

SIR HOSPITAL HOLDINGS LIMITED

UNAUDITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2023

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| SIR HOSPITAL HOLDINGS LIMITED |
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COMPANY INFORMATION

Directors

N M Leslau (resigned 6 July 2022)
P M Brown (resigned 6 July 2022)
T J Evans (resigned 6 July 2022)
S L Gumm (resigned 6 July 2022)
Simon Lee (appointed 6 July 2022)
John L White (appointed 6 July 2022)
Freddie J Brooks (appointed 6 July 2022, resigned 3 September 2023)
Neil Alexander MacEachin (appointed 3 September 2023)

Company secretary

SL Gumm (resigned 6 July 2022)
Apex Listed Companies Service (UK) Limited (appointed 6 July 2022,
resigned 6 March 2023)
LDC Nominee Secretary Limited (appointed 6 March 2023)

Registered number

5863307

Registered office

8th floor
100 Bishopsgate
London
EC2N 4AG

SIR HOSPITAL HOLDINGS LIMITED

CONTENTS

| | Page |
|--|---------------|
| Strategic Report | 1 - 2 |
| Directors' Report | 3 |
| Directors' Responsibilities Statement | 4 |
| Statement of Comprehensive Income | 5 |
| Balance Sheet | 6 |
| Statement of Changes in Equity | 7 |
| Notes to the Financial Statements | 8 - 13 |

SIR HOSPITAL HOLDINGS LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2023

Introduction

The directors present the strategic report for the period ended 31 March 2023.

Business review

The Company is an intermediate holding company in the LXI REIT Plc ("LXI") group, holding LXI's healthcare investment property portfolios through a number of subsidiary undertakings. It also acts as a financing company for LXI's budget hotel investment property portfolio which is held through other LXI group undertakings.

During the period, the Company received dividends of £6.7 million (year ended 31 December 2021: £5.6 million) and interest income of £3.1 million (year ended 31 December 2021: £4.0 million) from its direct subsidiary undertakings, relating to the healthcare portfolio, and partly reversed the impairment of the carrying value of one of those undertakings by £6.4 million (year ended 31 December 2021: £2.2 million). It also received interest income of £7.0 million (year ended 31 December 2021: £5.9 million) from fellow group undertakings, relating to the hotels portfolio. Following payment of dividends of £nil million (year ended 31 December 2021: £3.9 million) in the period, the Company had net assets of £241.0 million (year ended 31 December 2021: £217.8 million) at the balance sheet date.

Principal risks and uncertainties

The Company's principal assets are investments in subsidiary undertakings and loans receivable from those subsidiaries and other LXI group undertakings. The principal risks to the Company are therefore those that would affect the carrying value of those undertakings and the recoverability of those loans, and the availability of liquidity from them:

Property valuation movements

The subsidiary and other undertakings invest in commercial property which is held on their balance sheets at fair value at each balance sheet date and are therefore exposed to movements in property valuations, which are subjective and may vary as a result of a number of factors, many of which are outside their control. The LXI group uses experienced independent external valuers, whose work is reviewed by suitably qualified directors before being approved in the context of the LXI group accounts as a whole by the audit committee and board of the ultimate parent undertaking. The results of those reviews are available to the board of the Company for consideration.

Tenant risk

During the period, the subsidiary and other undertakings derived their rental income, which funds the interest income and any dividends received by the Company, from 12 separate properties let to two tenants with two guarantors. Although the board considers the tenants and guarantors to be financially strong in ordinary circumstances, one of them experienced liquidity stresses during the pandemic and there can be no guarantee that the tenants and guarantors will remain able to comply with their obligations throughout the term of the relevant leases.

The tenants' guarantors (who guarantee lease obligations on the 12 healthcare properties, representing the majority of the income and underlying value in the Company's subsidiaries) are listed companies with capital structures considered appropriate by the board.

The board of the ultimate parent undertaking reviews the financial position of the tenants and guarantors at least every quarter, based on publicly available financial information and any other trading information which may be obtained under the terms of the leases, and the results of those reviews are available to the board of the Company for consideration.

SIR HOSPITAL HOLDINGS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 MARCH 2023**

Borrowing

Certain LXI group undertakings, including subsidiary undertakings of the Company, have granted security to lenders in the form of mortgages over their investment properties and fixed and floating charges over other assets. There are loan to value and interest cover tests over the term of those loan facilities. The board of the ultimate parent undertaking reviews compliance with all financial covenants at least every quarter, including forward-looking tests for at least twelve months, and considers whether there is sufficient headroom on relevant loan covenants to withstand stress test scenarios. The results of those reviews are available to the board of the Company for consideration.

Tax risk

The Company and other group undertakings are subject to the UK REIT regime as part of the LXI group. A failure to comply with UK REIT conditions resulting in the loss of this status could result in the group being subject to UK corporation tax on its property rental business income and gains. The board of the ultimate parent undertaking reviews compliance with the UK REIT rules at least every quarter and the results of those reviews are available to the board of the Company for consideration.

Liquidity risk

Working capital must be managed to ensure that the Company is able to meet its liabilities as they fall due, though With highly predictable costs and income, all of which is derived from its subsidiaries and other LXI group undertakings, there is limited scope for unexpected liquidity pressures outside those risks described under the heading 'tenant risk'. The cash position is reported to the board of the ultimate parent undertaking at least quarterly; projections at least two years ahead are included in the budget of the ultimate parent undertaking and are reviewed by the board when the financial statements are approved. These reports are made available to the Board of the Company.

This report was approved by the board on 4th March 2024

and signed on its behalf.



Neil Alexander MacEachin
Director

SIR HOSPITAL HOLDINGS LIMITED

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 MARCH 2023**

The directors present their report and the financial statements for the period ended 31 March 2023.

Results and dividends

The profit for the period, after taxation, amounted to £23.2million (*year ended 31 December 2021: £17.7 million*).

Interim dividends of £nil million (*year ended 31 December 2021: £3.9 million*) were paid in the period. The directors do not recommend payment of a final dividend (*year ended 31 December 2021: - £nil*).

Directors

The directors who served during the period were:

N M Leslau (resigned 6 July 2022)

P M Brown (resigned 6 July 2022)

T J Evans (resigned 6 July 2022)

S L Gumm (resigned 6 July 2022)

Simon Lee (appointed 6 July 2022)

John L White (appointed 6 July 2022)

Freddie J Brooks (appointed 6 July 2022, resigned 3 September 2023)

Neil Alexander MacEachin (appointed 3 September 2023)

This report was approved by the board on

4th March 2024

and signed on its behalf.



Neil Alexander MacEachin
Director

SIR HOSPITAL HOLDINGS LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2023**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgments 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;
- 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 to 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.

SIR HOSPITAL HOLDINGS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2023**

| | | Period ended 31 March 2023 £000 | <i>Year ended 31 December 2021 £000</i> |
|---|-------------|--|---|
| | Note | | |
| Administrative expenses | | 3 | (2) |
| Operating profit/(loss) | | 3 | (2) |
| Income from shares in group undertakings | | 6,714 | 5,598 |
| Amounts written off investments | 6 | 6,421 | 2,171 |
| Interest receivable and similar income | 4 | 10,056 | 9,893 |
| Profit before tax | | 23,194 | 17,660 |
| Tax on profit | 5 | - | - |
| Profit for the financial period/year | | 23,194 | 17,660 |

The notes on pages 8 to 13 form part of these financial statements.

SIR HOSPITAL HOLDINGS LIMITED
REGISTERED NUMBER: 5863307

BALANCE SHEET
AS AT 31 MARCH 2023

| | | 31 March 2023 £000 | 31 December 2021 £000 |
|--|-------------|--------------------------|--------------------------------|
| Fixed assets | Note | | |
| Investments | 6 | 254,562 | 248,141 |
| | | <u>254,562</u> | <u>248,141</u> |
| Current assets | | | |
| Debtors: amounts falling due within one year | 7 | 168,077 | 162,367 |
| Cash at bank and in hand | | - | 2 |
| | | <u>168,077</u> | <u>162,369</u> |
| Creditors: amounts falling due within one year | 8 | (181,629) | (192,694) |
| Net current liabilities | | (13,552) | (30,325) |
| Net assets | | <u>241,010</u> | <u>217,816</u> |
| Capital and reserves | | | |
| Called up share capital | | - | - |
| Profit and loss account | | 241,010 | 217,816 |
| | | <u>241,010</u> | <u>217,816</u> |

The directors considers that the Company is entitled to exemption from the requirement to have an audit under the provisions of section 480 of the Companies Act 2006.

The members have not required the Company to obtain an audit for the period in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4th March 2024



Neil Alexander MacEachin
Director

The notes on pages 8 to 13 form part of these financial statements.

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| SIR HOSPITAL HOLDINGS LIMITED |
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**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2023**

| | Called up share capital £000 | Profit and loss account £000 | Total equity £000 |
|--|------------------------------------|------------------------------------|----------------------|
| At 1 January 2022 | - | 217,816 | 217,816 |
| Comprehensive income for the period | | | |
| Profit for the period | - | 23,194 | 23,194 |
| At 31 March 2023 | - | 241,010 | 241,010 |

The notes on pages 8 to 13 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

| | Called up share capital £000 | Profit and loss account £000 | Total equity £000 |
|---|------------------------------------|------------------------------------|----------------------|
| At 1 January 2021 | - | 204,032 | 204,032 |
| Comprehensive income for the year | | | |
| Profit for the year | - | 17,660 | 17,660 |
| Contributions by and distributions to owners | | | |
| Dividends | - | (3,876) | (3,876) |
| At 31 December 2021 | - | 217,816 | 217,816 |

The notes on pages 8 to 13 form part of these financial statements.

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| SIR HOSPITAL HOLDINGS LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023**

1. General information

The Company is a private company limited by shares, incorporated in England, and the registered office is 8th floor, 100 Bishopsgate, London, EC2N 4AG. The nature of the Company's principal activities is set out in the strategic report.

The financial statements are presented in Pounds Sterling, which is the functional currency of the Company, rounded to the nearest thousand.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Group and Company will continue to meet their liabilities when they fall due for the foreseeable future, being a period of at least 12 months from the date on which these financial statements are approved. Since the Company has net current liabilities, it is dependent on its parent undertaking to meet its liabilities. The parent undertaking has confirmed that it will not demand repayment of the amounts due to it in the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements, unless the Company is able to make such a repayment and meet its obligations and liabilities as they fall due.

2.3 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.4 Tax

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

SIR HOSPITAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.6 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.8 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. Operating gain

The Company has no employees and no director received any remuneration for the current period or the prior year.

4. Interest receivable and similar income

| | Period ended 31 March 2023 £000 | Year ended 31 December 2021 £000 |
|---|---|--|
| Interest on amounts owed by fellow group undertakings | 6,960 | 5,945 |
| Interest on amounts owed by subsidiary undertakings | 3,096 | 3,948 |
| | <u>10,056</u> | <u>9,893</u> |

5. Taxation

| | Period ended 31 March 2023 £000 | Year ended 31 December 2021 £000 |
|---|---|--|
| Current tax on profit for the period/year | <u>-</u> | <u>-</u> |

SIR HOSPITAL HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023**

5. Taxation (continued)

Factors affecting tax charge for the period/year

The tax assessed for the period/year is lower than *(year ended 31 December 2021: lower than)* the standard rate of corporation tax in the UK of 19% *(year ended 31 December 2021: 19%)*. The differences are explained below:

| | Period ended 31 March 2023 £000 | Year ended 31 December 2021 £000 |
|--|--|---|
| Profit on ordinary activities before tax | 23,194 | 17,660 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (year ended 31 December 2021: 19%) | 4,407 | 3,355 |
| Effects of: | | |
| Utilisation of tax losses | (1,911) | (950) |
| Dividends from UK companies | (1,276) | (1,064) |
| Group relief | - | (929) |
| Movement in impairment of fixed asset investments not allowable for tax | (1,220) | (412) |
| Total tax charge for the period/year | - | - |

Factors that may affect future tax charges

The LXI REIT group (the "LXI group") has elected into the UK REIT regime. Subject to the LXI group's continuing compliance with certain rules, the UK REIT status exempts both profits of the group's property rental business and gains on the group's investment properties from UK corporation tax. Since entering the UK REIT regime the LXI group has continued to meet the relevant rules and must continue to do so to maintain UK REIT status.

As at 31 March 2023, the Company had tax losses to carry forward of £28.1 million (year ended 31 December 2021: £18.0 million). No deferred tax asset has been recognised due to uncertainty as to the timing and amount of probable realisation.

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| SIR HOSPITAL HOLDINGS LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023**

6. Fixed asset investments

| | Investments in subsidiary companies £000 |
|--------------------------|--|
| Cost or valuation | |
| At 1 January 2022 | 248,141 |
| Reversal of impairment | 6,421 |
| At 31 March 2023 | 254,562 |

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name | Class of shares | Holding |
|------------------------------|--------------------|---------|
| SIR Umbrella Limited | Ordinary | 100% |
| SIR Healthcare 1 Limited | Ordinary | 100% |
| SIR Healthcare 2 Limited | Ordinary | 100% |
| SIR Fitzwilliam Limited | Ordinary | 100% |
| SIR Fulwood Limited | Ordinary | 100% |
| SIR Lisson Limited | Ordinary | 100% |
| SIR Midlands Limited | Ordinary | 100% |
| SIR Oaklands Limited | Ordinary | 100% |
| SIR Oaks Limited | Ordinary | 100% |
| SIR Pinehill Limited | Ordinary | 100% |
| SIR Rivers Limited | Ordinary | 100% |
| SIR Woodland Limited | Ordinary | 100% |
| SIR Yorkshire Limited | Ordinary | 100% |
| Thomas Rivers Limited | Ordinary | 100% |
| SIR Hospitals Propco Limited | Ordinary | 100% |
| SIR Duchy Limited | Ordinary | 100% |
| SIR Springfield Limited | Ordinary | 100% |

SIR Umbrella Limited and SIR Healthcare 1 Limited are direct subsidiaries of the Company and all other subsidiaries are held indirectly. All subsidiaries are incorporated in and operate in England, and their registered address is 8th floor, 100 Bishopsgate, London, EC2N 4AG.

SIR HOSPITAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2023

7. Debtors

| | 31 March 2023 £000 | 31 December 2021 £000 |
|---|--------------------------|--------------------------------|
| Amounts owed by subsidiary undertakings | 85,329 | 83,221 |
| Amounts owed by fellow group undertakings | 82,734 | 79,146 |
| Other debtors | 14 | - |
| | <u>168,077</u> | <u>162,367</u> |

Amounts owed by subsidiary undertakings are unsecured and are repayable on demand. Interest accrues at 6.5% per annum on loans totalling £61.5 million (year ended 31 December 2021 - £61.5 million) and accrued interest of £23.8 million (year ended 31 December 2021: £21.7 million) is included in the balance as at 31 March 2023.

Amounts owed by fellow group undertakings are unsecured and are repayable on demand. Interest accrues at 7.6% on loans totalling £78.1 million (year ended 31 December 2021: £78.1 million) and accrued interest of £4.6 million (year ended 31 December 2021: £1.0 million) is included in the balance as at 31 March 2023.

8. Creditors: Amounts falling due within one year

| | 31 March 2023 £000 | 31 December 2021 £000 |
|------------------------------------|--------------------------|--------------------------------|
| Amounts owed to group undertakings | 181,629 | 192,688 |
| Accruals and deferred income | - | 6 |
| | <u>181,629</u> | <u>192,694</u> |

Amounts owed to parent undertaking are unsecured, interest free and repayable on demand.

9. Share capital

| | 31 March 2023 £ | 31 December 2021 £ |
|---|-----------------------|-----------------------------|
| Allotted, called up and fully paid | | |
| 11 (31 December 2021 - 11) ordinary shares of £0.10- each | 1 | 1 |
| | <u>1</u> | <u>1</u> |

Share capital represents the aggregate nominal value of shares issued.

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| SIR HOSPITAL HOLDINGS LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023**

10. Reserves

Profit and loss account

As at 31 March 2023, the Company had distributable reserves totalling £241.0 million (31 December 2021: £217.8 million).

11. Related party transactions

The Company has taken advantage of the exemption available to wholly owned subsidiary undertakings not to disclose any transactions with entities that are included in the consolidated financial statements of LXI REIT Plc.

12. Controlling party

The Company's immediate and ultimate parent undertaking is LXI REIC Plc. The consolidated financial statements of LXI REIT Plc are available to the public and may be obtained by writing to the Company Secretary, 8th floor, 100 Bishopsgate, London, EC2N 4AG. The consolidated financial statements of the ultimate parent undertaking and information about the wider group are also available from <https://www.lxireit.com/results-centre>.