

Summit Healthcare (Wishaw) Limited
Annual Report and Financial Statements
31 March 2021

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Summit Healthcare (Wishaw) Limited

Annual Report and Financial Statements

Year Ended 31 March 2021

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Summit Healthcare (Wishaw) Limited

Officers and Professional Advisers

The board of directors

Andrew Leslie Tennant
John Cavill
David Gilmour
Christopher Solley

Company secretary

Infrastructure Managers Limited

Registered office

2nd Floor
11 Thistle Street
Edinburgh
EH2 1DF

Independent auditors

Johnston Carmichael LLP
Chartered Accountants & Statutory Auditors
7-11 Melville Street
Edinburgh
EH3 7PE

Bankers

Lloyds Bank Plc
32 Oxford Street
London
W1R 2BS

Summit Healthcare (Wishaw) Limited

Strategic Report

Year Ended 31 March 2021

The directors present their strategic report on the Company for the year ended 31 March 2021.

Principal Objectives and Strategies

The principal activity of the Company is that of financing and operating a new district general hospital at Wishaw, Lanarkshire for what is now the Lanarkshire Acute Hospitals NHS Trust under the Government's Private Finance Initiative ("PFI"). The project is currently in year 20 of its 30 year term.

Performance Review

The profit for the year, after taxation, amounted to £2,733,911 (2020: £1,645,803).

The profit for the year will be transferred to reserves.

The directors are satisfied with the overall performance of the Company and do not foresee any significant change in the Company's activities in the coming financial year.

Covid-19 was declared a pandemic in March 2020 and since then there has been widespread disruption in the UK. The Company's income is availability based and due from the Health Board so the risk of non-payment is considered remote, and to date the company has continued to receive payment in line with the contract terms. Alongside this, the Company has not experienced material variation from its projected levels of expenditure and key suppliers (primarily the facilities manager) have continued to be able to service the Company. The directors have considered the current performance and the future financial impact to the Company of this pandemic, taking into account the sources of income and expenditure. It is the directors' view that although the likely full impact is unknown, and at this stage is not possible to quantify, it is not expected to materially impact on the operations or financial position of the Company.

Going Concern

After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. The Company prepares cash flow forecasts covering the expected life of the asset and so including the 12 month period from the date the financial statements are signed. In drawing up these forecasts, the directors have made assumptions based upon their view of the current and future economic conditions, including the impact of Covid-19, that will prevail over the forecast period. Based on these forecasts the directors have a reasonable expectation that the Company has adequate resources to continue in in operational existence for the foreseeable future. In light of this, the directors continue to adopt the going concern basis of accounting in preparing the Company's annual financial statements.

Review of the Business

As the Company is in the full operational phase it faces operational risks and actively monitors financial performance against loan covenants. During the year the Company was fully compliant with the contractual terms and incurred no penalty points. From a financial perspective the Company has been performing well and has been compliant with the covenants laid out in the group loan agreement. The Company is also forecasting compliance with the covenants laid out in the group loan agreement for the next 12 months.

The directors expect the future performance of the Company to be profitable and in line with the forecasting model.

Future Developments

The directors intend for the business to continue to operate in line with the contractual terms and do not expect any strategic changes.

Summit Healthcare (Wishaw) Limited

Strategic Report *(continued)*

Year Ended 31 March 2021

Key Performance Indicators

The performance of the Company from a cash perspective is assessed on a six monthly on a group basis by the testing of the covenants of the senior debt provider. The key indicator being the debt service cover ratio, which is the ratio of the Company's net cash inflows available for debt service relative to actual debt service payments. At the year end this ratio was 1.29. The Company has been performing well and has been compliant with the covenants laid out in the group loan agreement.

Financial Instruments

The Company's principal financial instruments comprise subordinated debt, cash at bank and short term deposits. The main purpose of these financial instruments is to ensure, via the terms of the various financial instruments, that the profile of the debt service costs is tailored to match expected revenues arising from the concession contract.

Principal Risk and Uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The principal risk and uncertainties facing the Company are: interest rate risk, price risk, liquidity risk, credit risk, contract performance risk and lifecycle risk, as detailed below:

Interest rate risk

The Company mitigated its interest rate risk at the inception of the project by ensuring that its debt is at a fixed rate.

Price Risk

The Company's price risk is managed through a project agreement with the NHS providing for payments that are fixed subject to performance and inflation indexation and through sub-contracts with suppliers that largely mirror the provisions of the project agreement with the NHS. The Company's exposure to price fluctuations will continue to be monitored.

Liquidity Risk

Cash flows are generated on the availability of the hospital and from the operational management and maintenance of the facility. The project concession cash-flows are secured under contract from the NHS, a government body and the nature of the project is such that cashflows are reasonably predictable. The Company's exposure to cash flow fluctuations will continue to be monitored.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The Company receives its revenue from NHS Lanarkshire. The directors monitor amounts due carefully and do not consider there be a significant credit risk. The Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities. Board approval is required for the use of any new financial instruments.

Summit Healthcare (Wishaw) Limited

Strategic Report *(continued)*

Year Ended 31 March 2021

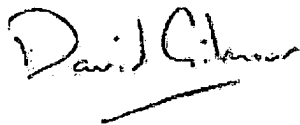
Contract Performance Risk

The Company's contract performance risk is mostly mitigated as facilities management services has been subcontracted to a third party provider.

Lifecycle Risk

The Company's lifecycle risk is held by the SPV. In order to ensure costs are recorded in the year in which they are incurred, routine monitoring is carried out on lifecycle costs, this compares actual spend to a pre-approved plan.

This report was approved by the board of directors on 21st October 2021 and signed on behalf of the board by:

A handwritten signature in black ink, appearing to read 'David Gilmour', with a horizontal line drawn underneath it.

David Gilmour
Director

Summit Healthcare (Wishaw) Limited

Directors' Report

Year Ended 31 March 2021

The directors present their report and the audited Annual Report and Financial Statements of Summit Healthcare (Wishaw) Limited ("the Company") for the year ended 31 March 2021.

Principal Activities

The principal activity of the Company is that of financing and operating a new district general hospital at Wishaw, Lanarkshire for what is now the Lanarkshire Acute Hospitals NHS Trust under the Government's Private Finance Initiative.

Directors

The directors who served the Company during the year and up to the date of this report were as follows:

Andrew Leslie Tennant
John Cavill
David Gilmour
Christopher Solley

Dividends

Particulars of dividends paid are detailed in note 10 to the financial statements.

Financial Instruments

Details of the financial instruments are noted in the Strategic report.

Future Developments

No significant changes are expected to the Company's activities, as set out in the Strategic Report, in the foreseeable future.

Qualifying Indemnity Provision

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Disclosure of Information to Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

A resolution to reappoint Johnston Carmichael LLP as auditors will be proposed at the forthcoming Annual General Meeting.

Summit Healthcare (Wishaw) Limited

Directors' Report *(continued)*

Year Ended 31 March 2021

This report was approved by the board of directors on 21st October 2021 and signed by order of the board by:



Infrastructure Managers Limited
Company Secretary

Summit Healthcare (Wishaw) Limited

Directors' Responsibilities Statement

Year Ended 31 March 2021

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

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

Under company law the directors must not approve the Annual Report and Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing the Annual Report and Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the Annual Report and Financial Statements; and
- prepare the Annual Report and Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Summit Healthcare (Wishaw) Limited

Independent Auditor's Report to the Members of Summit Healthcare (Wishaw) Limited

Opinion

We have audited the financial statements of Summit Healthcare (Wishaw) Limited (the 'Company') for the year ended 31 March 2021 which comprises the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for Opinion

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

Conclusions Relating to Going Concern

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

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

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

Summit Healthcare (Wishaw) Limited

Independent Auditor's Report to the Members of Summit Healthcare (Wishaw) Limited *(continued)*

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on Other Matters Prescribed by the Companies Act 2006

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

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

Matters on Which We are Required to Report by Exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, 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.

Summit Healthcare (Wishaw) Limited

Independent Auditor's Report to the Members of Summit Healthcare (Wishaw) Limited *(continued)*

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Extent to which an audit is considered capable of detecting irregularities, including fraud

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

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

- UK GAAP/FRS102; and
- Companies Act 2006; and
- Corporation Tax legislation.

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

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

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

Summit Healthcare (Wishaw) Limited

Independent Auditor's Report to the Members of Summit Healthcare (Wishaw) Limited *(continued)*

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

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

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

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

Use of Our Report

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

Johnston Carmichael LLP

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

Chartered Accountants
Statutory auditor

21 October 2021

7-11 Melville Street
Edinburgh
EH3 7PE

Summit Healthcare (Wishaw) Limited

Statement of Comprehensive Income

Year Ended 31 March 2021

	Note	2021 £	2020 £
Turnover	4	16,928,714	17,552,243
Cost of sales		<u>(14,369,650)</u>	<u>(15,025,879)</u>
Gross profit		2,559,064	2,526,364
Administrative expenses		<u>(484,155)</u>	<u>(491,412)</u>
Operating profit	5	2,074,909	2,034,952
Interest receivable and similar income	7	8,438,703	9,019,428
Interest payable and similar expenses	8	<u>(6,668,754)</u>	<u>(7,094,434)</u>
Profit before taxation		3,844,858	3,959,946
Tax on profit	9	<u>(1,110,947)</u>	<u>(2,314,143)</u>
Profit for the financial year and total comprehensive income		<u>2,733,911</u>	<u>1,645,803</u>

All the activities of the Company are from continuing operations.

The notes on pages 15 to 26 form part of these Financial Statements.

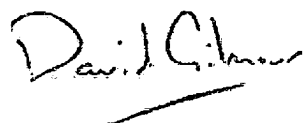
Summit Healthcare (Wishaw) Limited

Statement of Financial Position

As at 31 March 2021

	Note	2021 £	2020 £
Fixed assets			
Investments	11	50,000	50,000
Current assets			
Debtors: amounts falling due within one year	12	7,577,761	6,560,723
Debtors: amounts falling due after more than one year	12	83,613,530	90,802,985
Cash at bank and in hand		15,338,171	14,043,013
		<u>106,529,462</u>	<u>111,406,721</u>
Creditors: amounts falling due within one year	13	<u>(13,599,740)</u>	<u>(12,788,780)</u>
Net current assets		<u>92,929,722</u>	<u>98,617,941</u>
Total assets less current liabilities		<u>92,979,722</u>	<u>98,667,941</u>
Creditors: amounts falling due after more than one year	14	<u>(63,521,704)</u>	<u>(70,204,818)</u>
Provisions for liabilities			
Taxation including deferred taxation	15	<u>(10,612,363)</u>	<u>(11,342,379)</u>
Net assets		<u><u>18,845,655</u></u>	<u><u>17,120,744</u></u>
Capital and reserves			
Called up share capital	17	100,000	100,000
Retained earnings	18	18,745,655	17,020,744
Total shareholders' funds		<u><u>18,845,655</u></u>	<u><u>17,120,744</u></u>

The Financial Statements were approved by the board of directors and authorised for issue on 21st October 2021, and are signed on behalf of the board by:



David Gilmour
Director

Company registration number: SC182649

The notes on pages 15 to 26 form part of these Financial Statements.

Summit Healthcare (Wishaw) Limited

Statement of Changes in Equity

Year Ended 31 March 2021

		Called up share capital £	Retained earnings £	Total £
At 1 April 2019		100,000	15,806,941	15,906,941
Profit for the financial year			1,645,803	1,645,803
Total comprehensive income for the year		—	1,645,803	1,645,803
Dividends paid and payable	10	—	(432,000)	(432,000)
Total investments by and distributions to owners		—	(432,000)	(432,000)
At 31 March 2020		100,000	17,020,744	17,120,744
Profit for the financial year			2,733,911	2,733,911
Total comprehensive income for the year		—	2,733,911	2,733,911
Dividends paid and payable	10	—	(1,009,000)	(1,009,000)
Total investments by and distributions to owners		—	(1,009,000)	(1,009,000)
At 31 March 2021		<u>100,000</u>	<u>18,745,655</u>	<u>18,845,655</u>

The notes on pages 15 to 26 form part of these Financial Statements.

Summit Healthcare (Wishaw) Limited

Notes to the Annual Report and Financial Statements

Year Ended 31 March 2021

1. General information

Summit Healthcare (Wishaw) Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in Scotland. The address of its registered office is 2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF.

The principal activity of the Company is that of financing and operating a new district general hospital at Wishaw, Lanarkshire for what is now the Lanarkshire Acute Hospitals NHS Trust under

The Company's functional and presentation currency is the pound sterling. Monetary amounts in these financial statements are rounded to the nearest pound.

2. Statement of compliance

The individual financial statements of Summit Healthcare (Wishaw) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

(b) Going concern

After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. The Company prepares cash flow forecasts covering the expected life of the asset and so including the 12 month period from the date the financial statements are signed. In drawing up these forecasts, the directors have made assumptions based upon their view of the current and future economic conditions, including the impact of Covid-19, that will prevail over the forecast period. Based on these forecasts the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In light of this, the directors continue to adopt the going concern basis of accounting in preparing the Company's annual financial statements.

Summit Healthcare (Wishaw) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

3. Accounting policies *(continued)*

(c) Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Summit Holdings (Wishaw) Limited which can be obtained from the Company Secretary at 11 Thistle Street, Edinburgh, EH2 1DF. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the Company.
- (b) The Company has also taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned member of a group.

(d) Consolidation

The Company is a wholly-owned subsidiary of Summit Holdings (Wishaw) Limited, a company incorporated in Scotland. In accordance with Section 400 of the Companies Act 2006, the Company is not required to produce, and has not published, consolidated accounts.

Summit Healthcare (Wishaw) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

3. Accounting policies *(continued)*

(e) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. These estimates and judgments are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgments

The judgments (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

i) Deferred taxation

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Judgment is required in the case of the recognition of deferred taxation assets, the Directors have to form an opinion as to whether it is probable that the deferred taxation asset recognised is recoverable against future taxable profits arising. This exercise of judgment requires the Directors to consider forecast information over a long time horizon having regard to the risks that the forecasts may not be achieved and then form a reasonable opinion as to the recoverability of the deferred taxation asset.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

i) Impairment of assets

The carrying value of each asset recorded in the Company's Statement of Financial Position, at amortised cost (ie investments), could be materially reduced where circumstances exist which might indicate that an asset has been impaired and an impairment review is performed. Impairment reviews consider the fair value and/or value in use of the potentially impaired asset or assets and compares that with the carrying value of the asset or assets in the Statement of Financial Position. Any reduction in value arising from such a review would be recorded in the Statement of Comprehensive Income. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

ii) Accounting for service concession arrangements

Accounting for the service concession contract and finance debtors requires estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecast results of the contract. These were forecast initially within the operating model at financial close and are closely monitored throughout the duration of the project.

Summit Healthcare (Wishaw) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

3. Accounting policies *(continued)*

(f) Revenue recognition

Turnover represents the services' share of the management services income received by the Company for the provision of a PFI (Private Finance Initiative) asset to the customer. This income is received over the life of the concession period. Management service income is allocated between turnover, finance debtor interest and reimbursement of finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.

(g) Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is also recognised on the revaluations of derivative financial instruments, with the movements going through the Statement of Comprehensive Income.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability.

Summit Healthcare (Wishaw) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

3. Accounting policies *(continued)*

(h) Finance debtor

The Company has taken the transition exemption in FRS 102 Section 35.10(i) that allows the Company to continue the service concession arrangement accounting policies from previous UK GAAP.

The Company is accounting for the concession asset based on the ability to substantially transfer all the risks and rewards of ownership to the customer, with this arrangement the costs incurred by the Company on the design and construction of the assets have been treated as a finance debtor within these financial statements.

(i) Cash and cash equivalents

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

The company is obligated to keep cash reserves as at the balance sheet date and 30th September in respect of requirements in the company's funding agreements. This restricted cash balance, which is shown within the "cash at bank and in hand" balance amounts to £10,387,000 (2020: £9,860,000) as at the balance sheet date.

(j) Borrowings

Borrowings are recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Statement of Comprehensive Income over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities.

(k) Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

(l) Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Summit Healthcare (Wishaw) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

3. Accounting policies *(continued)*

(m) Financial instruments

The Company has elected to apply the provisions of Section 11 "Basic Financial Instruments" and Section 12 "Other Financial Instruments Issues" of FRS 102, in full, to all of its financial instruments. A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price and subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are initially recognised at the present value of cash payable to the lender and are subsequently measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. The effective interest rate amortisation is included in interest payable and similar charges in the Statement of Comprehensive Income.

Other financial instruments are subsequently measured at fair value, with any changes recognised in the Statement of Comprehensive Income, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in the Statement of Comprehensive Income immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. 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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Statement of Financial Position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Summit Healthcare (Wishaw) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

4. Turnover

Turnover arises from:

	2021	2020
	£	£
Rendering of services	<u>16,928,714</u>	<u>17,552,243</u>

The whole of the turnover is attributable to the principal activity of the Company wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

	2021	2020
	£	£
Impairment of trade debtors	12,423	—
Fees payable for the audit of the annual report and financial statements	<u>16,750</u>	<u>20,850</u>

Included in the fee above is £nil (2020: £5,050) for taxation compliance services. Also included in the fee above is £8,500 (2020: £8,000) for the audit of subsidiary Summit Finance (Wishaw) plc and £1,000 (2020: £1,000) for the audit of the immediate parent entity Summit Holdings (Wishaw) Limited. Auditor's remuneration is payable to Johnston Carmichael LLP.

6. Particulars of employees and directors

The average number of persons employed by the Company during the financial year, including the directors, amounted to nil (2020: nil). The directors did not receive any remuneration from the Company during the year (2020: £nil). Fees paid to investors in respect of their directors are disclosed in note 19.

7. Interest receivable and similar income

	2021	2020
	£	£
Interest on cash and cash equivalents	10,918	83,029
Finance debtor interest	<u>8,427,785</u>	<u>8,936,399</u>
	<u>8,438,703</u>	<u>9,019,428</u>

8. Interest payable and similar expenses

	2021	2020
	£	£
Interest due to Group undertakings	6,320,559	6,727,570
Other interest payable and similar expenses	<u>348,195</u>	<u>366,864</u>
	<u>6,668,754</u>	<u>7,094,434</u>

Summit Healthcare (Wishaw) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

9. Tax on profit

Major components of tax expense

	2021 £	2020 £
Current tax:		
UK current tax expense	1,844,032	1,640,079
Adjustments in respect of prior periods	(3,069)	6,834
Total current tax	<u>1,840,963</u>	<u>1,646,913</u>
Deferred tax:		
Origination and reversal of timing differences	(730,016)	667,230
Tax on profit	<u>1,110,947</u>	<u>2,314,143</u>

Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £	2020 £
Profit before taxation	3,844,858	3,959,946
Profit before taxation by rate of tax	730,523	752,390
Adjustment to tax charge in respect of prior periods	(3,069)	6,834
Effect of expenses not deductible for tax purposes	383,493	924,688
Effect of revenue exempt from tax	–	(13,092)
Other timing differences	–	(615,646)
Effect of changes in tax rates	–	1,258,969
Total tax charge	<u>1,110,947</u>	<u>2,314,143</u>

Factors that may affect future tax expense

A change to the future UK corporation tax rate was announced in the March 2021 Budget. The rate will increase from 19% to 25% with effect from 1 April 2023. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements. The effect of this change, if it applied to the deferred tax balance at 31 December 2020, would be to increase the deferred tax liability by £3,351,272.

10. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2021 £	2020 £
Dividend £10.09 per share (2020: £4.32)	<u>1,009,000</u>	<u>432,000</u>

Summit Healthcare (Wishaw) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

11. Investments

	Shares in Group undertaking s £
Cost	
At 1 April 2020 and 31 March 2021	<u>50,000</u>
Impairment	
At 1 April 2020 and 31 March 2021	<u>-</u>
Carrying amount	
At 31 March 2021	<u>50,000</u>
At 31 March 2020	<u>50,000</u>

The Company owns 100% of the issued share capital of Summit Finance (Wishaw) plc, whose registered office is 11 Thistle Street, Edinburgh, EH2 1DF.

	2021 £	2020 £
Aggregate capital and reserves	50,000	50,000
Result for the year	-	-

The carrying value of the investment is supported by the net assets of the subsidiary.

12. Debtors

Debtors amounts falling due within one year are as follows:

	2021 £	2020 £
Trade debtors	80,484	37,141
Prepayments and accrued income	1,252,888	1,207,704
Finance debtor	6,129,684	5,222,720
Other debtors	114,705	93,158
	<u>7,577,761</u>	<u>6,560,723</u>

Debtors amounts falling due after more than one year are as follows:

	2021 £	2020 £
Finance debtor	<u>83,613,530</u>	<u>90,802,985</u>

Summit Healthcare (Wishaw) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

12. Debtors *(continued)*

The movement in the finance debtor is analysed as follows:

	2021	2020
	£	£
At beginning of year	96,025,705	100,892,482
Amortisation	(6,282,491)	(4,866,777)
At end of year	<u>89,743,214</u>	<u>96,025,705</u>

13. Creditors: amounts falling due within one year

	2021	2020
	£	£
Trade creditors	88,935	7,730
Amounts owed to Group undertakings	50,410	50,620
Accruals and deferred income	6,077,022	5,817,634
Corporation tax	151,963	137,010
Taxation and social security	548,240	549,572
Amounts owed to subsidiary undertaking	6,683,170	6,226,214
	<u>13,599,740</u>	<u>12,788,780</u>

The amounts owed to subsidiary undertakings bear interest at 6.484%, and the repayment terms are outlined in Note 14.

The Amounts owed to Group undertakings include £50,000 (2020: £50,000) of unpaid share capital. This balance is not interest bearing and are repayable on demand.

14. Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Amounts owed to immediate parent	11,759,000	11,759,000
Amounts owed to subsidiary undertaking	51,762,704	58,445,818
	<u>63,521,704</u>	<u>70,204,818</u>

Summit Healthcare (Wishaw) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

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

The amounts owed to subsidiary undertaking bear interest at 6.484% and are repayable in six monthly instalments. The final instalment is due on 31 March 2028.

The guarantee securing the loans of Summit Finance (Wishaw) plc, a fellow group undertaking, is supported by a floating charge over the assets of the Company.

The amounts owed to immediate parent are Coupon Bearing Investment Sums (CBIS) which have been issued to the parent, Summit Holdings (Wishaw) Limited. The CBIS bear a coupon of 18% per annum, and have a remaining term ending 17 June 2028.

The coupon on the principal amount outstanding accrues from day to day and is payable in cash on 30 September and 31 March annually subject to meeting certain financial criteria (targets). If the coupon is unable to be paid due to failure to meet these criteria then there shall be issued Preferred Investment Sums with a principal equal to the coupon due. The term date for each series of Preferred Investment Sums shall be the first coupon payment date after the allotment.

Included within creditors: amounts falling due after more than one year is an amount of £19,917,521 (2020: £28,962,694) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

Included within creditors: amounts falling due after more than one year is an amount of £11,759,000 (2020: £11,759,000) in respect of subordinate debt liabilities payable or repayable otherwise than by instalments which fall due for payment after more than five years from the reporting date.

15. Provisions for liabilities

	Deferred tax (note 16) £
At 1 April 2020	11,342,379
Charge against provision	(730,016)
At 31 March 2021	<u>10,612,363</u>

16. Deferred tax

The deferred tax included in the Statement of Financial Position is as follows:

	2021 £	2020 £
Included in provisions for liabilities (note 15)	<u>10,612,363</u>	<u>11,342,379</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2021 £	2020 £
Accelerated capital allowances	<u>10,612,363</u>	<u>11,342,379</u>

The deferred tax liability expected to reverse in 2022 is £670,000, this primarily relates to the reversal of timing differences on capital allowances.

Summit Healthcare (Wishaw) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 March 2021

17. Called up share capital

Issued, called up and fully paid

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

18. Reserves

Retained Earnings - This reserve records retained earnings and accumulated losses.

19. Related party transactions

The Company is wholly owned by Summit Holdings (Wishaw) Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

The following disclosures are with entities in the Group that are not wholly owned:

The Company paid £256,358 (2020: £252,201) to BIIF Bidco Limited and its subsidiaries for the provision of 2 directors and the provision of management services.

The Company paid £40,000 (2020: £40,000) to Aberdeen Infrastructure (No.3) Limited for the provision of 2 directors.

20. Controlling party

The immediate parent undertaking is Summit Holdings (Wishaw) Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Summit Holdings (Wishaw) Limited consolidated financial statements can be obtained from the Company Secretary at 11 Thistle Street, Edinburgh, EH2 1DF.

The Company has no ultimate controlling party. The directors consider the Company's ultimate joint controlling parties to be Aberdeen Infrastructure (No.3) Limited (who own 40% of the share capital of the parent Company) and BIIF L.P. (who own 60% of the share capital of the parent Company).