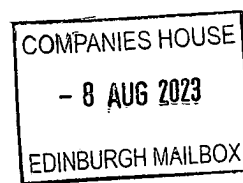


Company registration number SC243124 (Scotland)



ELGIN HEALTH (EASTER ROSS) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023



ELGIN HEALTH (EASTER ROSS) LIMITED

COMPANY INFORMATION

Directors	MA Donn JS Gordon FD Laing J McDonagh	(Appointed 30 June 2023)
Secretary	Resolis Limited	
Company number	SC243124	
Registered office	Exchange Tower 11th Floor 19 Canning Street Edinburgh Scotland EH3 8EG	
Auditor	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE	

ELGIN HEALTH (EASTER ROSS) LIMITED

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ELGIN HEALTH (EASTER ROSS) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their report and the audited Annual Report and financial statements of Elgin Health (Easter Ross) Limited ("the company") for the year ended 31 March 2023.

Principal activities

The principal activities of the company are the finance, operation and maintenance of Easter Ross Primary Care Resource Centre at Invergordon, through an agreement with Highland Primary Care NHS Trust. The agreement was entered into under the Governments Private Finance Initiative Scheme.

Results and dividends

The profit for the financial year, after taxation, amounted to £382,965 (2022: £24,279).

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 company paid dividends of £134,017 (2022: £79,727). The director's do not recommend a payment of a final dividend.

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 1.51 (2022: 1.27).

Going concern

The company prepares cash flow forecasts covering the expected life of the asset and so including the 12 month period from the date the financial statements are signed. In drawing up these forecasts, the directors have made assumptions based upon their view of the current and future economic conditions, that will prevail over the forecast period. Based on these forecasts the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and meet its debt covenants as they fall due. The company's operating cash flows are largely dependent on the unitary charge receipts and the directors expect these amounts will be received even in severe, but plausible downside scenarios.

In light of this, the directors continue to adopt the going concern basis of accounting in preparing the company's annual 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:

MA Donn
JS Gordon
FD Laing
GM Steven
PK Johnstone
J McDonagh

(Resigned 28 September 2022)
(Appointed 1 November 2022 and resigned 30 June 2023)
(Appointed 30 June 2023)

Directors' insurance

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.

ELGIN HEALTH (EASTER ROSS) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

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



.....
J McDonagh
Director

Date: 31-07-23
.....

ELGIN HEALTH (EASTER ROSS) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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.
- 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.

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 (EASTER ROSS) LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ELGIN HEALTH (EASTER ROSS) LIMITED

Opinion

We have audited the financial statements of Elgin Health (Easter Ross) Limited (the 'company') for the year ended 31 March 2023 which comprise the statement of comprehensive income, the balance sheet, the 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 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 2023 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 *Auditors' 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 auditors' 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.

ELGIN HEALTH (EASTER ROSS) LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF ELGIN HEALTH (EASTER ROSS) LIMITED

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 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 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 from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Extent the audit is considered capable of detecting irregularities, including fraud

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

We 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;
- UK Tax legislation;
- UK VAT legislation; and
- UK Generally Accepted Accounting Practice.

ELGIN HEALTH (EASTER ROSS) LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF ELGIN HEALTH (EASTER ROSS) LIMITED

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

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

- Recalculating the unitary charge received by taking the base charge per the project agreement and uplifting for RPI;
- Agreeing a sample of months' income receipts to invoice and bank statements;
- Performing an assessment on the service margins used in the year and agreeing margins used to the active financial models;
- Reconciling the finance income and amortisation to the finance debtor reconciliation to ensure allocation methodology is in line with contractual terms and relevant accounting standards;
- Reviewing minutes of meetings of those charged with governance for any breaches of laws and regulations or for any indication of any potential litigation and claims, and events and conditions that could indicate an incentive or pressure to commit fraud or provide opportunity to commit fraud;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- 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.

ELGIN HEALTH (EASTER ROSS) LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF ELGIN HEALTH (EASTER ROSS) LIMITED

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 auditors' 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

31 July 2023
Date:

Chartered Accountants
Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

ELGIN HEALTH (EASTER ROSS) LIMITED**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 MARCH 2023**

	Notes	2023 £	2022 £
Turnover	3	1,318,278	871,839
Cost of sales		(617,833)	(453,158)
Gross profit		700,445	418,681
Administrative expenses		(206,356)	(159,881)
Operating profit		494,089	258,800
Interest receivable and similar income	6	341,914	346,029
Interest payable and similar expenses	7	(332,602)	(364,102)
Profit before taxation		503,401	240,727
Tax on profit	8	(120,436)	(216,448)
Profit for the financial year		382,965	24,279
Other comprehensive income			
Cash flow hedges gain arising in the year		201,098	316,754
Total comprehensive income for the year		584,063	341,033

The profit and loss account has been prepared on the basis that all operations are continuing operations.

ELGIN HEALTH (EASTER ROSS) LIMITED**BALANCE SHEET****AS AT 31 MARCH 2023**

	Notes	2023 £	£	2022 £	£
Current assets					
Debtors falling due after more than one year	10	3,581,500		4,121,342	
Debtors falling due within one year	10	2,134,954		2,064,890	
Cash at bank and in hand		2,125,544		1,799,310	
		<u>7,841,998</u>		<u>7,985,542</u>	
Creditors: amounts falling due within one year	11	<u>(2,200,761)</u>		<u>(1,891,127)</u>	
Net current assets			5,641,237		6,094,415
Creditors: amounts falling due after more than one year	12		(3,426,759)		(4,275,398)
Provisions for liabilities	13		(514,633)		(569,218)
Net assets			<u>1,699,845</u>		<u>1,249,799</u>
Capital and reserves					
Called up share capital	15		1,000		1,000
Share premium account			99,000		99,000
Hedging reserve			(68,300)		(269,398)
Profit and loss reserves			<u>1,668,145</u>		<u>1,419,197</u>
Total equity			<u>1,699,845</u>		<u>1,249,799</u>

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 31-07-23 and are signed on its behalf by:

John McDonagh

J McDonagh
Director

Company Registration No. SC243124

ELGIN HEALTH (EASTER ROSS) LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023**

	Notes	Share capital £	Share premium account £	Hedging reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2021		1,000	99,000	(586,152)	1,474,645	988,493
Year ended 31 March 2022:						
Profit for the year		-	-	-	24,279	24,279
Other comprehensive income:						
Cash flow hedges gains		-	-	316,754	-	316,754
Total comprehensive income for the year		-	-	316,754	24,279	341,033
Dividends		-	-	-	(79,727)	(79,727)
Balance at 31 March 2022		1,000	99,000	(269,398)	1,419,197	1,249,799
Year ended 31 March 2023:						
Profit for the year		-	-	-	382,965	382,965
Other comprehensive income:						
Cash flow hedges gains		-	-	201,098	-	201,098
Total comprehensive income for the year		-	-	201,098	382,965	584,063
Dividends		-	-	-	(134,017)	(134,017)
Balance at 31 March 2023		1,000	99,000	(68,300)	1,668,145	1,699,845

ELGIN HEALTH (EASTER ROSS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Company information

Elgin Health (Easter Ross) Limited is a private company limited by shares incorporated in Scotland. The registered office is Exchange Tower, 11th Floor, 19 Canning Street, Edinburgh, Scotland, EH3 8EG.

The principal activities of the Company are the finance, operation and maintenance of Easter Ross Primary Care Resource Centre at Invergordon, through an agreement with Highland Primary Care NHS Trust. The agreement was entered into under the Governments Private Finance Initiative Scheme.

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 a going concern basis, under the historical cost convention. The principal accounting policies adopted 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 remain 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 at least 12 months from the date of signing the financial statements, and 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 they consider they have realistic alternatives to doing so. 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. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 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.

1.4 Revenue recognition

Turnover represents the services' share of the management services income received by the Company for the provision of a PFI 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.

ELGIN HEALTH (EASTER ROSS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

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 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 30 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 £1,808,431 (2022: £1,680,000) 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 and loans from fellow group companies 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.

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.

ELGIN HEALTH (EASTER ROSS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

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.

1.8 Hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

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 at a base rate of 5.4% in September 2007 and expire in January 2028.

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 2023 amounted to net liabilities of £91,066 (2022: £359,198). 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 £201,098 (2022: £316,754).

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.

ELGIN HEALTH (EASTER ROSS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

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.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

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 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.

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.

ELGIN HEALTH (EASTER ROSS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2023****2 Judgements and key sources of estimation uncertainty****(Continued)****Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

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 compare that with the carrying value of the asset or assets in the Statement of Financial Position. Any reduction in value arising from such a review would be recorded in the Statement of Comprehensive Income. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

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 Turnover and other revenue

	2023	2022
	£	£
Turnover analysed by class of business		
Rendering of services	1,318,278	871,839

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

4 Auditors' remuneration

	2023	2022
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	6,570	5,470
Audit of the financial statements of the company's parent	1,200	1,080
	<u>7,770</u>	<u>6,550</u>
For other services		
Taxation compliance services	<u>3,800</u>	<u>3,450</u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was: nil (2022: nil).

ELGIN HEALTH (EASTER ROSS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2023**

6	Interest receivable and similar income	2023	2022
		£	£
	Interest income		
	Interest on bank deposits	27,458	1,033
	Interest receivable on finance debtor	314,456	344,996
		<u> </u>	<u> </u>
	Total income	341,914	346,029
		<u> </u>	<u> </u>
7	Interest payable and similar expenses	2023	2022
		£	£
	Interest on financial liabilities measured at amortised cost:		
	Interest on bank loans	110,382	45,767
	Interest payable to group undertakings	113,646	113,000
		<u> </u>	<u> </u>
		224,028	158,767
	Other finance costs:		
	Interest payable on interest rate swaps	103,059	199,044
	Other interest	5,515	6,291
		<u> </u>	<u> </u>
		332,602	364,102
		<u> </u>	<u> </u>
8	Taxation	2023	2022
		£	£
	Current tax		
	UK corporation tax on profits for the current period	174,148	117,240
	Adjustments in respect of prior periods	873	-
		<u> </u>	<u> </u>
	Total current tax	175,021	117,240
		<u> </u>	<u> </u>
	Deferred tax		
	Origination and reversal of timing differences	(54,585)	99,208
		<u> </u>	<u> </u>
	Total tax charge	120,436	216,448
		<u> </u>	<u> </u>

ELGIN HEALTH (EASTER ROSS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2023****8 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:

	2023 £	2022 £
Profit before taxation	503,401	240,727
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	95,646	45,738
Tax effect of expenses that are not deductible in determining taxable profit	83,566	76,975
Other timing differences	(46,549)	(42,877)
Adjustments to brought forward values	873	-
Remeasurement of deferred tax for change in tax rates	(13,100)	136,612
Taxation charge for the year	120,436	216,448

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.

9 Financial instruments

	2023 £	2022 £
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Derivative financial instruments	91,066	359,198

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 at a base rate of 5.4% in September 2007 and expire in January 2028.

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 2023 amounted to net liabilities of £91,066 (2022: £359,198). 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 £201,098 (2022: £316,754).

ELGIN HEALTH (EASTER ROSS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2023****10 Debtors**

	2023	2022
	£	£
Amounts falling due within one year:		
Trade debtors	-	170,316
Finance Debtor - due within 1 year	472,776	439,791
Prepayments and accrued income	46,038	12,670
Unitary charge control account	1,616,140	1,442,113
	<u>2,134,954</u>	<u>2,064,890</u>

	2023	2022
	£	£
Amounts falling due after more than one year:		
Finance Debtor - due after more than 1 year	3,558,734	4,031,542
Deferred tax asset (note 14)	22,766	89,800
	<u>3,581,500</u>	<u>4,121,342</u>

Total debtors	<u>5,716,454</u>	<u>6,186,232</u>
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As noted above £1,616,140 (2022: £1,442,113) relates to the unitary charge control account of which £1,616,140 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 Highland Primary Care NHS Trust in respect of the Project Agreement. These payments are received over the remaining life of the agreement.

	2023	2022
	£	£
At beginning of year	4,471,333	4,876,465
Amortisation	(439,823)	(405,132)
At end of year	<u>4,031,510</u>	<u>4,471,333</u>

ELGIN HEALTH (EASTER ROSS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2023****11 Creditors: amounts falling due within one year**

	2023 £	2022 £
Bank loans	543,751	456,847
Trade creditors	38,622	44,093
Amounts owed to group undertakings	-	28,415
Corporation tax	173,996	(3,828)
Other taxation and social security	49,713	64,373
Accruals and deferred income	1,394,679	1,301,227
	<u>2,200,761</u>	<u>1,891,127</u>

Included within accruals and deferred income are amounts recognised in respect of future payments due on lifecycle underspend £1,242,764 (2022: £1,170,275), the timings of which are uncertain.

12 Creditors: amounts falling due after more than one year

	Notes	2023 £	2022 £
Subordinated debt		806,103	806,103
Bank loans and overdrafts		2,529,590	3,110,097
Derivative financial instruments	9	91,066	359,198
		<u>3,426,759</u>	<u>4,275,398</u>

The bank loan is secured by a bond and floating charge over all the assets, rights and undertakings of the Company. The 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 January 2028. Senior debt is stated net of issue costs of £36,757 (2022: £42,272). Included within creditors: amounts falling due after more than one year is an amount of £nil (2022: £1,368,802) in respect of bank loan 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 (Easter Ross) Holdings Limited bears interest at 14.1% per annum and is repayable in 2029. The investment was advanced under a subordinated loan agreement and is therefore unsecured, and would rank alongside ordinary creditors in the event of a winding up. Included within creditors: amounts falling due after more than one year is an amount of £806,103 (2022: £806,103) in respect of subordinate debt liabilities payable or repayable otherwise than by instalments which fall due for payment after more than five years from the reporting date.

13 Provisions for liabilities

		2023 £	2022 £
Deferred tax liabilities	14	<u>514,633</u>	<u>569,218</u>

ELGIN HEALTH (EASTER ROSS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2023****14 Deferred taxation**

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

	Liabilities 2023 £	Liabilities 2022 £	Assets 2023 £	Assets 2022 £
Balances:				
Accelerated capital allowances	514,633	570,154	-	-
Short term timing differences	-	(936)	-	-
Derivative financial instruments	-	-	22,766	89,800
	<u>514,633</u>	<u>569,218</u>	<u>22,766</u>	<u>89,800</u>
Movements in the year:				2023 £
Liability at 1 April 2022				479,418
Credit to profit or loss				(54,585)
Charge to other comprehensive income				67,034
Liability at 31 March 2023				<u>491,867</u>

The deferred tax asset and deferred tax liability are not expected to unwind in less than twelve months following the balance sheet date.

15 Called up share capital

	2023 Number	2022 Number	2023 £	2022 £
Ordinary share capital Issued and fully paid				
Ordinary shares of 1p each	<u>100,000</u>	<u>100,000</u>	<u>1,000</u>	<u>1,000</u>

16 Reserves

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

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

ELGIN HEALTH (EASTER ROSS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

17 Related party transactions

The company is wholly owned by Elgin Health (Easter Ross) 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 (Easter Ross) Holdings Limited is owned 50% by Elgin Infrastructure Limited. The company paid £10,818 (2022: £10,000) and owed £nil (2022: £nil) to Elgin Infrastructure Limited for the provision of management services.

Elgin Health (Easter Ross) Holdings Limited is owned 50% by Aberdeen Infrastructure (No.3) Limited. The company paid £10,818 (2022: £10,034) and owed £2,704 (2022: £2,500) to Aberdeen Infrastructure Limited (No.3) for the provision of management services.

18 Parent company

The immediate parent undertaking is Elgin Health (Easter Ross) Holdings Limited, a Company incorporated in Scotland. The accounts of Elgin Health (Easter Ross) Holdings Limited can be obtained from Exchange Tower, 11th Floor, 19 Canning Street, Edinburgh, Scotland, EH3 8EG.

Elgin Health (Easter Ross) Holdings Limited is owned 50% by Elgin Infrastructure Limited, which is jointly owned between Cobalt Project Investments Limited and Ednaston Investments Limited and 50% by Aberdeen Infrastructure (No.3) Limited. There is no ultimate controlling party.