

COMPANY REGISTRATION NUMBER: SC312130

Elgin Health (Clackmannanshire) Limited
Annual Report and Financial Statements
31 March 2017

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Elgin Health (Clackmannanshire) Limited

Annual Report and Financial Statements

Year Ended 31 March 2017

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

Directors' Report

Year Ended 31 March 2017

The directors present their report and the financial statements of the Company for the year ended 31 March 2017.

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 profit for the year, after taxation, amounted to £186,909 (2016: £217,075).

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 Statement of Financial Position. 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
J Gordon

Change of Company Secretary

J Band resigned as Company Secretary 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

Directors' Report *(continued)*

Year Ended 31 March 2017

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.

Disclosure of information to auditors

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 as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Johnston Carmichael LLP were appointed auditors to the Company and in accordance with section 485 of the Companies Act 2006, a resolution proposing they be re-appointed will be put at a General Meeting.

This report was approved by the board of directors on 23 August 2017 and signed by order of the board by:



Infrastructure Managers Limited
Company Secretary

Elgin Health (Clackmannanshire) Limited

Directors' Responsibilities Statement

Year Ended 31 March 2017

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law).

Under company law the directors must not approve the 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the 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.

The Directors' Responsibilities were approved by the board on 23 August 2017 and signed on its behalf by:



R Burge

Director

Elgin Health (Clackmannanshire) Limited

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

Year Ended 31 March 2017

We have audited the financial statements of Elgin Health (Clackmannanshire) Limited for the year ended 31 March 2017 set out on pages 7 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 more fully explained 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify any material misstatements and material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2017 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.

Opinion 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 (Clackmannanshire) Limited

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

Year Ended 31 March 2017

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 any material misstatements in the Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Directors' Report and from preparing a strategic report.

Johnston Carmichael LLP

23 August 2017

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

**Chartered Accountants
Statutory Auditor
7-11 Melville Street
Edinburgh
EH3 7PE**

Elgin Health (Clackmannanshire) Limited

Statement of Comprehensive Income

Year Ended 31 March 2017

		2017	2016 (restated)
	Note	£	£
Turnover	4	1,355,510	1,475,438
Cost of sales		<u>(690,825)</u>	<u>(760,325)</u>
Gross profit		664,685	715,113
Administrative expenses		<u>(158,513)</u>	<u>(186,220)</u>
Operating profit		506,172	528,893
Other interest receivable and similar income	7	1,209,563	1,240,346
Interest payable and similar expenses	8	<u>(1,481,361)</u>	<u>(1,494,198)</u>
Profit before taxation		234,374	275,041
Tax on profit	9	<u>(47,465)</u>	<u>(57,966)</u>
Profit for the financial year		<u>186,909</u>	<u>217,075</u>
Fair value movements on cash flow hedging instruments, net of tax		<u>(164,571)</u>	<u>(363,503)</u>
Total comprehensive income/(expense) for the year		<u>22,338</u>	<u>(146,428)</u>

All the activities of the Company are from continuing operations.

The notes on pages 10 to 21 form part of these financial statements.

Elgin Health (Clackmannanshire) Limited

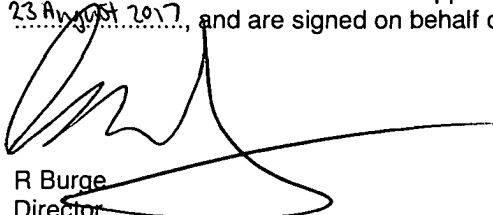
Statement of Financial Position

As at 31 March 2017

	Note	2017 £	2016 (restated) £
Current assets			
Debtors: due within one year	11	4,563,099	4,343,286
Debtors: due after more than one year	11	18,128,235	18,582,282
Cash at bank and in hand		1,756,064	1,289,725
		<u>24,447,398</u>	<u>24,215,293</u>
Creditors: amounts falling due within one year	12	<u>(1,246,109)</u>	<u>(997,093)</u>
Net current assets		<u>23,201,289</u>	<u>23,218,200</u>
Total assets less current liabilities		<u>23,201,289</u>	<u>23,218,200</u>
Creditors: amounts falling due after more than one year	13	(30,859,954)	(30,831,998)
Provisions			
Taxation including deferred tax	15	<u>20,066</u>	<u>26,558</u>
Net liabilities		<u>(7,638,599)</u>	<u>(7,587,240)</u>
Capital and reserves			
Called up share capital	17	202,000	202,000
Hedging reserve	18	(8,265,800)	(8,101,229)
Retained earnings	18	425,201	311,989
Shareholders deficit		<u>(7,638,599)</u>	<u>(7,587,240)</u>

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

These financial statements were approved by the board of directors and authorised for issue on 23 August 2017, and are signed on behalf of the board by:



R Burge
Director

Company registration number: SC312130

The notes on pages 10 to 21 form part of these financial statements.

Elgin Health (Clackmannanshire) Limited

Statement of Changes in Equity

Year Ended 31 March 2017

		Called up share capital £	Hedging reserve £	Retained earnings £	Total £
At 1 April 2015		202,000	(7,737,726)	264,518	(7,271,208)
Profit for the year				217,075	217,075
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax		—	(363,503)	—	(363,503)
Total comprehensive income/(expense) for the year		—	(363,503)	217,075	(146,428)
Dividends paid and payable	10	—	—	(169,604)	(169,604)
Total investments by and distributions to owners		—	—	(169,604)	(169,604)
At 31 March 2016		202,000	(8,101,229)	311,989	(7,587,240)
Profit for the year				186,909	186,909
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax		—	(164,571)	—	(164,571)
Total comprehensive income/(expense) for the year		—	(164,571)	186,909	22,338
Dividends paid and payable	10	—	—	(73,697)	(73,697)
Total investments by and distributions to owners		—	—	(73,697)	(73,697)
At 31 March 2017		<u>202,000</u>	<u>(8,265,800)</u>	<u>425,201</u>	<u>(7,638,599)</u>

The notes on pages 10 to 21 form part of these financial statements.

Elgin Health (Clackmannanshire) Limited

Notes to the Financial Statements

Year Ended 31 March 2017

1. Statement of compliance

The individual financial statements of Elgin 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 Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A have been applied, other than where additional disclosure is required to show a true and fair view. The financial statements have been prepared under the historical cost convention.

2. General information

Elgin Health (Clackmannanshire) Limited ('the Company') is a private company limited by shares incorporated and domiciled in Scotland. 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. Monetary amounts in these financial statements are rounded to the nearest pound.

3. Accounting policies

(a) Basis of preparation

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

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its 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.

(b) 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 Statement of Financial Position. 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.

Elgin Health (Clackmannanshire) Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2017

3. Accounting policies *(continued)*

(c) 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.

(d) Prior year restatement

In the year to 31 March 2016 an administrative error resulted in the wrong SWAP valuation being taken. As a result the hedge liability was overstated. The prior year figures have been restated to correct this error. The impact on the financial statements can be seen in note 21.

(e) 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 Statement of Financial Position. No market prices are available for these instruments and consequently the fair values are derived using financial models developed by the lender 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.

Elgin Health (Clackmannanshire) Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2017

3. Accounting policies *(continued)*

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 Statement of Financial Position 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 Statement of Financial Position 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

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

i) Impairment of assets

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

ii) Accounting for service concession arrangements

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

Elgin Health (Clackmannanshire) Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2017

3. Accounting policies *(continued)*

(f) Revenue recognition

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

(g) Income tax

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

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. 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.

(h) Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the Statement of Financial Position and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset.

Elgin Health (Clackmannanshire) Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2017

3. Accounting policies *(continued)*

(i) Financial instruments

The Company has elected to apply provisions of Section 11 "Basic Financial Instruments" and Section 12 "Other Financial Instruments Issues" of FRS102, in full, to all of its financial instruments

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

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

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

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

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

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

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

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

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

Elgin Health (Clackmannanshire) Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2017

3. Accounting policies *(continued)*

Financial instruments *(continued)*

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").

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.

(j) 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.

(k) 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.

(l) Borrowings

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

4. Turnover

Turnover arises from:

	2017	2016 <i>(restated)</i>
	£	£
Rendering of services	<u>1,355,510</u>	<u>1,475,438</u>

Elgin Health (Clackmannanshire) Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2017

4. Turnover *(continued)*

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

5. Auditors' remuneration

	2017	2016 <i>(restated)</i>
	£	£
Fees payable for the audit of the financial statements	<u>4,600</u>	<u>5,425</u>
Fees payable to the company's auditor and its associates for other services:		
Other non-audit services	<u>2,700</u>	<u>3,600</u>

Included in the fee above is £1,000 (2016: £1,240) for the audit of the immediate parent entity Elgin Health (Clackmannanshire) Holdings Limited. Auditor's remuneration is payable to Johnston Carmichael LLP (2016: KPMG LLP).

6. Particulars of employees and directors

The average number of persons employed by the Company during the financial year, including the directors, amounted to nil (2016: nil). The directors, who are also key management personnel, did not receive any remuneration from the Company during the year (2016: £nil).

7. Other interest receivable and similar income

	2017	2016 <i>(restated)</i>
	£	£
Interest on cash and cash equivalents	2,591	4,706
Interest receivable from HMRC	20	—
Interest receivable on finance debtor	<u>1,206,952</u>	<u>1,235,640</u>
	<u>1,209,563</u>	<u>1,240,346</u>

8. Interest payable and similar expenses

	2017	2016 <i>(restated)</i>
	£	£
Interest on bank loans and overdrafts	1,237,660	1,247,759
Interest due to Group undertakings	239,068	241,523
Other interest payable and similar charges	<u>4,633</u>	<u>4,916</u>
	<u>1,481,361</u>	<u>1,494,198</u>

Elgin Health (Clackmannanshire) Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2017

9. Tax on profit

Major components of tax expense

	2017	2016 <i>(restated)</i>
	£	£
Current tax:		
UK current tax expense	43,924	55,015
Adjustments in respect of prior periods	(2,951)	–
Total current tax	<u>40,973</u>	<u>55,015</u>
Deferred tax:		
Origination and reversal of timing differences	6,492	2,951
Tax on profit	<u>47,465</u>	<u>57,966</u>

Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 20% (2016: 20%).

	2017	2016 <i>(restated)</i>
	£	£
Profit before taxation	234,374	275,041
Profit by rate of tax	46,875	55,008
Adjustment to tax charge in respect of prior periods	(295)	7
Effective interest rate adjustment	885	2,951
Tax on profit	<u>47,465</u>	<u>57,966</u>

Factors that may affect future tax expense

During the year, as a result of the change to the future UK main corporation tax rate from 18% to 17% that was substantively enacted on 6 September 2016 and that will be effective from 1 April 2020, the relevant deferred tax balances have been re-measured. This change has reduced the deferred tax asset at the Statement of Financial Position date by £33,054.

10. Dividends

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

	2017	2016 <i>(restated)</i>
	£	£
Interim dividend of £0.36 (2016: £0.80) per ordinary share	<u>73,697</u>	<u>169,604</u>

Elgin Health (Clackmannanshire) Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2017

11. Debtors

Debtors falling due within one year are as follows:

	2017	2016 <i>(restated)</i>
	£	£
Trade debtors	3,325	–
Deferred tax asset	1,692,995	1,778,319
Prepayments and accrued income	6,630	6,496
Finance debtor	454,249	440,393
Other debtors	2,405,900	2,118,078
	<u>4,563,099</u>	<u>4,343,286</u>

Debtors falling due after one year are as follows:

	2017	2016 <i>(restated)</i>
	£	£
Finance debtor	<u>18,128,235</u>	<u>18,582,282</u>

Finance Debtor

The movement in the finance debtor is analysed as follows:

	2017	2016
	£	£
At beginning of year	19,022,675	19,444,973
Repayments	(440,191)	(422,298)
At end of year	<u>18,582,484</u>	<u>19,022,675</u>

12. Creditors: amounts falling due within one year

	2017	2016 <i>(restated)</i>
	£	£
Bank loans and overdrafts	51,092	54,370
Trade creditors	131,118	14,268
Amounts owed to group undertakings	49,816	49,929
Accruals and deferred income	882,932	756,634
Corporation tax	36,952	24,840
Social security and other taxes	94,199	97,052
	<u>1,246,109</u>	<u>997,093</u>

Included within amounts owed to Group undertakings is accrued interest of £49,816 (2016: £49,929) due to related parties.

Included within accruals and deferred income are amounts recognised in respect of future payments due on lifecycle underspend of £845,988 (2016: £692,554), the timing of which is uncertain.

Elgin Health (Clackmannanshire) Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2017

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

	2017	2016 <i>(restated)</i>
	£	£
Bank loans and overdrafts	19,184,616	19,235,908
Amounts owed to group undertakings	1,716,542	1,716,542
Derivative financial liability	9,958,796	9,879,548
	<u>30,859,954</u>	<u>30,831,998</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 £98,277 (2016: £102,910).

Subordinated debt provided by Elgin Health (Clackmannanshire) Holdings Limited bears interest at 14% per annum and is repayable in 2037.

14. Deferred tax

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

	2017	2016 <i>(restated)</i>
	£	£
Included in debtors (note 11)	1,692,995	1,778,319
Included in provisions (note 15)	20,066	26,558
	<u>1,713,061</u>	<u>1,804,877</u>

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

	2017	2016 <i>(restated)</i>
	£	£
Derivative financial instruments	1,692,995	1,778,319
Arising on effective interest rate adjustment	20,066	26,558
	<u>1,713,061</u>	<u>1,804,877</u>

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

	£
Opening balance as at 1 April 2016	1,804,877
Movement through the Statement of Comprehensive Income	(6,492)
Movement through Other Comprehensive Income	(85,324)
Closing balance as at 31 March 2017	<u>1,713,061</u>

Elgin Health (Clackmannanshire) Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2017

15. Provisions

	Deferred tax (note 14) £
At 1 April 2016 (as restated)	(26,558)
Deferred tax	<u>6,492</u>
At 31 March 2017	<u>(20,066)</u>

16. Financial instruments

Hedge accounting

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

Interest rate swaps

The Company has entered into interest rate swaps with third parties for the same notional amount as 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 2017 amounted to net liabilities of £9,958,796 (2016: £9,879,548). 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 debit of £164,571 (2016: £363,503).

17. Called up share capital

Issued, called up and fully paid

	2017		2016 (restated)	
	No	£	No	£
Ordinary shares of £1 each	<u>202,000</u>	<u>202,000</u>	<u>202,000</u>	<u>202,000</u>

18. Reserves

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

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

19. 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.

Elgin Health (Clackmannanshire) Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 March 2017

20. Controlling party

The immediate parent undertaking is Elgin Health (Clackmannanshire) Holdings Limited, a company incorporated in Scotland.

The accounts of Elgin Health (Clackmannanshire) Holdings Limited can be obtained from 2nd floor, 11 Thistle Street, Edinburgh, EH2 1DF.

At the year end Elgin Health (Clackmannanshire) Holdings Limited is owned 100% by Elgin Infrastructure Limited, which is jointly owned between Cobalt Project Investments Limited and 3i Infrastructure plc. There is no ultimate controlling party.

21. Prior period restatement

In the year to 31 March 2016 an administrative error resulted in the wrong valuation being used when bringing the hedge reserve onto the Statement of Financial Position.

The impact on the prior year financial statements is as follows:

Profit for the financial year	31 Mar 16
	£
As previously reported	220,026
Deferred tax charge	(2,951)
Total Adjustment to profit for the financial year	(2,951)
Restated profit	<u>217,075</u>
Total Capital and Reserves	31 Mar 16
	£
As previously reported	(15,393,191)
Adjustments:	
Hedge reserve	7,808,902
Retained earnings	(2,951)
Total equity restated	<u>(7,587,240)</u>