

COMPANY REGISTRATION NUMBER: SC312130

**Elgin Health (Clackmannanshire) Limited (formerly
Robertson Health (Clackmannanshire) Limited)**

Annual Report and Financial Statements

31 March 2016



Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Annual Report and Financial Statements

Year Ended 31 March 2016

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Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Officers and Professional Advisers

The Board of Directors

R Burge
J Gordon

Company Secretary

Infrastructure Managers Limited

Registered Office

11 Thistle Street
Edinburgh
EH2 1DF

Auditor

KPMG LLP
Chartered Accountants & Statutory Auditors
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Bankers

Cooperative Bank
Structure & Asset Finance
1 Balloon Street
Manchester
M60 4EP

Solicitors

Maclay Murray & Spens LLP
1 George Square
Glasgow
G2 1AL

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Directors' Report

Year Ended 31 March 2016

The directors present their report and the financial statements of the company for the year ended 31 March 2016.

Principal Activities

The principal activities of the Company are the design, build, finance, operation and maintenance of Clackmannanshire Community Health Services Centre, through an agreement with Forth Valley NHS Trust. The agreement was entered into under the Governments Private Finance Initiative Scheme.

Performance Review

The entity transitioned from previous UK GAAP to FRS 102 as at 1 April 2014. The accounts for both years are presented under FRS 102, the adjustments to the prior year reported financial position and financial performance are given in note 20.

The profit for the year, after taxation, amounted to £220,026 (2015: £247,623).

The profit for the year will be transferred to reserves.

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

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.

Going Concern

The directors acknowledge that the company is in net liabilities, however this is a result of the Interest rate swaps, which are significantly out of the money, being brought onto the balance sheet. After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Directors

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

R Burge	(Appointed 9 April 2015)
J Gordon	(Appointed 1 November 2015)
M Ryan	(Resigned 16 June 2015)
J McDonagh	(Resigned 1 November 2015)
A McEwan	(Resigned 9 April 2015)

Change of Company Secretary

P Johnstone resigned as Company Secretary on 30 April 2015.

J Band was appointed as Company Secretary on 9 April 2015 and resigned on 1 April 2016. Infrastructure Managers Limited were appointed as Company Secretary on 1 April 2016.

Dividends

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

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Directors' Report *(continued)*

Year Ended 31 March 2016

Financial instruments

Due to the nature of the Company's business, the financial risks the directors consider relevant to this Company is 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.

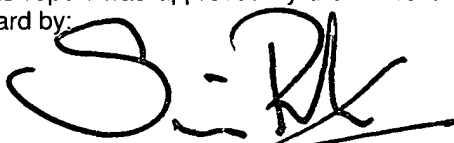
Liquidity risk

The Company's liquidity risk is principally managed through financing the Company by means of long term borrowings.

Small company provisions

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

This report was approved by the board of directors on 19 September 2016 and signed on behalf of the board by:



Infrastructure Managers Limited
Company Secretary

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Directors' Responsibilities Statement

Year Ended 31 March 2016

The directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

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 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

The Directors' Responsibilities were approved by the board on ~~19 September 2014~~ and signed on its behalf by:



R Burge

Director

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Independent Auditors' Report to the Members of Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Year Ended 31 March 2016

We have audited the financial statements of Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited) for the year ended 31 March 2016 set out on pages 7 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Independent Auditors' Report to the Members of Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited) (continued)

Year Ended 31 March 2016

Matters on which we are required to report by exception

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 take advantage of the small companies exemption from the requirement to prepare a Strategic Report.



Hugh Harvie (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

23.9.16

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Statement of Comprehensive Income

Year Ended 31 March 2016

	Note	2016 £	2015 £
Turnover	4	1,475,438	1,462,301
Cost of sales		<u>(760,325)</u>	<u>(788,047)</u>
Gross profit		715,113	674,254
Administrative expenses		<u>(186,220)</u>	<u>(131,940)</u>
Operating profit		528,893	542,314
Other interest receivable and similar income	7	1,240,346	1,266,800
Interest payable and similar charges	8	<u>(1,494,198)</u>	<u>(1,495,722)</u>
Profit on ordinary activities before taxation		275,041	313,392
Tax on profit on ordinary activities	9	<u>(55,015)</u>	<u>(65,769)</u>
Profit for the financial year		<u>220,026</u>	<u>247,623</u>
Fair value movements on cash flow hedging instruments, net of tax		<u>(308,531)</u>	<u>106,400</u>
Total comprehensive income for the year		<u>(88,505)</u>	<u>354,023</u>

All the activities of the company are from continuing operations.

The notes on pages 10 to 22 form part of these financial statements.

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Statement of Financial Position

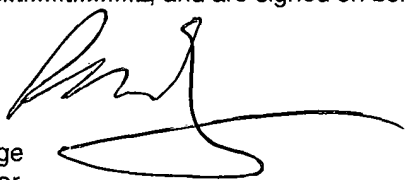
As at 31 March 2016

	Note	2016 £	2015 £
Current assets			
Debtors: due within one year	11	6,083,345	6,174,291
Debtors: due after more than one year	11	18,582,282	19,031,420
Cash at bank and in hand		1,289,725	1,130,013
		<u>25,955,352</u>	<u>26,335,724</u>
Creditors: amounts falling due within one year	12	<u>(997,093)</u>	<u>(966,705)</u>
Net current assets		<u>24,958,259</u>	<u>25,369,019</u>
Total assets less current liabilities		<u>24,958,259</u>	<u>25,369,019</u>
Creditors: amounts falling due after more than one year	13	<u>(40,351,450)</u>	<u>(40,504,101)</u>
Net liabilities		<u>(15,393,191)</u>	<u>(15,135,082)</u>
Capital and reserves			
Called up share capital	16	202,000	202,000
Hedging reserve	17	(15,910,131)	(15,601,600)
Retained earnings	17	314,940	264,518
Shareholders deficit		<u>(15,393,191)</u>	<u>(15,135,082)</u>

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

These financial statements were approved by the board of directors and authorised for issue on 15 September 2016, and are signed on behalf of the board by:

R Burge
Director



Company registration number: SC312130

The notes on pages 10 to 22 form part of these financial statements.

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Statement of Changes in Equity

Year Ended 31 March 2016

		Called up share capital £	Hedging reserve £	Retained earnings £	Total £
At 1 April 2014		202,000	(15,708,000)	177,560	(15,328,440)
Profit for the year				247,623	247,623
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax		—	106,400	—	106,400
Total comprehensive income for the year		—	106,400	247,623	354,023
Dividends paid and payable	10	—	—	(160,665)	(160,665)
Total investments by and distributions to owners		—	—	(160,665)	(160,665)
At 31 March 2015		202,000	(15,601,600)	264,518	(15,135,082)
Profit for the year				220,026	220,026
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax		—	(308,531)	—	(308,531)
Total comprehensive income for the year		—	(308,531)	220,026	(88,505)
Dividends paid and payable	10	—	—	(169,604)	(169,604)
Total investments by and distributions to owners		—	—	(169,604)	(169,604)
At 31 March 2016		<u>202,000</u>	<u>(15,910,131)</u>	<u>314,940</u>	<u>(15,393,191)</u>

The notes on pages 10 to 22 form part of these financial statements.

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Notes to the Financial Statements

Year Ended 31 March 2016

1. Statement of compliance

The individual financial statements of Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited) have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime.

2. General information

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited) ('the company') is incorporated and domiciled in the UK. The address of its registered office is 11 Thistle Street, Edinburgh, , EH2 1DF.

The principal activities of the Company are the design, build, finance, operation and maintenance of Clackmannanshire Community Health Services Centre, through an agreement with Forth Valley NHS Trust. The agreement was entered into under the Governments Private Finance Initiative Scheme.

The company's functional and presentation currency is the pound sterling.

3. Accounting policies

Basis of preparation

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

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

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

Going concern

The directors acknowledge that the company is in net liabilities, however this is a result of the Interest rate swaps, which are significantly out of the money, being brought onto the balance sheet. It is not the intention to close out these instruments before their maturity date, therefore there is no impact on the company's ability to meet its liabilities as they fall due. After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

First time adoption of FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 April 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 20.

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2016

3. Accounting policies *(continued)*

Disclosure exemptions

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

The company has also taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2016

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

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

Significant judgements

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

i) Hedge accounting and consideration of the fair value of derivative financial instruments

The Company uses derivative financial instruments to hedge certain economic exposures in relation to movements in interest rates as compared with the position that was expected at the date the underlying transaction being hedged was entered into. The Company fair values its derivative financial instruments and records the fair value of those instruments on its balance sheet. No market prices are available for these instruments and consequently the fair values are derived using financial models developed by the shareholders based on counterparty information that is independent of the Company, but use observable market data in respect of interest rates as an input to valuing those derivative financial instruments. There is also a judgement on whether an economic hedge relationship exists in order to achieve hedge accounting. Appropriate documentation has been prepared detailing the economic relationship between the hedging instrument and the underlying loan being hedged.

ii) Income taxation

Current taxation

The taxation charge or credit arising on profit before taxation and in respect of gains or losses recognised through other comprehensive income reflect the tax rates in effect or substantially enacted at the balance sheet date as appropriate. The determination of appropriate provisions for taxation requires the Directors to take into account anticipated decisions of HM Revenue and Customs which inevitably requires the Directors to use judgements as to the appropriate estimate of taxation provisions.

Deferred taxation

Deferred taxation is provided using the balance sheet liability method and is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation bases used in the computation of taxable profit. Judgements are required to be made as to the calculation and identification of temporary differences and 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 judgement 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.

iii) Market rate of interest

The directors have reviewed the interest rates applied to the unsecured subordinated loan stock and consider these to be at a market rate.

Key sources of estimation uncertainty

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2016

3. Accounting policies *(continued)*

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

i) Impairment of assets

The carrying value of those assets recorded in the Company's 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.

ii) Accounting for service concession arrangements

Accounting for the service concession contract and finance debtors requires estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecast results of the contract.

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 (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2016

3. Accounting policies *(continued)*

Income tax

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

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

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

ii) Deferred tax

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

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

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

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

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

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

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2016

3. Accounting policies *(continued)*

Financial instruments *(continued)*

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

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

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

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

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

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 also entered into an arrangement with third parties that is designed to hedge future cash receipts arising from its principal activity (RPI 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.

Cash and cash equivalents

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

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2016

3. Accounting policies *(continued)*

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.

4. Turnover

Turnover arises from:

	2016 £	2015 £
Rendering of services	<u>1,475,438</u>	<u>1,462,301</u>

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

5. Auditors' remuneration

	2016 £	2015 £
Fees payable for the audit of the financial statements	<u>5,425</u>	<u>5,324</u>
Fees payable to the company's auditor and its associates for other services:		
Other non-audit services	<u>3,600</u>	<u>3,360</u>

Included in the fee above is £1,250 (2015: £1,050) for the audit of the immediate parent entity Elgin Health (Clackmannanshire) Holdings Limited.

6. Particulars of employees and directors

The average number of persons employed by the company during the financial year, including the directors, amounted to nil (2015: nil). The directors, who are also key management personnel, did not receive any remuneration from the Company during the year (2015: £nil).

7. Other interest receivable and similar income

	2016 £	2015 £
Interest on cash and cash equivalents	4,706	5,954
Interest receivable on finance debtor	<u>1,235,640</u>	<u>1,260,846</u>
	<u>1,240,346</u>	<u>1,266,800</u>

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2016

8. Interest payable and similar charges

	2016	2015
	£	£
Interest on bank loans and overdrafts	1,247,759	1,248,440
Interest due to Group undertakings	241,523	239,657
Other interest payable and similar charges	4,916	7,625
	<u>1,494,198</u>	<u>1,495,722</u>

9. Tax on profit on ordinary activities

Major components of tax expense

	2016	2015
	£	£
Current tax:		
UK current tax expense	55,015	64,894
Deferred tax:		
Origination and reversal of timing differences	–	875
Tax on profit on ordinary activities	<u>55,015</u>	<u>65,769</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 21%).

	2016	2015
	£	£
Profit on ordinary activities before taxation	275,041	313,392
Profit on ordinary activities by rate of tax	55,008	64,894
Adjustment to tax charge in respect of prior periods	7	–
Effective interest rate adjustment	–	875
Tax on profit on ordinary activities	<u>55,015</u>	<u>65,769</u>

Factors that may affect future tax expense

On 26 October 2015, a reduction in the UK corporation tax rate from 20% to 18% was substantively enacted. The reduction is to take effect in two stages from 1 April 2017 (19%) and then from 1 April 2020 (18%). As a result, relevant deferred tax balances have been re-measured at the rate at which the majority of the deferred tax balance is expected to unwind.

This change has reduced the deferred tax asset at the balance sheet date by £390,931.

In his Budget speech on 16 March 2016 the Chancellor of the Exchequer proposed that the above UK corporation tax rate of 18% effective from 1 April 2020 be further reduced to 17%. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements. If enacted, the change would reduce the deferred tax liability/asset at the balance sheet by £192,515.

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2016

10. Dividends

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

	2016 £	2015 £
Interim dividend of £0.80 (2015: £0.80) per ordinary share	<u>169,604</u>	<u>160,665</u>

11. Debtors

Debtors falling due within one year are as follows:

	2016 £	2015 £
Trade debtors	–	818
Deferred tax asset	3,518,378	3,929,909
Prepayments and accrued income	6,496	7,535
Finance debtor	440,393	413,553
Other debtors	2,118,078	1,822,476
	<u>6,083,345</u>	<u>6,174,291</u>

Debtors falling due after one year are as follows:

	2016 £	2015 £
Finance debtor	<u>18,582,282</u>	<u>19,031,420</u>

Finance Debtor

The movement in the finance debtor is analysed as follows:

	2016 £	2015 £
At beginning of year	19,444,973	19,833,322
Repayments	(422,298)	(388,349)
At end of year	<u>19,022,675</u>	<u>19,444,973</u>

12. Creditors: amounts falling due within one year

	2016 £	2015 £
Bank loans and overdrafts	54,370	103,007
Trade creditors	14,268	56,507
Accruals and deferred income	806,563	676,962
Corporation tax	24,840	11,719
Social security and other taxes	97,052	118,510
	<u>997,093</u>	<u>966,705</u>

Included within accruals and deferred income is accrued interest of £49,929 (2015: £49,380) due to related parties. Also included within accruals and deferred income is £692,554 (2015: £599,164) which relates to lifecycle underspend.

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2016

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

	2016	2015
	£	£
Bank loans and overdrafts	19,235,908	19,285,559
Amounts owed to group undertakings	1,716,542	1,716,542
Derivative financial liability	19,399,000	19,502,000
	<u>40,351,450</u>	<u>40,504,101</u>

The bank loan is secured by a bond and floating charge over the company's present and future assets. The bank loan is also secured by a guarantee supported by a bond and floating charge over the assets and undertakings of the company's parent company, Elgin Health (Clackmannanshire) Holdings Limited. The loan is repayable under an instalment scheme, the final repayment is due September 2036. Senior debt is stated net of issue costs of £243,366 (2015: £255,370).

Subordinated debt provided by Elgin Health (Clackmannanshire) Holdings Limited bears interest at 14% per annum and is repayable in 2027.

14. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2016	2015
	£	£
Included in debtors (note 11)	<u>3,518,378</u>	<u>3,929,909</u>

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

	2016	2015
	£	£
Derivative financial instruments	3,491,820	3,900,400
Arising on effective interest rate adjustment	26,558	29,509
	<u>3,518,378</u>	<u>3,929,909</u>

No portion of the deferred tax balance is likely to be recovered or settled in the 12 months following the balance sheet date.

	2015
	£
Opening balance	3,929,909
Movement through other comprehensive income	(411,531)
Closing balance	<u>3,518,378</u>

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2016

15. Financial instruments

Hedge accounting

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

Interest rate swaps

The Company has entered into interest rate swaps with third parties for the same notional amount as all of 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 5.59%, on 31 December 2008 and expire in 30 September 2036.

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 2016 amounted to net liabilities of £19,399,000 (2015: £19,502,000). All of the movements during the year in the fair value of these derivative financial instruments have been recorded in the cash flow hedge reserve amounting to a credit of £103,000 (2015: £133,000).

16. Called up share capital

Issued, called up and fully paid

	2016		2015	
	No	£	No	£
Ordinary shares of £1 each	<u>202,000</u>	<u>202,000</u>	<u>202,000</u>	<u>202,000</u>

17. Reserves

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

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

18. Related party transactions

The company is wholly owned by Elgin Health (Clackmannanshire) 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.

19. Controlling party

The immediate parent undertaking is Elgin Health (Clackmannanshire) Holdings Limited.

Elgin Infrastructure Limited is the smallest and largest group to consolidate these financial statements. Copies of Elgin Infrastructure Limited consolidated financial statements can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF.

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2016

20. First time adoption of FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 March 2015 and the total equity as at 1 April 2014 and 31 March 2015 between UK GAAP as previously reported and FRS 102.

Profit for the financial year		31 March 2015	
		£	
UK GAAP - As previously reported			244,123
Effective Interest Rate adjustment on Bank loans	B		(4,375)
Deferred tax impact of adjustments	C		
- Effective Interest Rate adjustment on Bank loans			875
Total Adjustment to profit for the financial year			(3,500)
FRS 102			<u>244,123</u>
Other Comprehensive Income		31 March 2015	
		£	
UK GAAP - As previously reported			-
Derivative financial instrument	A		133,000
Deferred tax impact of adjustments	C		
- Derivative financial instruments			(26,600)
FRS 102			<u>106,400</u>
Total Equity		1 April 2014	31 March 2015
		£	£
UK GAAP - As previously reported		501,094	584,552
Derivative Financial Instruments	A	(19,635,000)	(19,502,000)
Effective Interest Rate adjustment to bank loans	B	(151,918)	(147,543)
Deferred taxation	C	3,957,384	3,929,909
FRS 102		<u>(15,328,440)</u>	<u>(15,135,082)</u>

A. Derivative Financial Instruments

FRS 102 requires derivative financial instruments to be recognised at fair value. This requires the instrument to be brought onto the balance sheet, the company has decided to adopt hedge accounting limiting the impact of fair value movements in the profit and loss. Previously under UK GAAP the company did not recognise these instruments in the financial statements. Accordingly at transition a liability of £19,635,000 was recognised and a gain of £133,000 was recognised in the statement of comprehensive income for the year ended 31 March 2015. A liability of £19,502,000 was recognised at that date.

B. Effective Interest Rate Adjustment to bank loans

Under FRS 102, debt instruments must be recorded at amortised cost using the effective interest method, previously finance costs were allocated over the term of the instrument on a straight line basis. On transition the loans were increased by £151,918 with a reduction of £4,375 recognised in the statement of comprehensive income for the year ended 31 March 2015.

Elgin Health (Clackmannanshire) Limited (formerly Robertson Health (Clackmannanshire) Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2016

C. Deferred Taxation

The company has accounted for deferred taxation on transition as follows:

(a) Derivative financial instruments - Deferred tax of £3,927,000 has been recognised at 20% on the liability recognised on transition at 1 April 2014. In the year ended 31 March 2015 the company has recognised a credit of £26,600 in the statement of comprehensive income in respect of the decrease in the value of derivative financial instruments.

(b) Effective Interest Rate adjustment to bank loans - Deferred tax of £30,384 has been recognised at 20% of the adjustment at 1 April 2014. A deferred tax deduction of £875 was recognised in the year ended 31 March 2015.