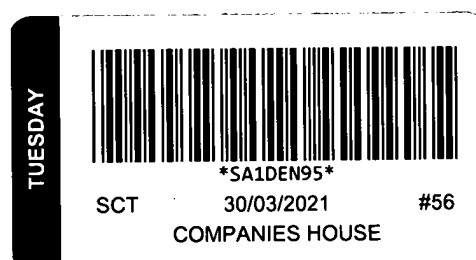


COMPANY REGISTRATION NUMBER: 04638901

**Elgin Health (St George's) Limited**  
**Annual Report and Financial Statements**  
**31 March 2020**



COMPANIES HOUSE  
**30 MAR 2021**  
EDINBURGH MAILBOX

**Elgin Health (St George's) Limited**  
**Annual Report and Financial Statements**  
**Year Ended 31 March 2020**

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# **Elgin Health (St George's) Limited**

## **Officers and Professional Advisers**

### **The Board of Directors**

M Donn  
J Gordon  
R Christie  
F Laing

### **Company Secretary**

Infrastructure Managers Limited

### **Registered Office**

Cannon Place  
78 Cannon Street  
London  
EC4N 6AF

### **Independent Auditors**

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

### **Bankers**

Bank of Scotland  
New Ueberior House  
11 Earl Grey Street  
Edinburgh  
EH3 9BN

### **Solicitors**

CMS Cameron McKenna LLP  
Mitre House  
160 Aldersgate Street  
London  
EC1A 4DD

# **Elgin Health (St George's) Limited**

## **Directors' Report**

### **Year Ended 31 March 2020**

The directors present their report and the audited Annual Report and Financial Statements of Elgin Health (St George's) Limited ("the Company") for the year ended 31 March 2020.

#### **Principal activities**

The principal activities of the Company are the finance, operation and maintenance of St George's Hospital, Morpeth, through an agreement with Newcastle, North Tyneside and Northumberland Mental Health NHS Trust. The agreement was entered into under the Government's Private Finance Initiative (PFI) Scheme. The project is in year 14 of its term ending in 2033.

#### **Performance Review**

The profit for the financial year, after taxation, amounted to £1,570,423 (2019(restated): £1,343,011).

The profit for the financial 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.

The directors have considered the future financial impact to the Company of the Coronavirus, taking into account the sources of income and additional expenditure, if any. It is their view that, due to the income being availability based and being due from NHS Trust the risk of non-payment is considered remote, therefore the income to the project will not be impacted. Alongside this the expected expenditure should not see material variation from its current levels and key suppliers (primarily the facilities manager) are expected to continue to be able to service the project. Although the likely full impact is unknown, it is not expected to materially impact on the operations or the financial position of the Company.

#### **Key Performance Indicators**

The performance of the Company from a cash perspective is assessed six monthly by the testing of the covenants of the senior debt provider. The key indicator being the debt service cover ratio. The Company has been performing well and has been compliant with the covenants laid out in the Group loan agreement.

#### **Directors**

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

M Donn	
J Gordon	
F Laing	
R Christie	(Appointed 8 May 2019)
R Burge	(Resigned 8 May 2019)

#### **Dividends**

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

# **Elgin Health (St George's) Limited**

## **Directors' Report** *(continued)*

### **Year Ended 31 March 2020**

#### **Financial instruments**

Due to the nature of the Company's business, the financial risks the directors consider relevant to this Company are credit, interest rate, cash flow and liquidity risk. The credit risk is not considered significant as the client is a quasi governmental organisation.

##### ***Interest rate risk***

The financial risk management objectives of the Company are to ensure that financial risks are mitigated by the use of financial instruments. The Company uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

##### ***Cash Flow and Liquidity risk***

Many of the Cash Flow risks are addressed by means of contractual provisions. The Company's liquidity risk is principally managed through financing the Company by means of long-term borrowings.

#### **Qualifying third party indemnity provisions**

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.

#### **Small company provisions**

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

#### **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.

The auditors, Johnston Carmichael LLP, are deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 26<sup>th</sup> March 2021 and signed by order of the board by:



Infrastructure Managers Limited  
Company Secretary

# **Elgin Health (St George's) Limited**

## **Directors' Responsibilities Statement**

### **Year Ended 31 March 2020**

The directors are responsible for preparing the 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.

# **Elgin Health (St George's) Limited**

## **Independent Auditor's Report to the Members of Elgin Health (St George's) Limited**

### **Opinion**

We have audited the financial statements of Elgin Health (St George's) Limited (the 'Company') for the year ended 31 March 2020 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 2020, 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

# **Elgin Health (St George's) Limited**

## **Independent Auditor's Report to the Members of Elgin Health (St George's) 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

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

In the light of 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 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; or
- the directors were not entitled to take advantage of the small companies' exemptions from the requirement to prepare a Strategic Report.



# **Elgin Health (St George's) Limited**

## **Independent Auditor's Report to the Members of Elgin Health (St George's) Limited** *(continued)*

### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

# Elgin Health (St George's) Limited

## Independent Auditor's Report to the Members of Elgin Health (St George's) Limited *(continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### 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

*26 March 2021*

7-11 Melville Street  
Edinburgh  
EH3 7PE

# Elgin Health (St George's) Limited

## Statement of Comprehensive Income

Year Ended 31 March 2020

		2020	2019 (restated)
	Note	£	£
<b>Turnover</b>	<b>4</b>	<b>4,495,381</b>	<b>4,405,389</b>
Cost of sales		(2,059,038)	(2,017,428)
<b>Gross profit</b>		<b>2,436,343</b>	<b>2,387,961</b>
Administrative expenses		(234,043)	(230,212)
<b>Operating profit</b>	<b>5</b>	<b>2,202,300</b>	<b>2,157,749</b>
Interest receivable and similar income	7	1,526,131	1,578,387
Interest payable and similar expenses	8	(1,925,953)	(1,938,863)
<b>Profit before taxation</b>		<b>1,802,478</b>	<b>1,797,273</b>
Tax on profit	9	(232,055)	(454,262)
<b>Profit for the financial year</b>		<b>1,570,423</b>	<b>1,343,011</b>
Fair value movements on cash flow hedging instruments, net of tax		44,980	185,740
<b>Total comprehensive income for the year</b>		<b>1,615,403</b>	<b>1,528,751</b>

All the activities of the Company are from continuing operations.

The notes on pages 12 to 24 form part of these Financial Statements.

# Elgin Health (St George's) Limited

## Statement of Financial Position

As at 31 March 2020

	Note	2020 £	2019 (restated) £
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	11,303,252	9,235,194
Debtors: amounts falling due after more than one year	11	21,533,615	22,551,876
Cash at bank and in hand		5,411,414	5,287,833
		<u>38,248,281</u>	<u>37,074,903</u>
<b>Creditors: amounts falling due within one year</b>	12	(5,835,463)	(4,896,164)
<b>Net current assets</b>		<u>32,412,818</u>	<u>32,178,739</u>
<b>Total assets less current liabilities</b>		<u>32,412,818</u>	<u>32,178,739</u>
<b>Creditors: amounts falling due after more than one year</b>	13	(31,956,345)	(33,224,877)
<b>Provisions for liabilities</b>			
Taxation including deferred taxation	14	(10,847)	(11,646)
<b>Net assets/(liabilities)</b>		<u>445,626</u>	<u>(1,057,784)</u>
<b>Capital and reserves</b>			
Called up share capital	17	324,000	324,000
Fair value reserve	18	(5,962,201)	(6,007,181)
Retained earnings	18	6,083,827	4,625,397
<b>Total shareholders' funds/(deficit)</b>		<u>445,626</u>	<u>(1,057,784)</u>

These financial statements have been prepared and delivered in accordance with the provisions applicable to the small companies regime.

The Financial Statements were approved by the board of directors and authorised for issue on 26<sup>th</sup> March 2021, and are signed on behalf of the board by:



R Christie  
Director

Company registration number: 04638901

The notes on pages 12 to 24 form part of these Financial Statements.

# Elgin Health (St George's) Limited

## Statement of Changes in Equity

Year Ended 31 March 2020

		Called up share capital £	Fair value reserve £	Retained earnings £	Total £
<b>At 1 April 2018 as restated</b>		324,000	(6,192,921)	3,475,562	(2,393,359)
Profit for the financial year				1,343,011	1,343,011
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax		—	185,740	—	185,740
<b>Total comprehensive income for the year</b>		—	185,740	1,343,011	1,528,751
Dividends paid and payable	10	—	—	(193,176)	(193,176)
<b>Total investments by and distributions to owners</b>		—	—	(193,176)	(193,176)
<b>At 31 March 2019 as restated</b>		324,000	(6,007,181)	4,625,397	(1,057,784)
Profit for the financial year				1,570,423	1,570,423
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax		—	44,980	—	44,980
<b>Total comprehensive income for the year</b>		—	44,980	1,570,423	1,615,403
Dividends paid and payable	10	—	—	(111,993)	(111,993)
<b>Total investments by and distributions to owners</b>		—	—	(111,993)	(111,993)
<b>At 31 March 2020</b>		<u>324,000</u>	<u>(5,962,201)</u>	<u>6,083,827</u>	<u>445,626</u>

The notes on pages 12 to 24 form part of these Financial Statements.

# **Elgin Health (St George's) Limited**

## **Notes to the Annual Report and Financial Statements**

**Year Ended 31 March 2020**

### **1. General information**

Elgin Health (St George's) Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The principal activities of the Company are the finance, operation and maintenance of St George's Hospital, Morpeth, through an agreement with Newcastle, North Tyneside and Northumberland Mental Health NHS Trust. The agreement was entered into under the Government's Private Finance Initiative (PFI) Scheme. The project is in year 14 of its term ending in 2033.

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 Elgin Health (St George's) 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 requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A have been applied, other than where additional disclosures is required to show a true and fair view.

### **3. Accounting policies**

#### **(a) Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention.

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**

At the time of approving the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion, the directors have considered the future financial impact to the Company of (COVID-19) taking into account any impact on future operations and based on their risk assessment, are satisfied that this will not directly impact the Company's ability to meet its liabilities as they fall due over the next 12 months.

# **Elgin Health (St George's) Limited**

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

### **Year Ended 31 March 2020**

#### **3. Accounting policies *(continued)***

##### **(c) Prior period restatement**

In calculating the service margin the forecast revenue figure since 1 April 2017 did not include a future 7.84% step down which had been included in the financial close model. As such this resulted in the incorrect margin being applied during each period. These financial statements have been restated to reflect a correction to each years applied service margin from 1 April 2017.

The effect of this prior period restatement is a decrease to the opening reserves at 1 April 2018 by £528,434 to which reduced retained earnings to £3,475,562. This was due to a decrease in the unitary charge control account (recognised as other debtors) of £528,434.

Subsequently the opening reserves at 1 April 2019 decreased further by £592,378 due to a decrease in revenue/unitary charge control account (recognised as other debtors) of £592,378 reducing profit after tax from £1,935,389 to £1,343,011.

The tax effect of these adjustments has been reflected through the current year tax charge as an adjustment to prior periods.

##### **(d) Disclosure exemptions**

The Company has taken advantage of the exemption in FRS 102 Section 7 'Statement of Cash Flows' part 1B, which states that a small company is not required to prepare a cash flow statement.

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 members of a group.

# Elgin Health (St George's) Limited

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

### Year Ended 31 March 2020

#### 3. Accounting policies *(continued)*

##### (e) Judgments 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) Hedge accounting and consideration of the fair value of derivative financial instruments

The Company uses derivative financial instruments to hedge certain economic exposures in relation to movements in interest rates as compared with the position that was expected at the date the underlying transaction being hedged was entered into. The Company fair values its derivative financial instruments and records the fair value of those instruments on its Statement of Financial Position. No market prices are available for these instruments and consequently the fair values are determined by calculating the present value of the estimated future cashflows based on observable yield curves. There is also a judgment on whether an economic hedge relationship exists in order to achieve hedge accounting. Appropriate documentation has been prepared detailing the economic relationship between the hedging instrument and the underlying loan being hedged.

##### ii) 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 those assets recorded in the Company's Statement of Financial Position, at amortised cost, 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



# Elgin Health (St George's) Limited

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

### Year Ended 31 March 2020

#### 3. Accounting policies *(continued)*

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.

##### (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.

# **Elgin Health (St George's) Limited**

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

### **Year Ended 31 March 2020**

#### **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.

##### **(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) Financial instruments**

The Company has elected to apply the provisions of Section 11 "Basic Financial Instruments" and Section 12 "Other Financial Instrument Issues" of FRS102, 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.

# **Elgin Health (St George's) Limited**

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

### **Year Ended 31 March 2020**

#### **3. Accounting policies *(continued)***

##### **Financial instruments *(continued)***

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.

##### **(I) Hedge accounting**

The Company has entered into an arrangement with third parties that is designed to hedge future cash flows arising on variable rate interest loan arrangements, with the net effect of exchanging the cash flows arising under those arrangements for a stream of fixed interest cash flows ("interest rate swaps"). The Company has designated that this arrangement is a hedge of another (non-derivative) financial instrument, to mitigate the impact of potential volatility on the Company's net cash flows.

To qualify for hedge accounting, documentation is prepared specifying the hedging strategy, the component transactions and methodology used for effectiveness measurement. Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows ("cash flow hedges") are recognised directly in a hedging reserve in equity and any ineffective portion is recognised immediately in the Statement of Comprehensive Income. Amounts deferred in equity in respect of cash flow hedges are subsequently recognised in the Statement of Comprehensive Income in the same period in which the hedged item affects net profit or loss or the hedging relationship is terminated and the underlying position being hedged has been extinguished.

# Elgin Health (St George's) Limited

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

### Year Ended 31 March 2020

#### 4. Turnover

Turnover arises from:

	2020	2019 <i>(restated)</i>
	£	£
Rendering of services	<u>4,495,381</u>	<u>4,405,389</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:

	2020	2019
	£	£
Fees payable for the audit of the annual report and financial statements	<u>8,500</u>	<u>8,200</u>

Included in the fee above is £3,100 (2019: £3,000) for taxation compliance services. Also included in the fee above is £1,000 (2019: £1,000) for the audit of the immediate parent entity Elgin Health (St George's) Holdings Limited.

#### 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 (2019: nil). The directors, who are also key management personnel, did not receive any remuneration from the Company during the year (2019: £nil). Fees paid to investors in respect of their directors are disclosed in note 19.

#### 7. Interest receivable and similar income

	2020	2019
	£	£
Interest on cash and cash equivalents	33,071	26,140
Interest receivable on finance debtor	<u>1,493,060</u>	<u>1,552,247</u>
	<u>1,526,131</u>	<u>1,578,387</u>

#### 8. Interest payable and similar expenses

	2020	2019
	£	£
Interest on bank loans and overdrafts	1,481,925	1,503,198
Interest due to Group undertakings	438,935	441,298
Other interest payable and similar expenses	5,093	(5,633)
	<u>1,925,953</u>	<u>1,938,863</u>

# Elgin Health (St George's) Limited

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

### Year Ended 31 March 2020

#### 9. Tax on profit

##### Major components of tax expense

	2020	2019
	£	£
<b>Current tax:</b>		
UK current tax expense	345,406	456,203
Adjustments in respect of prior periods	(112,552)	–
Total current tax	<u>232,854</u>	<u>456,203</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(799)	(1,941)
<b>Tax on profit</b>	<u>232,055</u>	<u>454,262</u>

##### Reconciliation of tax expense

The tax assessed on the profit for the year is lower than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020	2019
	£	£
Profit before taxation	<u>1,802,478</u>	<u>1,797,273</u>
Profit by rate of tax	342,471	454,034
Adjustment to tax charge in respect of prior periods	(112,552)	–
Impact of change in future tax rate	2,136	228
Total tax charge	<u>232,055</u>	<u>454,262</u>

##### Factors that may affect future tax expense

A change to the future UK corporation tax rate was announced in the March 2020 Budget. The rate will no longer drop to 17% with effect from 1 April 2020 but will remain at the previous rate of 19%. This change has been recognised in these financial statements.

#### 10. Dividends

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

	2020	2019
	£	£
Interim dividend of £0.35 (2019: £0.60) per ordinary share	<u>111,993</u>	<u>193,176</u>

# Elgin Health (St George's) Limited

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

### Year Ended 31 March 2020

#### 11. Debtors

Debtors amounts falling due within one year are as follows:

	2020	2019 (restated)
	£	£
Deferred tax asset	1,398,541	1,230,387
Prepayments and accrued income	8,656,508	7,024,961
Corporation tax repayable	228,912	—
Finance debtor	1,019,291	957,165
Other debtors	—	22,681
	<u>11,303,252</u>	<u>9,235,194</u>

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

	2020	2019
	£	£
Finance debtor	<u>21,533,615</u>	<u>22,551,876</u>

#### Finance Debtor

The movement in the finance debtor is analysed as follows:

	2020	2019
	£	£
At beginning of year	23,509,041	24,405,897
Amortisation	(956,135)	(896,856)
At end of year	<u>22,552,906</u>	<u>23,509,041</u>

The finance debtor represents payments due from Northumberland, Tyne and Wear NHS Foundation Trust in respect of the Project Agreement. These payments are received over the remaining life of the agreement.

#### 12. Creditors: amounts falling due within one year

	2020	2019
	£	£
Bank loans and overdrafts	1,388,838	913,740
Trade creditors	73,299	130,618
Amounts owed to Group undertakings	91,343	91,143
Accruals and deferred income	4,095,628	3,305,565
Corporation tax	—	227,437
Taxation and social security	186,355	227,661
	<u>5,835,463</u>	<u>4,896,164</u>

Amounts due to group undertakings consists of interest of £91,343 (2019: £91,143) due on subordinated debt loans.

Included within accruals and deferred income are amounts recognised in respect of future payments due on lifecycle underspend of £3,601,339 (2019: £2,777,845), the timings of which are uncertain.

# Elgin Health (St George's) Limited

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

### Year Ended 31 March 2020

#### 13. Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Bank loans and overdrafts	21,671,028	23,062,733
Amounts owed to Group undertakings	2,924,576	2,924,576
Derivative financial liability	7,360,741	7,237,568
	<u>31,956,345</u>	<u>33,224,877</u>

The senior debt due to Bank of Scotland plc is secured by a bond and floating charge over all the assets, rights and undertakings of the Company and by a guarantee supported by a bond and floating charge over the assets and undertakings of its parent company. The loan bears interest of 5.534% per annum under a swap agreement entered into by the Company. The swap rate is fixed for the duration of the loan. The term loan is repayable under an instalment scheme whereby small repayments are made in the first few years of the loan. The final repayment is due October 2031. Senior debt is stated net of finance costs of £265,577 (2019: £270,670). Included within creditors: amounts falling due after more than one year is an amount of £16,653,688 (2019: £18,212,838) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

Subordinated debt provided by Elgin Health (St George's) Holdings Limited bears interest at 15% per annum and is repayable in 2033. Included within creditors: amounts falling due after more than one year is an amount of £2,924,576 (2019: £2,924,576) in respect of subordinated debt liabilities which fall due for payment after more than five years from the reporting date.

#### 14. Provisions for liabilities

	Deferred tax (note 15)
	£
At 1 April 2019 (as restated)	11,646
Credited to Statement of Comprehensive Income in year	(799)
At 31 March 2020	<u>10,847</u>

# Elgin Health (St George's) Limited

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

### Year Ended 31 March 2020

#### 15. Deferred tax

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

	2020	2019
	£	£
Included in debtors (note 11)	1,398,541	1,230,387
Included in provisions for liabilities (note 14)	(10,847)	(11,646)
	<u>1,387,694</u>	<u>1,218,741</u>

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

	2020	2019
	£	£
Short term timing differences	10,847	11,646
Derivative financial instruments	(1,398,541)	(1,230,387)
	<u>(1,387,694)</u>	<u>(1,218,741)</u>

The net deferred tax liability expected to reverse in 2021 is £2,169. This primarily relates to the reversal of deferred tax recognised on FRS 102 adjustments.

	£
Opening balance as at 1 April 2019	(1,218,741)
Movement through the Statement of Comprehensive Income	(799)
Movement through Other Comprehensive Income	(168,154)
<b>Closing balance as at 31 March 2020</b>	<b><u>(1,387,694)</u></b>



# Elgin Health (St George's) Limited

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

### Year Ended 31 March 2020

#### 16. Financial instruments

##### Hedge accounting

Derivatives are financial instruments that derive their value from the price of an underlying item, such as interest rates or other indices. The Company's use of derivative financial instruments is described below.

##### Interest rate swaps

The Company has entered into interest rate swaps with third parties for the same notional amount as the Company's variable rate borrowings with banks which has the commercial effect of swapping the variable rate interest coupon on those loans for a fixed rate coupon. The bank loans and related interest rate swaps amortise at the same rate over the life of the loan/swap arrangements. The interest rate swaps were entered into with a base rate of 5.53% in October 2006 and expire in July 2031.

The directors believe that the hedging relationship between the interest rate swaps and related variable rate bank loans is highly effective and as a consequence have concluded that these derivatives meet the definition of a cash flow hedge and have formally designated them as such.

The Company's derivative financial instruments are carried at fair value. The net carrying value of the derivative financial instruments at 31 March 2018 amounted to net liabilities of £7,360,741 (2019: £7,237,568). All of the movements during the year in the fair value, net of deferred tax, of these derivative financial instruments have been recorded in the cash flow hedge reserve amounting to a credit of £44,980 (2019: £185,740).

#### 17. Called up share capital

##### Issued, called up and fully paid

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>324,000</u>	<u>324,000</u>	<u>324,000</u>	<u>324,000</u>

#### 18. Reserves

Fair value reserve - this reserve records fair value movements on cash flow hedging instruments.

Retained earnings - this reserve records retained earnings and accumulated losses.

# **Elgin Health (St George's) Limited**

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

### **Year Ended 31 March 2020**

#### **19. Related party transactions**

The Company is wholly owned by Elgin Health (St George's) Holdings 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:

Elgin Health (St George's) Holdings Limited is owned 70% by Elgin Infrastructure Limited. The Company paid £14,156 (2019: £13,813) to Elgin Infrastructure Limited for the provision of director services.

Elgin Health (St George's) Holdings Limited is owned 30% by Aberdeen Infrastructure (No.3) Limited. The Company paid £14,156 (2019: £13,813) to Aberdeen Infrastructure (No.3) Limited for the provision of director services. Of this amount £3,539 (2019: £nil) was outstanding at the year end.

#### **20. Controlling party**

The immediate parent undertaking is Elgin Health (St George's) Holdings Limited, a limited Company incorporated in England.

The accounts of Elgin Health (St George's) Holdings Limited can be obtained from Cannon Place, 78 Cannon Street, London, EC4N 6AF.

Elgin Health (St George's) Holdings Limited is owned 70% by Elgin Infrastructure Limited, which is jointly owned between Cobalt Project Investments Limited and Ednaston Project Investments Limited, and 30% by Aberdeen Infrastructure (No.3) Limited. There is no ultimate controlling