268

City Hospitals Independent Commercial Enterprises Limited

Notes to the financial statements

1. General Information

The company is incorporated in the United Kingdom under the Companies Act. The address of the registered office is given in the administrative details section of this report. The nature of the company's operations and its principal activities are set out in the business review section.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

The financial statements of the company are included in the Group Accounts of South Tyneside and Sunderland NHS Foundation Trust. They are available to the public and can be obtained as set out in note 18.

2. Statement of Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Format' as issued by the Financial Reporting Council.

As permitted by FRS 101, exemptions from applying the following requirements have been adopted:

IFRS 7 - Financial Instruments Disclosures

IAS 1 - Presentation of Financial Statements paragraphs 10(d), 10(f), 39(c) and 134-136

IAS 1 - Presentation of Financial Statements paragraph 38 (requirement to present comparative information) in respect of:

i - IAS 16 - Property Plant and Equipment paragraph 73(e)

ii - IAS 38 - Intangible Assets paragraph 118(e)

IAS 7 - Statement of Cash Flows

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors paragraphs 30 and 31

IAS 24 - Related Party Disclosures paragraph 17

The company has also taken advantage of the exemption from the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of the group where the parties to the transaction are wholly owned by a member of the group.

Going concern

The company has contracts with its main Shareholder for the provision of outpatient drug dispensing services and an operated healthcare facility. The directors believe that the company will be able to maintain positive cash flows for the foreseeable future and has obtained assurance of continued support from the ultimate parent company, South Tyneside and Sunderland NHS Foundation Trust, regarding the ongoing availability of the intercompany loan facility. Therefore, the financial statements have been prepared on a going concern basis. The company has recorded a profit after tax of £3,250,532 (2021: profit £2,358,578).

Tangible fixed assets and depreciation

Tangible Fixed Assets are stated at cost net of depreciation and any provision for impairment. Depreciation of assets commences in the quarter following their purchase, and are depreciated to a nil residual value. Depreciation is provided on all tangible fixed assets at rates to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

	Min Years	Max Years
Plant and Machinery	5	15
Buildings		50

Measurement and Revaluation policy

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. The carrying values of property, plant and equipment are reviewed for impairment in years if events, or changes in circumstances, indicate the carrying value may not be recoverable. The costs arising from financing the construction of the property, plant and equipment asset are not capitalised but are charged to the Profit and Loss Account in the year to which they relate.

City Hospitals Independent Commercial Enterprises Limited**Notes to the financial statements (continued)****2. Statement of Accounting Policies (continued)****Measurement and Revaluation policy (continued)**

An item of property, plant and equipment which is surplus to CHOICE's requirements with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 of IFRS 5.

All assets are measured subsequently at fair value.

All land and buildings are restated to current value using professionally qualified valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual. Valuations are carried out every 5 years with an interim review every 3 years. These valuations may be carried out annually where economic conditions cause fluctuations in building cost indices. The last valuation was carried out on 31st March 2022 by Cushman and Wakefield (a member of RICS) to revalue CHOICE's land and buildings.

Land and buildings used for CHOICE's services or for administrative purposes are stated in the Balance Sheet at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value, for existing use
- Specialised buildings – depreciated replacement cost

Assets in the course of construction are valued at cost and are valued by professional valuers when they are brought into use as part of the subsequent annual revaluation exercise.

Plant and equipment is valued at net current replacement cost. Equipment surplus to requirements is valued at net recoverable amount.

Intangible fixed assets and amortisation

Intangible Fixed Assets are stated at cost net of amortisation and any provision for impairment. Amortisation of assets commences in the quarter following their purchase, and are amortised to a nil residual value. Amortisation is provided on all intangible fixed assets at rates to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

	Min Years	Max Years
Software	1	5

Stock

Stock is stated at the lower of cost or net realisable value, and is calculated on a first in first out basis.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date.

Turnover

Turnover is stated net of VAT and trade discounts. Turnover from the sale of goods is recognised when the goods are physically dispensed or delivered to the customer. Turnover also reflects the value of work performed in the period under the operated healthcare facilities agreement.

Notes to the financial statements (continued)**2. Statement of Accounting Policies (continued)****Pension costs**

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Amounts receivable under a finance lease and other arrangements incorporating a lease or involving the legal form of a lease

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

At inception of an arrangement, the company determines whether the arrangement is or contains a lease.

i. Determining whether an arrangement contains a lease

At inception or on reassessment of an arrangement that contains a lease, the company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

ii. Leases

The company leases various property, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 months to 5 years but may have extension options. Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability, except where the extension is for less than 12 months. In that instance the additional cost of the lease extension is expensed.

City Hospitals Independent Commercial Enterprises Limited

Notes to the financial statements (continued)

2. Statement of Accounting Policies (continued)

Operating leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Information about critical accounting estimates and judgements in the application of lease accounting is disclosed in note 13.

Assets held under other leases were classified as operating leases and are not recognised in the company's statement of financial position.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3. Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax and arise from sales made solely in the UK.

Notes to the financial statements (continued)**4. Operating expenses**

	CHoICE 31 March 2022 £	CHoICE 31 March 2021 £
Employee Expenses - Non-executive Directors	32,900	32,642
Employee Expenses - Executive Directors	294,131	342,780
Employee Expenses - Staff	17,242,738	16,949,823
Drugs	7,825,025	7,029,215
Supplies and services - clinical	1,668,081	19,560,404
Supplies and services - general	26,725,308	3,370,796
Establishment	1,013,271	891,592
Transport	205,903	230,295
Premises (inc Finance Lease £3,171,611)	19,193,649	18,809,112
Depreciation on property, plant and equipment	86,799	76,386
Amortisation of intangible assets	-	602
External consultancy incl tax services	51,986	64,131
Auditors remuneration - statutory audit	37,239	31,738
Insurance	197,501	252,233
Shareholder service level agreement	1,084,352	1,099,156
Charitable donation	2,004,000	1,002,000
	77,662,883	69,742,905

Ernst & Young, statutory auditor of CHoICE also audit the STSFT Group. The audit fee for CHoICE is exclusive of VAT.

5. Interest payable and interest receivable

	CHoICE 31 March 2022 £	CHoICE 31 March 2021 £
Interest payable on group loans	(593,817)	(799,845)
Interest expense on leases	(208,430)	(218,566)
	(802,247)	(1,018,411)
Interest receivable on finance lease	745,302	159,969

6. Staff costs and numbers

Aggregate remuneration including non executive directors comprised;

	CHoICE 31 March 2022 £	CHoICE 31 March 2021 £
Wages and salaries	15,651,257	15,477,438
Social security costs	1,170,408	1,059,338
Pension costs	748,106	788,470
	17,569,771	17,325,245

For the year ended 31 March 2022 CHoICE employed 657 employees (2021: 659), split as follows: 602 (2021: 606) in CHoICE facilities, 3 (2021: 2) in Pharmacy, 2 (2021: 2) in Finance, 45 (2021: 44) in Procurement and 5 (2021: 5) Board members.

Notes to the financial statements (continued)

7. Directors' remuneration and transactions

	CHOICE 31 March 2022	CHOICE 31 March 2021
	£	£
Emoluments - non executive directors	32,900	32,642
Emoluments - executive directors	221,485	283,268
Sums paid to third parties in respect of directors services	69,647	53,512
Car allowance	3,000	6,000
	327,032	375,422

For the year ended 31 March 2022 the highest paid Director Remuneration was £113,713 (2021: £114,389), exclusive of employer's pension contribution of £14,521 (2021: £14,579). For the year ended 31 March 2022 the company paid pension contributions on behalf of the Directors totalling £22,425 (2021: £38,871).

8. Tax on profit on ordinary activities

	CHOICE 31 March 2022	CHOICE 31 March 2021
	£	£
Current tax:		
UK corporation tax on profits of the period	755,349	604,902
Adjustment in respect of previous periods	(6,283)	17,785
Total current tax	749,066	622,687
Deferred tax:		
Current year	6,987	(34,205)
Adjustment in respect of previous periods	(4,439)	(1,522)
Effect of changes in tax rates	(12,744)	0
	(10,196)	(35,727)
Tax on profit on ordinary activities	738,870	586,960

Factors Affecting Tax Charge for the Current Period

The charge for the period can be reconciled to the profit per the Income Statement as follows;

	CHOICE 31 March 2022	CHOICE 31 March 2021
	£	£
Profit for the period - continuing activities	3,989,402	2,945,538
Tax on profit at standard UK tax rate of 19.0% (2019 19%)	757,986	559,652
Effects of:		
Adjustments in respect of prior years	(10,722)	16,263
Expenses not deductible	4,246	11,045
Tax rate changes	(12,744)	0
Other	104	0
	738,870	586,960
Income tax expense reported in the profit and loss account	(738,870)	(586,960)

9. Intangible Assets

	CHOICE 31 March 2022	CHOICE 31 March 2021
	£	£
Cost at the beginning of the year	0	6,000
Additions during the year	0	0
Accumulated amortisation	0	(5,398)
Amortisation during the year	0	(602)
Net Book Value	0	0

City Hospitals Independent Commercial Enterprises Limited**Notes to the financial statements (continued)****10. Tangible Assets**

	Information Technology £	Plant and Machinery £	Land and Buildings £	Right Of Use Asset Vehicles & Equipment £	Total £
Gross book value - 1 April 2021	240	8,551	813,866	233,858	1,056,515
Adjustment to brought forward balance	0	0	(458)	(66,917)	(67,375)
Reclassification	(240)	240	0	0	0
Additions	0	28,000	0	220,306	248,306
Disposals Gross Book Value	0	(7,188)	0	0	(7,188)
Revaluation (upward charged to Operating expenses)	0	0	10,000	0	10,000
Accumulated depreciation	0	(8,551)	(502)	(104,838)	(113,891)
Adjustment to brought forward balance	0	0	0	10,703	10,703
Disposals accumulated depreciation	0	7,188	0	0	7,188
Depreciation during the year	0	(933)	(14,839)	(71,026)	(86,798)
Revaluation	0	0	14,839	0	14,839
Net Book Value					
Total at 31 March 2022	0	27,307	822,906	222,086	1,072,299
Total at 31 March 2021	240	0	813,364	129,020	942,624

11. Stocks

	CHOICE 31 March 2022 £	CHOICE 31 March 2021 £
Finished goods - drugs	1,004,735	841,706
Finished goods - other	1,834,758	1,671,245
	<u>2,839,493</u>	<u>2,512,951</u>

Notes to the financial statements (continued)**12. Receivables**

	CHOICE 31 March 2022 £	CHOICE 31 March 2021 £
Amounts falling due within one year:		
Contract Receivables	132,900	214,942
Amounts owed by group undertakings	4,802,194	6,802,621
VAT receivables	0	1,164,740
Corporation Tax	154,704	147,321
Other receivables	63,344	15,105
Prepayments	415,839	300,755
Finance lease prepayment	3,171,611	3,171,611
Amounts due under finance leases	2,848,198	2,695,205
	11,588,790	14,512,300
Amounts falling due after more than one year:		
Finance lease prepayment	12,157,841	15,329,453
Amounts due under finance leases	16,481,872	17,225,325
	28,639,713	32,554,778
TOTAL	40,228,503	47,067,078

13. Finance leases and other similar arrangements

	CHOICE 31 March 2022 £	CHOICE 31 March 2021 £
<i>Amounts receivable under finance leases and similar arrangements:</i>		
Within one year	2,963,473	2,832,479
In the 2 to 5 years inclusive	9,211,593	8,929,858
After 5 years	7,478,359	8,617,571
	19,653,425	20,379,908
Less: unearned finance income	(323,356)	(459,378)
	19,330,069	19,920,530
<i>Amounts receivable under finance leases and similar arrangements:</i>		
Within one year	2,848,198	2,695,548
In the 2 to 5 years inclusive	9,003,512	8,607,411
After 5 years	7,478,359	8,617,571
	19,330,069	19,920,530
<i>Analysed as:</i>		
Current	2,848,198	2,695,548
Non-current	16,481,871	17,224,982
	19,330,069	19,920,530

The finance lease relates to equipment provided through the company's provision of a fully managed healthcare facility. On 1 February 2017, the company leased the buildings from the Trust under an operating lease which was paid in full and is shown in Note 13, the company then provides the Trust with an operated healthcare facility including certain equipment classes which were purchased by the company from the Trust and then provided back to the Trust under a finance lease arrangement. The agreement transfers substantially all the risks and rewards incidental to ownership of the equipment assets to South Tyneside and Sunderland NHS Foundation Trust.

Under IFRIC 12 this is a service concession and the Right of Use Asset sits with the Trust. The Company has limited Right of Use Assets (Vehicles and Pharmacy Robot) that are linked to the fully operated healthcare facility.

The interest rate inherent in the lease is fixed at the contract date for the full lease term. The average effective interest rate equates to 2.8% per annum.

Notes to the financial statements (continued)**13. Finance leases and other similar arrangements (continued)****13.1 Analysis of finance lease expenditure**

	CHOICE 31 March 2022	CHOICE 31 March 2021
	£	
Finance lease expenditure	3,171,611	3,171,611
Finance lease expenditure - Durham Treatment Centre	540,743	540,743
	3,712,354	3,712,354

13.2 Arrangements containing a finance lease

	CHOICE 31 March 2022	CHOICE 31 March 2021
	£	
<i>Future minimum lease payments:</i>		
Within one year	3,712,354	3,712,354
In the 2 to 5 years inclusive	14,849,418	14,849,418
After 5 years	8,123,287	11,835,641
	26,685,059	30,397,413

The two finance leases relate to agreements between the company and South Tyneside and Sunderland NHS Foundation Trust. The first agreement is for the company to provide managed health care services to the Trust, which will operate via a 10 year lease arrangement. On 1st February 2017 the company acquired a leasehold interest in the three main sites at Sunderland Royal Hospital, Sunderland Eye Infirmary and the Children's Centre, in order to provide an Operated Healthcare Facility to the named sites via a leaseback arrangement. The second agreement is for Durham Treatment Centre (DTC) where the company provides a managed healthcare service to the Trust, this operates via a 25 year lease arrangement that commenced 1st June 2018.

14. Payables

	CHOICE 31 March 2022	CHOICE 31 March 2021
	£	
Amounts falling due within one year:		
Trade Payables	4,736,889	3,502,259
Amounts owed to group undertaking	1,496,250	3,887,999
Taxation and social security	385,658	352,959
Corporation Tax (inc. deferred tax)	0	0
Accruals and deferred income	4,262,513	4,630,407
VAT payables	93,984	0
Other payables	30,089	60,390
Finance lease payable	2,086,994	2,096,768
Sub Total	13,092,377	14,530,782
Amounts falling due after more than one year:		
Amounts owed to group undertaking - Group Loans	6,275,377	7,771,377
Finance lease payable (between two and five years)	5,848,366	5,391,891
Finance lease payable (over five years)	7,485,734	8,070,805
Sub Total	19,609,477	21,234,073
TOTAL	32,701,854	35,764,855

The original group 10 year loan of £1,000,000 was made on 1 August 2014 and became payable from 1 April 2015, payments are made in 6 monthly instalments and interest is charged at 2.5%. On 1 February 2017, to facilitate the introduction of the operated healthcare facilities agreement a further group loan of £27,749,722 was made. This loan is payable in monthly instalments over 10 years with interest charged at a rate of 5.24%.

Notes to the financial statements (continued)**14. Payables (continued)****Loans - payment of principal falling due**

	CHOICE	CHOICE
	31 March 2022	31 March 2021
	£	£
Amounts falling due:		
In one year	1,495,965	3,781,510
Between two and five years	4,842,318	6,338,283
Over five years	1,433,094	1,433,094
TOTAL	7,771,377	11,552,887

15. Retirement benefit schemes**NHS Pension Scheme**

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions.

Both schemes are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM (Financial Reporting Manual) requires that 'the period between formal valuations shall be four years, with approximate assessments in intervening years'. An outline of these follows:

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2022, is based on valuation data as 31 March 2021, updated to 31 March 2022 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by His Majesty's Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6% of pensionable pay.

City Hospitals Independent Commercial Enterprises Limited

Notes to the financial statements (continued)

15. Retirement benefit schemes (continued)

NHS Pension Scheme (continued)

b) Full actuarial (funding) valuation (continued)

The 2016 funding valuation also tested the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. There was initially a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

His Majesty's Treasury published valuation directions dated 7 October 2021 (see Amending Directions 2021) that set out the technical detail of how the costs of remedy are included in the 2016 valuation process. Following these directions, the scheme actuary has completed the cost control element of the 2016 valuation for the NHS Pension Scheme, which concludes no changes to benefits or member contributions are required. The 2016 valuation reports can be found on the NHS Pensions website at <https://www.nhs.uk/nhs-pension-scheme-accounts-and-valuation-reports>.

National Employment Savings Trust (NEST)

The Pensions Act 2008 (the Act) introduced a new requirement for employers to automatically enrol any eligible job holders working for them into a workplace pension scheme that meets certain requirements and provide a minimum employer contribution.

Where an employee is eligible to join the NHS Pension Scheme then they will be automatically enrolled into this scheme, even if they have previously opted out. However, where an employee is not eligible to join the NHS Pension Scheme (e.g. flexible retiree employees) then an alternative scheme must be made available by CHOICE.

CHOICE has chosen NEST as the main scheme for CHOICE (as new CHOICE employees are not eligible to join the NHS Pension Scheme). NEST is a defined contribution pension scheme that was created as part of the Government's workplace pensions reforms under the Pensions Act 2008.

Employers' pension cost contributions for both schemes are charged to operating expenses as and when they become due.

16. Provision for Liabilities

Deferred tax (assets) / liabilities	Year ending 31 March 2022	Year ending 31 March 2021 £
Provision at start of the period	(42,903)	(11,614)
Adjustment in respect of prior years		(1,522)
Deferred tax charge in Profit & Loss Account for the period	(10,195)	(34,206)
Deferred tax charge in OCI for the period	0	4,439
Provision at end of the period	<u>(53,098)</u>	<u>(42,903)</u>
	Year ending 31 March 2022 Booked £	Year ending 31 March 2021 Booked £
Fixed Assets	6,827	4,484
Deferred tax charge for the period	0	0
Temporary timing differences	(59,925)	(47,387)
Accelerated capital allowances	<u>(53,098)</u>	<u>(42,903)</u>

City Hospitals Independent Commercial Enterprises Limited**Notes to the financial statements (continued)****17. Called up share capital**

	Nominal value	2022 number	31 March 2022 £
Allotted, called up and fully paid: Ordinary shares	£1 each	11,892,527	11,892,527
	Nominal value	2021 number	31 March 2021 £
Allotted, called up and fully paid: Ordinary shares	£1 each	11,892,527	11,892,527

The company was incorporated on 10 December 2013 through the issue of 1 share at £1 par value which was settled in cash. In order to fully finance the introduction of the operated healthcare facility, part of the funding required was raised through a share issue transacted on 1 February 2017. The total funding, £39,655,086, required by the company was financed by a group loan and a share issue based on an industry standard 70:30 ratio which results in a share value increase of £11,892,527.

18. Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking is South Tyneside and Sunderland NHS Foundation Trust.

A copy of the parent's accounts, which include the group financial statements can be obtained from their registered office at:

Trust Headquarters
Kayll Road
Sunderland
SR4 7TP

19. Related party transactions

The Directors believe that the company is eligible to take advantage of the exemption in FRS 101 relating to the disclosure of transactions with group companies and have elected not to disclose full details of the transactions with South Tyneside and Sunderland NHS Foundation Trust or Food Network Corporation Limited.

20. Food Network Corporation Limited and CHoICE Group reporting

On 1 August 2020 CHoICE acquired Food Network Limited and is the sole shareholder. The financial statements of Food Network Corporation Limited were consolidated into CHoICE group financial statements for the first time in 2020/21 because the value of the Food Network acquisition in 2020/21 was not considered to be material to the wider STSFT group. In 2021/22, the Food Network Corporation Limited accounts were fully consolidated into the STSFT group financial statements and therefore CHoICE has reverted to presenting single entity accounts, as is allowed by section 400 of the Companies Act 2006.

The Financial statements of CHoICE have been consolidated into the group financial statements.

21. Events after the reporting date

There have been no events after the reporting date that require disclosure.