Company Registration No. 04638901 (England and Wales)

ELGIN HEALTH (ST GEORGE'S) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

ELGIN HEALTH (ST GEORGE'S) LIMITED

COMPANY INFORMATION

Directors	M Donn J Gordon P Johnstone F Laing
Secretary	Resolis Limited
Company number	04638901
Registered office	Watling House 33 Cannon Street London EC4M 5SB
Auditor	Johnston Carmichael LLP 7 - 11 Melville Street Edinburgh EH3 7PE

ELGIN HEALTH (ST GEORGE'S) LIMITED

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ELGIN HEALTH (ST GEORGE'S) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

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 2022.

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 16 of its term ending in 2033.

Results and dividends
Performance Review
The profit for the financial year, after taxation, amounted to £546,091 (2021: £965,245).

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.

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.

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. At the year end this ratio was 1.48 (2021: 1.38).

Going Concern
The directors have prepared a detailed model forecast to project completion incorporating the relevant terms of the PFI contract, subcontracts and Credit Agreement and reasonably prudent economic assumptions. This forecast and associated business model, which is updated regularly, predicts that the Company will be profitable and will have sufficient cash resources to operate within the terms of the PFI contract, Subcontract and Credit agreement. Therefore, the directors, having considered the financial position of the Company and its expected future cash flows for a period of at least 12 months from the date of signing, have prepared the financial statements on a going concern basis. The directors confirm that they do not intend to liquidate the Company or cease trading as we consider we have realistic alternatives to doing so.

Particulars of dividends paid are detailed in note 6 to the financial statements.

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

M Donn	
J Gordon	
P Johnstone	(Appointed 1 November 2022)
F Laing	
G Steven	(Appointed 1 July 2021 and Resigned 28 September 2022)
R Christie	(Resigned 1 July 2021)

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.

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.

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

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

Small companies exemption
This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

M Donn
Director

17 April 2023

ELGIN HEALTH (ST GEORGE'S) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 2022 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2022 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.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 our 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 the 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 where 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 3, 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.

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

Extent the audit was 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 assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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:

- Companies Act 2006
- Corporation Tax legislation; and
- UK Generally Accepted Accounting Practice

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. We identified a heightened fraud risk in relation to:

- Management override of controls
- Revenue recognition

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial
statements were free of material fraud or error:

- 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; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the Company's procurement of legal and professional services; and
- 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.
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006; and
- Agreement of the financial statement disclosures to supporting documentation.

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 misstatement 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.

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

Allison Dalton (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

18 April 2023

Chartered Accountants
Statutory Auditor

7 - 11 Melville Street
Edinburgh
EH3 7PE

ELGIN HEALTH (ST GEORGE'S) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Turnover		2,341,853	3,345,581
Cost of sales		(934,356)	(1,429,820)
Gross profit		1,407,497	1,915,761
Administrative expenses		(304,227)	(278,426)
Operating profit		1,103,270	1,637,335
Interest receivable and similar income		1,365,257	1,431,230
Interest payable and similar expenses		(1,791,803)	(1,876,905)
Profit before taxation		676,724	1,191,660
Tax on profit	5	(130,633)	(226,415)
Profit for the financial year		546,091	965,245
Other comprehensive income			
Cash flow hedges gain arising in the year		2,147,610	1,132,628
Tax relating to other comprehensive income		(178,590)	-
Total comprehensive income for the year		2,515,111	2,097,873

ELGIN HEALTH (ST GEORGE'S) LIMITED

BALANCE SHEET

AS AT 31 MARCH 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Current assets					
Debtors falling due after more than one year	7	20,242,867		21,599,856	
Debtors falling due within one year	7	10,033,297		10,509,298	
Cash at bank and in hand		5,429,715		5,647,844	
		35,705,879		37,756,998	
Creditors: amounts falling due within one year	9	(5,697,623)		(6,471,808)	
Net current assets			30,008,256		31,285,190
Creditors: amounts falling due after more than one year	10		(26,213,683)		(29,259,910)
Provisions for liabilities	11		(8,563)		(8,677)
Net assets			3,786,010		2,016,603
Capital and reserves					
Called up share capital	13		324,000		324,000
Hedging reserve	14		(2,860,553)		(4,829,573)
Profit and loss reserves			6,322,563		6,522,176
Total equity			3,786,010		2,016,603

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

The financial statements were approved by the board of directors and authorised for issue on 17 April 2023 and are signed on its behalf by:

M Donn
Director

Company Registration No. 04638901

ELGIN HEALTH (ST GEORGE'S) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Share capital £	Hedging reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2020		324,000	(5,962,201)	6,083,827	445,626
Year ended 31 March 2021:					
Profit for the year		-	-	965,245	965,245
Other comprehensive income:					
Cash flow hedges gains		-	1,132,628	-	1,132,628
Total comprehensive income for the year		-	1,132,628	965,245	2,097,873
Dividends	6	-	-	(526,896)	(526,896)
Balance at 31 March 2021		324,000	(4,829,573)	6,522,176	2,016,603
Year ended 31 March 2022:					
Profit for the year		-	-	546,091	546,091
Other comprehensive income:					
Cash flow hedges gains		-	2,147,610	-	2,147,610
Tax relating to other comprehensive income		-	(178,590)	-	(178,590)
Total comprehensive income for the year		-	1,969,020	546,091	2,515,111
Dividends	6	-	-	(745,704)	(745,704)
Balance at 31 March 2022		324,000	(2,860,553)	6,322,563	3,786,010

1 Accounting policies

Company information

Elgin Health (St George's) Limited is a private company limited by shares incorporated in England and Wales. The registered office is C/O Dalmore Capital Limited, Watling House, 5th Floor, 33 Cannon Street, London, EC4M 5SB.

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 16 of its term ending in 2033.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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

The financial statements have been prepared on the going concern basis under the historical cost convention and include certain financial instruments at fair value. The principal accounting policies, which have been consistently applied to the years presented unless otherwise states, are set out below.

1.2 Going concern

The directors have prepared a detailed model forecast to project completion incorporating the relevant terms of the PFI contract, subcontracts and Credit Agreement and reasonably prudent economic assumptions. This forecast and associated business model, which is updated regularly, predicts that the Company will be profitable and will have sufficient cash resources to operate within the terms of the PFI contract, Subcontract and Credit agreement. Therefore, the directors, having considered the financial position of the Company and its expected future cash flows for a period of at least 12 months from the date of signing, have prepared the financial statements on a going concern basis. The directors confirm that they do not intend to liquidate the Company or cease trading as we consider we have realistic alternatives to doing so.

1.3 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.

1.4 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.

1 Accounting policies **(Continued)**

1.5 Cash and cash equivalents

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

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 £4,336,000 (2021: £4,521,000) as at the balance sheet date.

1.6 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 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

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

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

1.7 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1 Accounting policies **(Continued)**

1.8 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.

The company has elected to early adopt the FRS 102 Interest Rate Benchmark reform Amendment. The amendments enable the Company to take advantage of the temporary amendments to specific hedge accounting requirements in FRS 102 paragraphs 12.25C to 12.25F to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The company is exposed to LIBOR within its hedge accounting relationships, which is subject to interest rate benchmark reform.

The company's borrowings are linked to LIBOR and the company has entered into an interest rate swap to restrict its exposure to future interest rate fluctuations. Since the UK Financial regulator (the FCA) have legislated that GBP LIBOR will cease to be published, the Company underwent a review alongside relevant lenders to establish an alternative to LIBOR. Effective from 15th January 2023, the Company has implemented SONIA as the alternative.

1.9 Taxation

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

Current tax

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

Deferred tax

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

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

1 Accounting policies **(Continued)**

1.10 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.

1.11 Lifecycle

The company is responsible for the lifecycle costs associated with its principal activity, however risk here is mitigated by passing on lifecycle risk to a third party facilities management company. Lifecycle costs are accounted for on an accrual basis as disclosed in the indicative lifecycle works program or lifecycle tracker as used by all parties through the operating phase of the concession period, with any underspend included within accruals and creditors due less than one year.

2 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.

Critical judgements

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:

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 balance sheet. 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.

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.

2 Judgements and key sources of estimation uncertainty (Continued)

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:

Impairment of assets

The carrying value of those assets recorded in the company's Balance Sheet, 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 Balance Sheet. 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.

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.

3 Auditor's remuneration

	2022	2021
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	5,245	5,065
Audit of the financial statements of the company's immediate parent	1,000	1,000
	6,245	6,065

4 Employees

The average number of persons employed by the company during the financial year, including the directors, amounted to nil (2021: nil). The directors, who are also key management personnel, did not receive any remuneration from the company during the year (2021: £nil).

5 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	130,747	228,585
Deferred tax		
Origination and reversal of timing differences	(114)	(2,170)
Total tax charge	130,633	226,415

5 Taxation (Continued)

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

	2022	2021
	£	£
Profit before taxation	676,724	1,191,660
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	128,578	226,415
Tax effect of expenses that are not deductible in determining taxable profit	2,055	-
Taxation charge for the year	130,633	226,415

The main rate of corporation tax will be 25% from 1 April 2023, substantively enacted on 24 May 2021. This will impact the rate of corporation tax that the company pays in future periods.

6 Dividends

	2022	2021
	£	£
Dividend paid on ordinary shares	745,704	526,896

7 Debtors

	2022	2021
Amounts falling due within one year:	£	£
Trade debtors	18,748	4,124
Corporation tax recoverable	-	263,437
Finance asset receivable	1,158,400	1,066,622
Other debtors	8,856,149	9,175,115
	10,033,297	10,509,298

	2022	2021
Amounts falling due after more than one year:	£	£
Finance asset receivable	19,288,593	20,466,993
Deferred tax asset	954,274	1,132,863
	20,242,867	21,599,856
Total debtors	30,276,164	32,109,154

7 Debtors **(Continued)**

Included within Prepayments and accrued income is £8,518,227 (2021: £8,712,849) relating to the unitary charge control account, of which £5,108,622 is forecast to be received within the next 12 months via Unitary Charge receipts with amounts received being offset by service concession accounting adjustments.

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.

8 Financial instruments

	2022	2021
	£	£
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Derivative financial instruments	3,814,827	5,962,436

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 2022 are set out above. 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 £1,969,020 (2021: £1,132,628).

9 Creditors: amounts falling due within one year

	2022	2021
	£	£
Bank loans	926,539	1,334,561
Loans from group undertakings	90,141	90,141
Trade creditors	311,141	180,316
Corporation tax	7,325	-
Other taxation and social security	185,819	230,870
Accruals and deferred income	4,176,658	4,635,920
	5,697,623	6,471,808

Amounts due to group undertakings consists of interest of £90,141 (2021: £90,141) due on subordinated debt loans.

Included within accruals and deferred income are amounts recognised in respect of future payments due on lifecycle underspend of £3,718,791 (2021: £4,155,574), the timings of which are uncertain.

10 Creditors: amounts falling due after more than one year

	2022	2021
	£	£
Bank loans and overdrafts	19,474,280	20,372,898
Amounts owed to group undertakings	2,924,576	2,924,576
Other creditors	3,814,827	5,962,436
	26,213,683	29,259,910

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 £247,831 (2021: £251,372). Included within creditors: amounts falling due after more than one year is an amount of £12,670,531 (2021: £14,798,621) 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 (2021: £2,924,576) in respect of subordinated debt liabilities which fall due for payment after more than five years from the reporting date.

11 Provisions for liabilities

		2022	2021
		£	£
Deferred tax liabilities	12	8,563	8,677

12 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2022	Liabilities 2021	Assets 2022	Assets 2021
Balances:	£	£	£	£
Short term timing differences	8,563	8,677	-	-
Derivative financial instruments	-	-	954,274	1,132,863
	8,563	8,677	954,274	1,132,863

12 Deferred taxation (Continued)

Movements in the year:	2022 £
Asset at 1 April 2021	(1,124,186)
Credit to profit or loss	(114)
Charge to other comprehensive income	178,590
Asset at 31 March 2022	(945,710)

13 Called up share capital

Ordinary share capital	**2022 Number**	**2021 Number**	**2022 £**	**2021 £**
Issued and fully paid				
Ordinary Shares of £1 each	324,000	324,000	324,000	324,000

14 Reserves

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

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

15 Events after the reporting date

Post year end, an amendment has been made to the interest rate swap agreement and senior loan agreement in order to transfer from LIBOR to SONIA. No other significant changes were made to the agreements as a result of this amendment.

16 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 £14,702 (2021: £10,877) 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 £14,701 (2021: £18,129) to Aberdeen Infrastructure (No.3) Limited for the provision of director services. Of this amount £3,676 (2021: £3,539) was outstanding at the year end.

17 Parent company

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 C/O Dalmore Capital Limited, Watling House, 5th Floor, 33 Cannon Street, London, EC4M 5SB. 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.