

Registered number  
05537895

**CONSORT HEALTHCARE (BIRMINGHAM) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**



**Consort Healthcare (Birmingham) Limited**  
**Report and Financial Statements**  
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**Consort Healthcare (Birmingham) Limited**  
**Strategic Report**  
**for the year ended 31 December 2022**

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

**Strategic Review**

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

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

The loss for the year after taxation was £13,670,000 (2021: loss of £5,105,000). The net assets at the year end amounted to £6,956,000 (2021: £20,626,000).

**Key Performance Indicators**

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

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

*Net cash flow*

For the year ended 31 December 2022, the net cash outflow from operating activities was £70,000 (2021: inflow of £137,000).

*Financial performance*

The Directors have modelled the anticipated financial outcome of the project across its full term. The Directors monitor actual performance against this anticipated performance. As at 31 December 2022 the Company's performance against this measure was satisfactory and in line with modelled expectations.

## **Consort Healthcare (Birmingham) Limited**

### **Strategic Report (continued)**

#### **Principal risks and uncertainties**

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 our contractual obligations.

##### *Contractual relationships*

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

##### *Passive fire protection issues*

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

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

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

Additionally, the Company entered into a Standstill Agreement with the University Hospital Birmingham NHS Foundation Trust, which expired on 1 April 2023. As part of ongoing discussions, it is likely that the standstill period will be extended, which will protect the rights of the relevant parties while solutions are being devised.

## **Consort Healthcare (Birmingham) Limited**

### **Strategic Report (continued)**

**for the year ended 31 December 2022**

#### **Financial Risk Management**

##### *Credit risk*

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

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

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

##### *Current economic uncertainty*

The Company is not significantly impacted by the current economic uncertainty as movements in operational expenditure and borrowings caused by changes in the retail price index are mitigated via the income received from customers as explained within the interest rate risk section. Should movements in inflation impact the ability of the Company's clients to meet its obligations, the risk of non-payment is not considered to be significant as these obligations are underwritten by the Secretary of State for Health. The Directors have assessed this risk within Note 1.2 (Going concern).

##### *Interest rate risk*

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 policy throughout the year has been that, to ensure continuity of funding, the majority of its borrowings should mature in more than five years.

#### **Ownership**

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

Approved by the Board and signed on its behalf by:



A.B. Deacon  
Director

5 May 2023

#### **Registered Office**

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

**Consort Healthcare (Birmingham) Limited**  
**Directors' Report**  
**for the year ended 31 December 2022**

The Directors present their annual report together with the financial statements and auditor's report for the year ended 31 December 2022.

The following information has been disclosed in the Strategic Report:

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

**Going Concern**

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

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

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

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

The Directors have prepared cash flow forecasts which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due. Further information of the Directors' assessment is contained within note 1.2.

The Company was able to meet the financial covenants as at 31 March 2022, 30 September 2022 and 31 March 2023 and is forecast to meet them for the foreseeable future.

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

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

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

**Directors' Indemnities**

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

**Consort Healthcare (Birmingham) Limited**  
**Directors' Report (continued)**  
**for the year ended 31 December 2022**

**Results and Dividends**

The audited financial statements for the year ended 31 December 2022 are set out on pages 11 to 25. The loss for the year after taxation was £13,670,000 (2021: £5,105,000). The Directors do not propose the payment of a dividend in respect of the year ended 31 December 2022 (2021: Nil).

**Future developments**

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

**Directors**

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

S.D. Worthy  
M.G.D. Holden  
B.R. Walker  
W.E. Morris  
A.B. Deacon

No Director had any interest in the issued share capital or material interests in any contract of the Company or the Company's parent undertaking.

**Approval of reduced disclosures**

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholder has been previously notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by Consort Healthcare (Birmingham) Holdings Limited, as the immediate parent of the entity.

**Disclosure of Information to Auditors**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all steps that they ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

**Auditor**

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

Approved by the Board and signed on its behalf by:



A.B. Deacon  
Director

5 May 2023

**Registered Office**

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

**Consort Healthcare (Birmingham) Limited**  
**Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland].

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

### **Opinion**

We have audited the financial statements of Consort Healthcare (Birmingham) Limited ("the Company") for the year ended 31 December 2022 which comprise the Profit and Loss Account and Other Comprehensive Income/Expense Statement, the Balance Sheet, the Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its results for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis of opinion**

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

### **Going Concern**

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

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

Our conclusions based on this work:

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

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

**Fraud and breaches of laws and regulations - ability to detect**

*Identifying and responding to risks of material misstatement due to fraud*

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

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

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

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

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included, but are not limited to, those posted by senior finance management and those posted to unusual accounts combinations or seldom used accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

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

### *Identifying and responding to risks of material misstatement related to compliance with laws and regulations*

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

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

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

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

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

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

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

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

### **Strategic report and Directors' report**

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

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

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

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

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, 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.

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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



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

**Date: 5 May 2023**

**Consort Healthcare (Birmingham) Limited**  
**Profit and Loss Account and Other Comprehensive Income/Expense**  
**for the year ended 31 December 2022**

	Notes	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
<b>Turnover</b>	2	40,058	39,218
Cost of sales		(29,419)	(28,294)
<b>Gross profit</b>		<u>10,639</u>	<u>10,924</u>
Net operating expenses		(5,539)	(7,114)
<b>Operating profit</b>		<u>5,100</u>	<u>3,810</u>
Interest receivable and similar income	3	42,607	38,331
Interest payable and similar expenses	4	(60,788)	(46,897)
<b>Loss before Tax</b>		<u>(13,081)</u>	<u>(4,756)</u>
Tax on Loss	6	(589)	(349)
<b>Loss for the financial year</b>		<u>(13,670)</u>	<u>(5,105)</u>
<b>Total comprehensive expense</b>		<u><u>(13,670)</u></u>	<u><u>(5,105)</u></u>

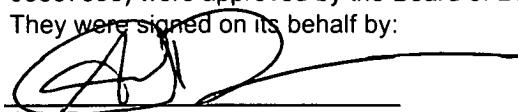
All results are from continuing operations in the United Kingdom.

The accompanying notes on pages 14-25 form an integral part part of these financial statements.

**Consort Healthcare (Birmingham) Limited**  
**Balance Sheet**  
**as at 31 December 2022**

	Notes	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
<b>Non-current assets</b>			
Debtors - finance debtor due after more than one year	9	<u>676,190</u> 676,190	<u>679,356</u> 679,356
<b>Current assets</b>			
Debtors - due within one year	7	4,914	4,208
Debtors - finance debtor due within one year	9	940	3,851
Cash at bank and in hand	8	<u>150,778</u> 156,632	<u>135,392</u> 143,451
Creditors: amounts falling due within one year	10	(149,032)	(117,881)
<b>Net current assets</b>		<u>7,600</u>	<u>25,570</u>
<b>Total assets less current liabilities</b>		<u>683,790</u>	<u>704,926</u>
Creditors: amounts falling due after more than one year			
Borrowings	11	(612,404)	(619,870)
Loan stock	11	(56,430)	(56,430)
Other liabilities	11	<u>(8,000)</u>	<u>(8,000)</u>
		(676,834)	(684,300)
<b>Net assets</b>		<u><u>6,956</u></u>	<u><u>20,626</u></u>
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss reserve		6,956	20,626
<b>Shareholders' funds</b>		<u><u>6,956</u></u>	<u><u>20,626</u></u>

The financial statements for Consort Healthcare (Birmingham) Limited (Registered Number 05537895) were approved by the Board of Directors and authorised for issue on 5 May 2023. They were signed on its behalf by:



A.B. Deacon  
Director

5 May 2023

The accompanying notes on pages 14-25 form an integral part of these financial statements.

**Consort Healthcare (Birmingham) Limited**  
**Statement of Changes in Equity**  
**for the year ended 31 December 2022**

	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
<b>Balance at 1 January 2021</b>	<u>-</u>	<u>25,731</u>	<u>25,731</u>
Total comprehensive expense	-	(5,105)	(5,105)
<b>Balance at 31 December 2021</b>	<u>-</u>	<u>20,626</u>	<u>20,626</u>
<b>Balance at 1 January 2022</b>	<u>-</u>	<u>20,626</u>	<u>20,626</u>
Total comprehensive expense	-	(13,670)	(13,670)
<b>Balance at 31 December 2022</b>	<u>-</u>	<u>6,956</u>	<u>6,956</u>

The accompanying notes on pages 14-25 form an integral part part of these financial statements.

**Consort Healthcare (Birmingham) Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2022**

**1 Accounting policies**

Consort Healthcare (Birmingham) Limited (the "Company") is a private company limited by shares and incorporated, domiciled and registered in England in the UK. The registered number is 05537895 and the registered address is Unit 18 Riversway Business Village, Navigation Way, Preston, PR2 2YP.

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

The Company's ultimate parent undertaking, Consort Healthcare (Birmingham) Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Consort Healthcare (Birmingham) Holdings Limited are available to the public and may be obtained from Unit 18 Riversway Business Village, Navigation Way, Preston PR2 2YP. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Consort Healthcare (Birmingham) Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 15.

**1.1) Measurement convention**

The financial statements are prepared on the historical cost basis.

**1.2) Going Concern**

The Company had net assets of £6,956,000 as at 31 December 2022 and generated a loss for the year of £13,670,000. The losses for 2022 are primarily due to increased sub-ordinated debt interest charges as the company has not been permitted to make any sub-ordinated debt interest payments since 2016. This is a consequence of the lenders not permitting interest payments to be made to shareholders until a settlement agreement is signed between the Trust, construction and FM contractors and Consort in relation to PFP matters. In addition, senior debt and subordinated debt interest both vary in line with RPI indexation.

**Consort Healthcare (Birmingham) Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2022**

**1 Accounting policies (continued)**

**1.2) Going concern (continued)**

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

The Directors have prepared cash flow forecasts covering a period of 16 months from the date of approval of these financial statements through to September 2024 which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on Consort Healthcare (Birmingham) Limited's underlying customer continuing to meet its obligations under the Project Agreement which are underwritten by the Secretary of State for Health.

Consort Healthcare (Birmingham) Limited's operating cash inflows are largely dependent on unitary charge receipts receivable from University Hospitals Birmingham Foundation Trust and the Birmingham & Solihull Mental Health Foundation Trust. The Directors have no reason to believe these amounts will not continue to be received but, even in a severe but plausible downside scenario where there are delays in the receipt of the unitary charge, The Company could continue to meet its liabilities as they fall due through its available cash balances.

Consort Healthcare (Birmingham) Limited continues to provide the asset in accordance with the contract and is available to be used.

The Directors have assessed the viability of Consort Healthcare (Birmingham) Limited's main sub-contractors and reviewed the contingency plans of the sub-contractors and are satisfied in their ability to provide the services in line with the contract without significant additional costs to the Consort Healthcare (Birmingham) Limited, even in downside scenarios, due to the underlying contractual terms. However, in the unlikely event of a sub-contractor failure, Consort Healthcare (Birmingham) Limited has its own business continuity plans to ensure that service provision will continue.

The Directors believe that Consort Healthcare (Birmingham) Limited has sufficient funding in place and expect the Company to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors are confident that the 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.

**Consort Healthcare (Birmingham) Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2022**

**1 Accounting policies (continued)**

*1.3) Foreign currency*

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

*1.4) Classification of financial instruments issued by the Company*

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

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

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

*1.5) Basic financial instruments*

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

Senior secured debt

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

Secured subordinated debt

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

**Consort Healthcare (Birmingham) Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2022**

**1 Accounting policies (continued)**

**Restricted cash**

The Company is obligated to keep separate cash reserves in respect of requirements in the Company's funding agreements. This restricted cash balance, which is shown on the balance sheet within the 'Cash at bank and in hand' balance, amounts to £58,652,000 (2021: £50,356,000).

*1.6) Other financial instruments*

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

*1.7) Finance debtor*

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

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

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

*1.8) Impairment*

Financial assets (including trade and other debtors)

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**Consort Healthcare (Birmingham) Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2022**

**1 Accounting policies (continued)**

*1.9) Turnover*

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

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

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

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

*1.10) Expenses*

Interest receivable and Interest payable

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

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

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

*1.11) Taxation*

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

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

**Consort Healthcare (Birmingham) Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2022**

**2 Turnover**

Turnover by origin and destination from the Company's principal activity:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
United Kingdom	<u>40,058</u>	<u>39,218</u>

**3 Interest receivable and similar income**

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Interest receivable on cash at bank	2,201	71
Interest receivable on finance debtor (note 9)	<u>40,406</u>	<u>38,260</u>
Interest receivable and similar income	<u>42,607</u>	<u>38,331</u>

**4 Interest payable and similar expenses**

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Interest payable on secured senior loan	(35,682)	(31,493)
Interest payable on secured subordinated loan stock	<u>(25,106)</u>	<u>(15,404)</u>
Interest payable and similar expenses	<u>(60,788)</u>	<u>(46,897)</u>

**5 Profit before taxation**

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Loss before tax is stated after charging:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	<u>35</u>	<u>27</u>

Fees payable for the audit of these Financial Statements were £35,000 to KPMG LLP (2021: £27,500 to KPMG LLP).

The Directors received no salary, fees, or other benefits in the performance of their duties in respect of the Company in the current year. The ultimate controlling parties received £299,000 (2021: £278,000) for the provision of Directors' services. The Company had no employees during the year.

**Consort Healthcare (Birmingham) Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2022**

**6 Tax on loss**

The tax charge is based on the loss for the year at a taxation rate of 19.00% (2021: 19.00%).

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
<b>Analysis of charge in period</b>		
Current tax on loss:		
UK corporation tax on loss for the year	589	344
Prior year adjustment	-	5
	<u>589</u>	<u>349</u>
	<u>589</u>	<u>349</u>
Total tax on loss	<u>589</u>	<u>349</u>

The difference between the total current tax charge and the amount calculated by applying the standard rate of UK corporation tax of 19.00% (2021: 19.00%) to profit before tax is as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Loss before tax	<u>(13,081)</u>	<u>(4,756)</u>
Tax on loss at standard UK corporation tax rate 19.00% (2020: 19.00%).	(2,485)	(904)
Effects of:		
UK corporation tax adjustments in respect of prior years	-	5
Deferred tax not recognised	<u>3,074</u>	<u>1,248</u>
Tax charge	<u>589</u>	<u>349</u>

A net deferred tax asset of £4,322,000 (2021: £1,248,000) has not been recognised in the statutory accounts due to the uncertainty of future use. This arises because the allowable interest expense for tax purposes is restricted to £2m per annum. Taxable profit forecasts for the foreseeable future are insufficient to support the future reversal of this difference.

A change in the main rate of corporation tax to 25% has been enacted, applicable from 1 April 2023. This will increase the company's future tax charge accordingly. The unrecognised deferred tax asset has been calculated at this rate.

**Consort Healthcare (Birmingham) Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2022**

**7 Debtors - due within one year**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	1,197	1,680
Prepayments	461	445
Accrued operating income	3,256	2,083
	<u><b>4,914</b></u>	<u><b>4,208</b></u>

**8 Restricted cash**

Cash at bank and in hand includes £58,652,000 (2021: £50,356,000) restricted from use in the business, being held in the Company's reserve accounts under the terms of its senior loan facility.

**9 Analysis of net investment in the finance debtor**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
At beginning of year	683,207	682,255
Added within the year:		
Life cycle replacement costs	4,531	10,003
Notional interest on finance debtor (note 3)	40,406	38,260
Income recognised in operating profit	1,948	2,086
Cash received	(52,962)	(49,397)
	<u>(6,077)</u>	<u>952</u>
At end of year	<u><b>677,130</b></u>	<u><b>683,207</b></u>
Due within one year	940	3,851
Due after more than one year	676,190	679,356
	<u><b>677,130</b></u>	<u><b>683,207</b></u>

Included in the above debtor is an amount of £104,889,000 (2021: £104,889,000) which relates to interest capitalised during the construction period.

**Consort Healthcare (Birmingham) Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2022**

**10 Creditors: amounts falling due within one year**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Secured senior loans - interest	3,127	3,098
Secured senior loans - principal	29,371	25,959
Secured subordinated loan stock - interest	105,080	79,974
Construction creditor	369	446
Trade creditors	2,000	1,594
Corporation tax payable	758	673
VAT creditor	1,591	1,481
Deferred income	95	-
Other accruals	6,641	4,656
	<b>149,032</b>	<b>117,881</b>

**11 Creditors: amounts falling due after more than one year**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Secured senior loans from Consort Healthcare (Birmingham) Funding plc	612,354	619,820
Secured subordinated loan stock	56,430	56,430
Unsecured loan from Consort Healthcare (Birmingham) Funding plc	50	50
Other liabilities	8,000	8,000
	<b>676,834</b>	<b>684,300</b>

Amounts owing to Consort Healthcare (Birmingham) Funding plc represent a loan which is made up of the proceeds of £343,680,000 index linked secured bonds and a £225,000,000 index linked loan, a loan of £50,000 share capital, and proceeds of £56,430,000 secured subordinated debt. Further details of the indexed linked secured bonds and index linked loan held by Consort Healthcare (Birmingham) Funding plc are shown below.

Index-linked secured bonds due 2044 of £398,680,000 were created on 14 June 2006. Of this £343,680,000 were issued and sold. The Company has £55,000,000 variation bonds which may be issued to finance certain contingencies. Interest on the bonds is payable semi-annually at a rate of 1.972% plus RPI indexation. Unless previously redeemed or purchased and cancelled, the bonds will mature on 14 August 2044 and will be subject to redemption in part from September 2011. Early redemption may be made at the 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.

**Consort Healthcare (Birmingham) Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2022**

**11 Creditors: amounts falling due after more than one year (continued)**

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

The secured subordinated debt is from the controlling parties and bears interest at a rate of 10.47% plus RPI indexation. It is repayable in semi-annual instalments between 2018 and 2046. 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 secured bonds and index-linked bank secured term loan are each valued at amortised cost using the effective interest rate method, taking account of projected indexation across the term of the liability. The index-linked bond has an effective interest rate of 5.870% (2021: 4.878%). The index-linked term loan has an effective interest rate of 6.154% (2021: 4.673%).

A maturity analysis of the creditor amounts due after more than one year is shown below:

	2022 £'000	2021 £'000
Borrowings are repayable in the following periods:		
Between one and two years	38,453	34,472
Between two and five years	89,733	82,544
After five years	548,648	567,284
	<u>676,834</u>	<u>684,300</u>

**12 Called-up share capital and other reserves**

	2022 £'000	2021 £'000
<i>Authorised, issued and fully paid share capital</i>		
100 ordinary shares of £1 each	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The Company has one class of ordinary shares which carry no rights to fixed income.

The Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses.

**Consort Healthcare (Birmingham) Limited**  
**Notes to the Financial Statements**  
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**13 Related party transactions**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
During the period the Company has incurred costs charged by related parties as follows:		
Balfour Beatty, Infrastructure Investments Limited Partnership, and InfraRed Infrastructure Yield LP - provision of Directors' services	299	278

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Balances outstanding at the end of the period:		
<i>Trade creditors and accruals</i>		
Balfour Beatty, Infrastructure Investments Limited Partnership, and InfraRed Infrastructure Yield LP - provision of Directors' services	174	156

At 31 December 2022, the subordinated loan stock totalled £56,430,000, divided between BBPF LLP, £22,572,000 (2021: £22,572,000), Infrastructure Investments Limited Partnership, £16,929,000 (2021: £16,929,000), and InfraRed Infrastructure Yield LP, £16,929,000 (2021: £16,929,000). Subordinated Debt interest accrued at 31 December 2022 totalled £105,080,000 (2021: £79,974,000), divided between BBPF LLP for £42,032,000, Infrastructure Investments Limited Partnership for £31,524,000, and InfraRed Infrastructure Yield LP for £31,524,000.

**14 Parent company and ultimate controlling parties**

The Company is a wholly-owned subsidiary of Consort Healthcare (Birmingham) Holdings Limited which is registered in England and Wales. The largest and smallest group in which the results of Consort Healthcare (Birmingham) Limited are consolidated is Consort Healthcare (Birmingham) Holdings Limited, copies of whose financial statements are available from the Registered Office: Unit 18 Riversway Business Village, Navigation Way, Preston, PR2 2YP.

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

**Consort Healthcare (Birmingham) Limited**  
**Notes to the Financial Statements**  
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**15 Accounting estimates and judgements**

*Critical accounting judgements in applying the Company's accounting policies*

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

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

*Key sources of estimation uncertainty*

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

*Service concession arrangement*

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

*Effective Interest Rate Calculation on index-linked debt*

As disclosed in note 11, the Company has a secured senior loan from Consort Healthcare (Birmingham) Funding plc which is made up of the proceeds of index-linked debt. The Company calculates the effective interest rate of the index-linked debt, based on the assumption of a flat future rate of inflation of 3.0% (2021: 3.0%). The Directors consider this rate to be a reasonable long-term estimate given future uncertainty in inflation rates.