

Company registration number 09047152 (England and Wales)

HIGH WOOD HEALTH (HOLD CO) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023



HIGH WOOD HEALTH (HOLD CO) LIMITED

COMPANY INFORMATION

Directors	A Thakrar R Kyle	(Appointed 24 January 2023)
Secretary	D Radulescu	
Company number	09047152	
Registered office	3rd Floor, South Building 200 Aldersgate Street London England EC1A 4HD	
Independent auditors	PricewaterhouseCoopers LLP Atria One 144 Morrison Street Edinburgh EH3 8EX	

HIGH WOOD HEALTH (HOLD CO) LIMITED

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HIGH WOOD HEALTH (HOLD CO) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

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

Fair review of the business

The principal activity of the company in the year under review was that of a holding company to High Wood Health (Project Co) Limited and High Wood Health (Finance Co) Plc. The principal activity of the subsidiary High Wood Health (Project Co) Limited is the design, build, finance and maintenance of a new district general hospital for the Dumfries and Galloway Health Board. Financial close was achieved on 11 March 2015 and Practical Completion was achieved on 11 September 2017. The principal activity of the subsidiary High Wood Health (Finance Co) Plc is raising the financing for the project and forward loaning the funds to High Wood Health (Project Co) Limited.

On 11 September 2017 the project company completed a 2.5 year construction period, during which significant capital expenditure was undertaken to provide the new 350 bed hospital in Dumfries and Galloway. Practical completion was achieved on 11 September 2017 and the operational phase then began. Following practical completion the hospital is in operational phase and the group is responsible for the provision of maintenance services for a 25 year concession period. The project company has been set up under the Non Profit Distributing (NPD) model supported by the Scottish Government whereby all surpluses are paid to the Dumfries and Galloway Health Board through a rebate to service income. As such no dividends are payable on this project.

The results for the financial year to 31 March 2023 were £nil (2022: £nil). An adjustment has been made to revenue which has the effect of reducing the result for the year to £nil, reflecting the contractual arrangements of the group.

As at 31 March 2023 the net assets of the company and group were £51,000 (2022: £51,000).

Principal risks and uncertainties

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

Financial risk management

Inflation risk

The group's exposure to inflationary risk, particularly in relation to the build and ongoing maintenance cost base, is mitigated by having index-linked income streams with the Dumfries and Galloway Health Board.

Interest rate risk

The group's exposure to interest rate risk is mitigated by fixed interest rates on loan agreements.

Contractual relationships

During the operational phase of the contract the group is responsible for the daily operational and maintenance obligations of the hospital. Failure to meet these obligations may result in performance deductions from the unitary charge received from the Dumfries and Galloway Health Board. This risk is mitigated by a back-to-back contract with the facilities management service provider with any performance deductions being passed through under that contract.

Credit risk

The group's credit risk is primarily attributable to its trade and other receivables and the finance debtor. With the exception of relatively small trade receivables or activities ancillary to the PFI contracts recharged to other parties, the receivables arise from the Trust. The credit and cashflow risks are not considered significant as the client is a quasi-governmental organisation.

Liquidity and cashflow risk

At the beginning of the Non Profit Distributing Programme contract, the group negotiated debt facilities with its parent and subsidiary companies to ensure it has sufficient funds and a sufficient unitary charge to cover operations.

HIGH WOOD HEALTH (HOLD CO) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

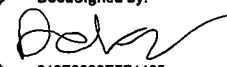
Key performance indicators

The group has financial and non-financial key performance indicators which evaluate its results for the year as well as future performance.

The key performance indicators of the group are:

- Progress against the operational model - Since the project reached practical completion the group uses an operational model to forecast the income and expenditure over the entire construction and concession periods. This model is reviewed and approved by Senior Creditors and progress is tracked against this model. The group continues to be in line with expectations.
- The Debt Service Cover Ratio (DSCR) is the key ratio for assessing performance of the project. This is monitored in two ways (future and historical), to ensure the project stays above the levels required within the debt covenant (1.10 lock-up and 1.05 default) and also to compare this rate twice a year to prior expectation to give a sense of how the project inflows and outflows compare to those forecast at financial close. As at 31 March 2023 the DSCR was above covenant requirements.

On behalf of the board

DocuSigned by:

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A Thakrar
Director

26 September 2023

HIGH WOOD HEALTH (HOLD CO) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and audited company and consolidated financial statements for the year ended 31 March 2023.

Results and dividends

The results for the year are set out on page 8.

As a Non Profit Distributing Programme contract dividends are not permitted and as such, no interim dividends have been paid and the Directors are not recommending payment of a final dividend.

Directors

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

A Thakrar

R Kyle

P P Ashbrook

(Appointed 24 January 2023)

(Resigned 24 January 2023)

Qualifying third party indemnity provisions

The group has made qualifying third party indemnity provisions that mean that in certain circumstances the directors are entitled to be indemnified out of the assets of the group against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Liability is covered up to £1.1 million per claim. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors. They remain in force at the date of approval of the financial statements.

Future developments

There are no plans to change the nature of activities over the duration of the concession.

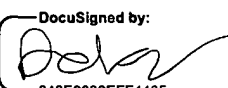
Auditor

The auditor, PricewaterhouseCoopers LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

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

On behalf of the board

DocuSigned by:

246E9032EFF4465...
A Thakrar
Director

26 September 2023

HIGH WOOD HEALTH (HOLD CO) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, 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 group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are also responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

HIGH WOOD HEALTH (HOLD CO) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HIGH WOOD HEALTH (HOLD CO) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, High Wood Health (Hold Co) Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2023 and of the group's result and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the group and company statements of financial position as at 31 March 2023; the group statement of comprehensive income, the group and company statements of changes in equity and the group statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

HIGH WOOD HEALTH (HOLD CO) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HIGH WOOD HEALTH (HOLD CO) LIMITED

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

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

HIGH WOOD HEALTH (HOLD CO) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HIGH WOOD HEALTH (HOLD CO) LIMITED

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of the results for the year and thus the NPD surplus provision through posting inappropriate journal entries to manipulate the result, or making inappropriate distributions or payments. Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Understanding of management's controls designed to prevent and detect irregularities;
- Review of board minutes;
- Challenging management on assumptions and judgements made in their significant accounting estimates; and
- Identifying and testing journal entries to assess whether any of the journals appeared unusual, for example impacting revenue and the NPD surplus provision.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Matthew Kaye (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
26 September 2023

HIGH WOOD HEALTH (HOLD CO) LIMITED**GROUP STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 MARCH 2023**

		2023	2022
	Notes	£'000	£'000
Turnover	3	6,014	4,177
Administrative expenses		(8,573)	(6,320)
Operating loss		(2,559)	(2,143)
Interest receivable and similar income	7	11,723	11,579
Interest payable and similar expenses	8	(9,164)	(9,436)
Profit before taxation		-	-
Tax on profit	9	-	-
Profit for the financial year		-	-

Profit for the financial year is all attributable to the owners of the parent company.

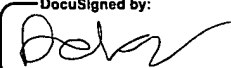
Total comprehensive income for the year is all attributable to the owners of the parent company.

HIGH WOOD HEALTH (HOLD CO) LIMITED**GROUP STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2023**

	Notes	2023 £'000	£'000	2022 £'000	£'000
Current assets					
Debtors falling due after more than one year	13	196,437		202,527	
Debtors falling due within one year	13	6,107		5,988	
Cash at bank and in hand		9,876		9,248	
		<u>212,420</u>		<u>217,763</u>	
Creditors: amounts falling due within one year	14	<u>(10,456)</u>		<u>(9,499)</u>	
Net current assets			201,964		208,264
Creditors: amounts falling due after more than one year	15		(194,853)		(200,827)
Provisions for liabilities					
Provisions	17	<u>7,060</u>	(7,060)	<u>7,386</u>	(7,386)
Net assets			<u>51</u>		<u>51</u>
Capital and reserves					
Called up share capital	18		<u>51</u>		<u>51</u>

The notes on pages 14 to 25 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 26 September 2023 and are signed on its behalf by:

DocuSigned by:

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 A Thakrar
 Director

Company registration number 09047152 (England and Wales)

HIGH WOOD HEALTH (HOLD CO) LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2023**

		2023		2022	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Investments	10		51		51
Current assets					
Debtors falling due after more than one year	13	19,926		20,813	
Debtors falling due within one year	13	2,100		1,179	
		22,026		21,992	
Creditors: amounts falling due within one year	14	(2,104)		(1,179)	
Net current assets			19,922		20,813
Total assets less current liabilities			19,973		20,864
Creditors: amounts falling due after more than one year	15		(19,922)		(20,813)
Net assets			51		51
Capital and reserves					
Called up share capital	18		51		51

The notes on pages 14 to 25 form part of these financial statements.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's result for the year was £nil (2022: £nil).

The financial statements were approved by the board of directors and authorised for issue on 26 September 2023 and are signed on its behalf by:

DocuSigned by:

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 A Thakrar
 Director

Company registration number 09047152 (England and Wales)

HIGH WOOD HEALTH (HOLD CO) LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY **FOR THE YEAR ENDED 31 MARCH 2023**

	Share capital £'000
Balance at 1 April 2021	51
Year ended 31 March 2022:	
Profit and total comprehensive income for the year	-
Balance at 31 March 2022	51
Year ended 31 March 2023:	
Profit and total comprehensive income for the year	-
Balance at 31 March 2023	51

HIGH WOOD HEALTH (HOLD CO) LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Share capital £'000
Balance at 1 April 2021	51
	<hr/>
Year ended 31 March 2022:	
Profit and total comprehensive income for the year	-
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Balance at 31 March 2022	51
	<hr/>
Year ended 31 March 2023:	
Profit and total comprehensive income for the year	-
	<hr/>
Balance at 31 March 2023	51
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HIGH WOOD HEALTH (HOLD CO) LIMITED**GROUP STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 MARCH 2023**

	Notes	2023 £'000	£'000	2022 £'000	£'000
Cash flows from operating activities					
Cash generated from operations	21		5,507		4,567
Investing activities					
Interest received		11,723		11,579	
Net cash generated from investing activities			11,723		11,579
Financing activities					
Repayment of bank loans		(8,228)		(8,002)	
Interest paid		(8,374)		(9,086)	
Net cash used in financing activities			(16,602)		(17,088)
Net increase/(decrease) in cash and cash equivalents			628		(942)
Cash and cash equivalents at beginning of year			9,248		10,190
Cash and cash equivalents at end of year			<u>9,876</u>		<u>9,248</u>

HIGH WOOD HEALTH (HOLD CO) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Company information

High Wood Health (Hold Co) Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD.

The group consists of High Wood Health (Hold Co) Limited and all of its subsidiaries.

1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

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

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

1.2 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company High Wood Health (Hold Co) Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 March 2023. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

HIGH WOOD HEALTH (HOLD CO) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.3 Going concern

The directors have prepared a cash flow forecast for High Wood Health (Project Co) Limited ("Project Co"), based upon the project model, which runs for the life of the concession period and therefore for at least the next 12 months. The directors have reviewed that cash flow forecast, which shows that the company will be able to meet all of its financial obligations for at least the next 19 years and that covenants will not breach default levels in any period.

Project Co was able to meet the financial covenants as at September 2022 and March 2023, resulting in repayments of subordinated debt principal and interest following the approval of the associated financial model.

Taking into account reasonable possible risks in operations to Project Co and the company, that Project Co's sole customer being the Dumfries and Galloway Health Board (which is part of the NHS) is stable, and that the subordinated debt interest can be rolled up and not paid when necessary, the directors have a reasonable expectation that the company and group will be able to settle its liabilities as they fall due, for the foreseeable future and for at least 12 months from the date of signing these financial statements. It is therefore appropriate to prepare these financial statements on the going concern basis. Thus the directors continue to adopt a going concern policy.

1.4 Turnover

Turnover is recognised in accordance with the service concession contract accounting policy. This states that 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 unitary charge income is included within turnover in accordance with FRS102 section 23. The group 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. The turnover is then adjusted to reflect the rebates payable to the Dumfries and Galloway Health Board under the Non Profit Distributing model (NPD). Other income includes development costs and overheads recorded at fair value plus a margin.

Interest income is recognised using the effective interest rate method.

All turnover represents value of work done entirely in the United Kingdom and excludes value added tax.

1.5 Fixed asset investments

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

1.6 Cash and cash equivalents

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

1.7 Financial instruments

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

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

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

HIGH WOOD HEALTH (HOLD CO) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Basic financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

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

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

Derecognition of financial liabilities

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

1.8 Taxation

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

HIGH WOOD HEALTH (HOLD CO) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Current tax

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

Deferred tax

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

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

1.9 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

As an NPD project, a provision equalling net profit is created recognising the amount that is due to be paid to the Dumfries and Galloway Health Board. This amount is payable to the Health Board once senior and sub debt obligations have been satisfied in line with the cash waterfall per the Common Terms Agreement.

1.10 Interest receivable and interest payable

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

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

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.11 Lifecycle accrual

An amount is accrued annually in line with the lifecycle requirement of the hospital. This assessment is made with reference to the profile of anticipated required works over the length of the concession, and at the balance sheet date reflects the estimated cost of remediating the wear and tear on the asset incurred to that date.

HIGH WOOD HEALTH (HOLD CO) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.12 Profit Distribution Provision

As an NPD project, a provision equalling net profit is created recognising the amount that is due to be paid to the Dumfries and Galloway Health Board. This amount is payable to the Health Board once senior and sub debt obligations have been satisfied in line with the cash waterfall per the Common Terms Agreement.

2 Judgements and key sources of estimation uncertainty

The preparation of the financial statements under FRS102 requires management to make estimates and assumptions that affect amounts recognised for assets and liabilities at the statement of financial position date and the amounts of revenue and expenses incurred during the reported period. Actual outcomes may therefore differ from these estimates and assumptions. The estimates are recognised either in the period or reviewed on an ongoing basis. Revisions to accounting estimates are recognised either in the period in which the estimate is revised, if it affects only that period, or in both the period of revision and future periods if the revision affects both current and future periods.

Critical judgements

The estimates and assumptions which have the most significant impact on the carrying value of the assets and liabilities of the group are as follows:

Service concession arrangements

Accounting for the service concession contract and finance debtors requires of estimation of service margins, finance debtors interest rates and associated amortisation profile which is based on forecasted results of the Non Profit Distributing Programme contract.

3 Turnover and other revenue

	2023 £'000	2022 £'000
Turnover analysed by class of business		
Other income	6,014	4,177
	<u>6,014</u>	<u>4,177</u>
	2023 £'000	2022 £'000
Other revenue		
Interest income	11,723	11,579
	<u>11,723</u>	<u>11,579</u>

4 Auditor's remuneration

	2023 £'000	2022 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	3	3
Audit of the financial statements of the company's subsidiaries	20	17
	<u>23</u>	<u>20</u>
For other services		
Taxation compliance services	3	4
	<u>3</u>	<u>4</u>

HIGH WOOD HEALTH (HOLD CO) LIMITED**NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)**
FOR THE YEAR ENDED 31 MARCH 2023**4 Auditor's remuneration****(Continued)**

The audit fee of High Wood Health (Hold Co) Limited is borne by High Wood Health (Project Co) Limited.

5 Employees

The company had no employees during the year (2022: nil) The company does not employ the directors.

6 Directors' remuneration

	2023	2022
	£'000	£'000
Remuneration for qualifying services	21	17

Directors' emoluments of £21,000 (2022: £17,000) were paid during the financial year in relation to services of the B shareholder. For part of the prior financial year this was payable to the entity Scottish Future's Trust (SFT) but due to a change in how SFT structured the B director role, from 13 September 2021 these fees were payable directly to the B director.

7 Interest receivable and similar income

	2023	2022
	£'000	£'000
Interest income		
Interest on bank deposits	265	6
Other interest income	11,458	11,573
Total income	11,723	11,579

8 Interest payable and similar expenses

	2023	2022
	£'000	£'000
Interest payable to group undertakings	9,164	9,436

HIGH WOOD HEALTH (HOLD CO) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

9 Taxation

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

	2023 £'000	2022 £'000
Profit before taxation	-	-
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	-	-
Taxation charge in the financial statements	-	-

10 Fixed asset investments

	Notes	Group 2023 £'000	2022 £'000	Company 2023 £'000	2022 £'000
Investments in subsidiaries	11	-	-	51	51

Movements in fixed asset investments Company

	Shares in subsidiaries £'000
Cost or valuation At 1 April 2022 and 31 March 2023	51
Carrying amount At 31 March 2023	51
At 31 March 2022	51

11 Subsidiaries

Details of the company's subsidiaries at 31 March 2023 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
High Wood Health (Project Co) Limited	3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD	Development and service company	Ordinary shares	100.00
High Wood Health (Finance Co) Plc	3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD	Financing company	Ordinary shares	100.00

HIGH WOOD HEALTH (HOLD CO) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

12 Financial instruments

	Group 2023	2022 Restated	Company 2023	2022 Restated
	£'000	£'000	£'000	£'000
Financial assets measured at amortised cost				
Finance debtor	202,542	208,497	-	-
Sub debt	-	-	22,026	21,992
Trade and other debtors	2	19	-	-
	<u>202,542</u>	<u>208,516</u>	<u>22,026</u>	<u>21,992</u>
Financial liabilities measured at amortised cost				
Loan commitments	195,684	203,155	20,814	20,813
Trade and other creditors	9,624	7,171	1,212	1,179
	<u>205,308</u>	<u>210,326</u>	<u>22,026</u>	<u>21,992</u>

The prior period disclosures have been restated to correct a classification error. Accrued interest on Subordinated debt of £1,179,000 has been reclassified from 'Other borrowings' into 'Other creditors' to more appropriately represent the nature of the balance.

13 Debtors

	Group 2023	2022	Company 2023	2022
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	-	15	-	-
Amounts owed by group undertakings	-	-	2,100	1,179
Finance debtor	6,105	5,970	-	-
Prepayments and accrued income	2	3	-	-
	<u>6,107</u>	<u>5,988</u>	<u>2,100</u>	<u>1,179</u>
Amounts falling due after more than one year:				
Finance debtor	196,437	202,527	-	-
Amounts owed by group undertakings	-	-	19,926	20,813
	<u>196,437</u>	<u>202,527</u>	<u>19,926</u>	<u>20,813</u>
Total debtors	<u>202,544</u>	<u>208,515</u>	<u>22,026</u>	<u>21,992</u>

HIGH WOOD HEALTH (HOLD CO) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

14 Creditors: amounts falling due within one year

		Group 2023	2022 Restated	Company 2023	2022 Restated
	Notes	£'000	£'000	£'000	£'000
Bank loans and overdrafts	16	7,588	7,476	-	-
Other borrowings	16	892	-	892	-
Retention accrual		20	20	-	-
Trade creditors		1	-	-	-
Other taxation and social security		569	560	-	-
Other creditors		1,212	1,179	1,212	1,179
Accruals and deferred income		174	264	-	-
		<u>10,456</u>	<u>9,499</u>	<u>2,104</u>	<u>1,179</u>

The prior period disclosures have been restated to correct a classification error. Accrued interest on Subordinated debt of £1,179,000 has been reclassified from 'Other borrowings' into 'Other creditors' to more appropriately represent the nature of the balance.

15 Creditors: amounts falling due after more than one year

		Group 2023	2022	Company 2023	2022
	Notes	£'000	£'000	£'000	£'000
Bank loans and overdrafts	16	167,282	174,866	-	-
Other borrowings	16	19,922	20,813	19,922	20,813
Lifecycle accrual		7,649	5,148	-	-
		<u>194,853</u>	<u>200,827</u>	<u>19,922</u>	<u>20,813</u>

16 Loans and overdrafts

		Group 2023	2022 Restated	Company 2023	2022 Restated
		£'000	£'000	£'000	£'000
Bank loans		174,870	182,342	-	-
Other borrowings		20,814	20,813	20,814	20,813
		<u>195,684</u>	<u>203,155</u>	<u>20,814</u>	<u>20,813</u>
Payable within one year		8,480	7,476	892	-
Payable after one year		<u>187,204</u>	<u>195,679</u>	<u>19,922</u>	<u>20,813</u>

HIGH WOOD HEALTH (HOLD CO) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

16 Loans and overdrafts

(Continued)

The prior period disclosures have been restated to correct a classification error. Accrued interest on Subordinated debt of £1,179,000 has been reclassified from 'Other borrowings' into 'Other creditors' to more appropriately represent the nature of the balance.

Bank loans

As at 31 March 2023 the unamortised value of issue costs are £3,196,000 (2022: £3,196,000).

On 11 March 2015, the group entered into a loan facility agreement with European Investment Bank (EIB) of £108,917,000 at a fixed interest rate of 3.171%. During the year capital repayments of £3,991,000 (2022: £3,919,000) were made. The principal balance at 31 March 2023 was £86,768,000 (2022: £90,642,000) with £65,962,000 (2022: £66,706,000) due in more than 5 years. The loan is repayable by instalments based on an agreed repayment profile and will mature in March 2041. Issue costs of £1,436,000 were incurred and are being amortised over the life of the debt.

On the same day, the group also entered into an Institutional Investor Note Purchase Agreement with Aviva Annuity UK Ltd of £109,323,000 at a fixed interest rate of 3.769%. During the year capital repayments of £3,734,000 (2022: £3,671,000) were made. The principal balance at 31 March 2023 was £88,102,000 (2022: £91,700,000) with £68,777,000 (2022: £69,810,000) due in more than 5 years. The loan is repayable by instalments based on an agreed repayment profile and will mature in September 2041. Issue costs of £2,067,000 were incurred and are being amortised over the life of the debt.

The loans are secured by the first fixed charge over all the assets, rights and undertakings of the company.

Other borrowings

The subordinated loan due to shareholders is unsecured and attracts interest at 11% and is repayable in six monthly instalments to September 2042.

During the year the group made repayments of £499,000 (2022: £391,000) against the loan principal. £453,000 (2022: £nil) of unpaid interest was rolled up into the principal during the year. The principal balance at 31 March 2023 is £20,814,000 (2022: £20,736,000) with £16,347,000 (2022: £18,094,000) due in more than 5 years.

17 Provisions for liabilities

	Group 2023 £'000	2022 £'000	Company 2023 £'000	2022 £'000
Profit distribution provision	7,060	7,386	-	-

Movements on provisions:

Group	Profit distribution provision £'000
At 1 April 2022	7,386
Additional provisions in the year	766
Other movements	(1,092)
At 31 March 2023	7,060

HIGH WOOD HEALTH (HOLD CO) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

17 Provisions for liabilities

(Continued)

The above provision is expected to be settled after more than 12 months from the reporting date. It relates to surpluses payable to Dumfries and Galloway Health Board as a distribution of profit under the NPD model. Other movements relate to lifecycle provisioning

18 Share capital

Group and company	2023	2022	2023	2022
Ordinary share capital	Number	Number	£'000	£'000
Issued and fully paid				
Ordinary shares of £1 each	51,000	51,000	51	51

Dumfries and Galloway Health Board, as B shareholder, holds a single Golden share in subsidiary company High Wood Health (Project Co) Limited. The rights of the A and B share are the same.

19 Related party transactions

Transactions with related parties

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

	Loan note principal		Loan note interest	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Group				
PIP Infrastructure Investments (No 5) Limited	249	195	999	1,234
Mercury Hospital Holdings Limited	249	195	999	1,234

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2023	2022
	£'000	£'000
Group		
PIP Infrastructure Investments (No 5) Limited	11,049	11,072
Mercury Hospital Holdings Limited	11,049	11,072
Loan note interest	1,212	1,215

20 Controlling party

The ultimate parent undertakings are PIP Infrastructure Investments (No 5) Limited and Mercury Hospital Holdings Limited. There are no controlling parties as it is a joint venture.

The smallest and largest group in which the company's results are consolidated is High Wood Health (Hold Co) Limited. Copies of the consolidated financial statements of High Wood Health (Hold Co) Limited are available from 3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD.

HIGH WOOD HEALTH (HOLD CO) LIMITED**NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)**
FOR THE YEAR ENDED 31 MARCH 2023**21 Cash generated from group operations**

	2023	2022
	£'000	£'000
Profit for the year after tax	-	-
Adjustments for:		
Finance costs	9,164	9,436
Interest receivable	(11,723)	(11,579)
(Decrease)/increase in provisions	(326)	142
Movements in working capital:		
Decrease in debtors	5,971	5,744
Increase in creditors	2,421	824
Cash generated from operations	<u>5,507</u>	<u>4,567</u>

22 Analysis of changes in net debt - group

	1 April 2022	Cash flows 31 March 2023	
	Restated		
	£'000	£'000	£'000
Cash at bank and in hand	9,248	628	9,876
Borrowings excluding overdrafts	(203,155)	7,471	(195,684)
	<u>(193,907)</u>	<u>8,099</u>	<u>(185,808)</u>

The prior period disclosures have been restated to correct a classification error. Accrued interest on Subordinated debt of £1,179,000 has been reclassified from 'Other borrowings' into 'Other creditors' to more appropriately represent the nature of the balance.