LEICESTER LIFT PROJECT COMPANY (NO.1) LIMITED

Company Registration No. 04925162

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 March 2017

LEICESTER LIFT PROJECT COMPANY (NO.1) LIMITED

Report and Financial Statements
For the year ended 31 March 2017

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Company Information

Directors	J L Crouch M W Grinonneau G W Mackinlay S J Prema P J Sheldrake
Company Secretary	C S Sheridan
Registered Office	Kent House 14-17 Market Place London W1W 8AJ
Auditor	BDO LLP 55 Baker Street London W1U 7EU

Directors' Report
For the year ended 31 March 2017

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

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

Principal activities
The principal activity of the company is to design, build, finance and manage premises under the Government's LIFT initiative.

The company's principal tenant is Community Health Partnerships Limited. The directors are confident that the principal tenant will continue to meet the obligations set out under the lease agreement.

The results for the year are included on page 6.

Dividends
The company paid no dividends during the year (2016: £nil).

Directors
The current directors of the company, who served throughout the period and subsequently unless otherwise stated, are shown on page 1.

Leicester Lift Project Company (No.1) Limited has adopted Articles of Association, the provisions of which do not require the directors to retire by rotation or to retire at the first Annual General Meeting after their appointment.

Going concern
The company has net liabilities of £6,929,000 (2016: £5,556,000), which includes the negative fair value of the interest rate swaps of £11,384,000 (2016: £11,480,000) and RPI swap of £3,496,000 (2016: £1,171,000) within liabilities. Net current liabilities of £25,620,000 (2016: £26,636,000) include cash of £3,014,000 (2016: £2,771,000) at 31 March 2017. It is noted that a significant element of net current liabilities is due to the bank debt covenant breach position as discussed further in note 12.

The directors have reviewed the future liquidity requirements and have considered the cash flow forecasts of the company. The company produces long-term financial forecasts which show the company is able to operate and meet its financial obligations as they fall due, including compliance with all loan covenants. Based on this review, the comments detailed in note 12 in relation to the current covenant breach and the future business prospects of the company, despite the current economic conditions the directors believe the company will be able to meet its liabilities as they fall due.

Having regard to the above and after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Qualifying third party indemnity provisions
The directors of Leicester LIFT Project Company (No. 1) Limited have qualifying third party indemnity provisions put in place through other companies of which they are also directors.

Directors' Report (continued)
For the year ended 31 March 2017

Directors' responsibilities statement

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; 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.

Auditor and disclosure of information to auditor

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

BDO LLP have expressed their willingness to continue in office as the company's auditor.

On behalf of the board

JCrouch

J L Crouch
Director

27 July 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEICESTER LIFT PROJECT COMPANY (NO.1) LIMITED

We have audited the financial statements of Leicester LIFT Project Company (No.1) Limited for the year ended 31 March 2017 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and related notes. 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).

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 auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC'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 FRC'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 2017 and of its loss 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 the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEICESTER LIFT PROJECT COMPANY (NO.1) LIMITED (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

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

BDO LLP

Paul Bailey (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street
London
W1U 7EU

28 July 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income
For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Turnover	1	1,823	2,187
Cost of sales		(854)	(1,344)
Gross profit		969	843
Administrative expenses		(374)	(391)
Operating profit		595	452
Interest receivable and similar income	5	2,671	2,789
Interest payable and similar charges	6	(2,498)	(2,556)
Profit on ordinary activities before taxation		768	685
Tax on profit on ordinary activities	7	(164)	(135)
Profit for the financial year		604	550
Movement in cash flow hedge		(2,230)	1,013
Taxation (credit)/ charge in respect of items of other comprehensive income		253	(455)
Other comprehensive (loss)/ income/ for the year		(1,977)	558
Total comprehensive (loss)/ income for the year		(1,373)	1,108

The results for the current and previous financial year derive from continuing operations.

The notes on pages 10 to 20 form part of the financial statements.

Statement of Financial Position
As at 31 March 2017

	Note	2017 £'000	2016 £'000
Non-current asset			
Financial assets	8	**40,106**	40,781
Current assets			
Debtors – due within one year	9	**335**	631
Debtors – due after more than one year	9	**1,852**	1,771
Cash at bank and in hand	10	**3,014**	2,771
		5,201	5,173
Creditors			
Amounts falling due within one year	11	**(30,821)**	(31,809)
Net current liabilities		**(25,620)**	(26,636)
Total assets less current liabilities		**14,486**	14,145
Creditors			
Amounts falling due after more than one year	11	**(21,415)**	(19,701)
Net liabilities		**(6,929)**	(5,556)
Capital and reserves			
Called up share capital	14	**525**	525
Profit and loss account		**4,896**	4,292
Cash flow hedge reserve	15	**(12,350)**	(10,373)
Shareholders' deficit		**(6,929)**	(5,556)

The financial statements of Leicester LIFT Project Company (No.1) Limited, registered number 04925162, were approved by the Board of Directors and authorised for issue on .

These accounts have been prepared in accordance with the provisions applicable to small companies entitled to the small companies' exemption.

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J L Crouch
Director

27 July 2017

The notes on pages 10 to 20 form part of the financial statements.

Statement of Changes in Equity
For the year ended 31 March 2017

	Issued share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total 2017 £'000
1 April 2016	**525**	**(10,373)**	**4,292**	**(5,556)**
Comprehensive Income for the year				
Profit for the year	-	-	604	604
Hedge effective portion of change in fair value of designated hedging	-	(2,230)	-	(2,230)
Taxation in respect of other comprehensive income	-	253	-	253
Other comprehensive income for the year	-	(1,977)	-	(1,977)
Total comprehensive income for the year	-	**(1,977)**	**604**	**(1,373)**
31 March 2017	**525**	**(12,350)**	**4,896**	**(6,929)**

	Issued share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total 2016 £'000
1 April 2015	**525**	**(10,931)**	**3,742**	**(6,664)**
Comprehensive Income for the year				
Profit for the year	-	-	550	550
Hedge effective portion of change in fair value of designated hedging	-	1,013	-	1,013
Taxation in respect of other comprehensive income	-	(455)	-	(455)
Other comprehensive income for the year	-	558	-	558
Total comprehensive income for the year	-	**558**	**550**	**1,108**
31 March 2016	**525**	**(10,373)**	**4,292**	**(5,556)**

The notes on pages 10 to 20 form part of the financial statements.

Statement of Cash Flows
For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit for the financial year		604	550
Adjustments for:			
Net interest receivable		(173)	(233)
Turnover on mark-up on costs		(1,322)	(1,368)
Taxation expense	7	164	134
Lease premium amortisation		(17)	(16)
Decrease/(increase) in trade and other debtors		270	(148)
(Decrease) in trade creditors		(46)	(380)
Cash generated from operating activities		(520)	(1,461)
Group relief received		26	-
Net cash used in operating activities		(494)	(1,461)
Cash flows from investing activities			
Receipts on financial asset	8	4,697	4,640
Interest received		9	13
Net cash from investing activities		4,706	4,653
Cash flows from financing activities			
Loan repayment		(1,104)	(939)
Interest paid		(2,865)	(2,135)
Net cash used in financing activities		(3,969)	(3,074)
Net increase in cash & cash equivalents		243	118
Cash and cash equivalents at beginning of year		2,771	2,653
Cash and cash equivalents at end of year		**3,014**	**2,771**
Cash and cash equivalents comprise:			
Cash at bank and in hand		3,014	2,771
	10	**3,014**	**2,771**

The notes on pages 10 to 20 form part of the financial statements.

Principal Accounting Policies
For the year ended 31 March 2017

Leicester LIFT Project Company (No.1) Limited is incorporated in England and Wales. The registered office is Kent House, 14-17 Market Place, London, W1W 8AJ.

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation
The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The functional currency is pounds sterling and rounded to the nearest £'000.

Going concern
The company has net liabilities of £6,929,000 (2016: £5,556,000), which includes the negative fair value of the interest rate swaps of £11,384,000 (2016: £11,480,000) and RPI swap of £3,496,000 (2016: £1,171,000) within liabilities. Net current liabilities of £25,620,000 (2016: £26,636,000) include cash of £3,014,000 (2016: £2,771,000) at 31 March 2017. It is noted that a significant element of net current liabilities is due to the bank debt covenant breach position as discussed further in note 12.

The directors have reviewed the future liquidity requirements and have considered the cash flow forecasts of the company. The company produces long-term financial forecasts which show the company is able to operate and meet its financial obligations as they fall due, including compliance with all loan covenants. Based on this review, the comments detailed in note 12 in relation to the current covenant breach and the future business prospects of the company, despite the current economic conditions the directors believe the company will be able to meet its liabilities as they fall due.

Having regard to the above and after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Taxation
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Principal Accounting Policies (continued)
For the year ended 31 March 2017

Turnover

a. Public to private concession arrangements

A substantial portion of the company's assets are used within the framework of concession contracts granted by public sector customers ('grantors'). Under these contracts, the company constructs primary care centres that are leased to the NHS on a 25 year lease.

To fall within the scope of section 34 of FRS 102, a contract must satisfy the following two criteria:

- the grantor controls or regulates what services the operator must provide using the infrastructure, to whom, and at what price; and

- the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

Pursuant to section 34 of FRS 102, such infrastructures is not recognised in assets of the operator as property, plant and equipment but as financial assets ('financial asset model').

b. Financial asset model

The financial asset model applies when the operator has an unconditional right to receive cash or another financial asset from the grantor.

In the case of concession services, the operator has such an unconditional right if the grantor contractually guarantees the payment of:

- Amounts specified or determined in the contract or
- The shortfall, if any, between amounts received from users of the public service and amounts specified or determined in the contract

Financial assets resulting from the application of section 34 of FRS 102 are recorded in the statement of financial position under the heading financial assets and measured at amortised cost.

Pursuant to section 23 of FRS 102, revenue associated with this financial model comprises of service remuneration which relates to lifecycle maintenance and facilities income and ad hoc property related services income.

Financial Asset

The financial asset is stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

Financial instruments

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on the trade date when the company becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Principal Accounting Policies (continued)
For the year ended 31 March 2017

Financial instruments (continued)
Financial instruments are derecognised on trade date when the company is no longer a party to the contractual provisions of the instrument.

Financial liabilities and equity
Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Hedge Accounting
The company has entered into variable to fixed rate interest swaps and RPI swaps to manage its exposure to interest rate cash flow risk on its variable rate debt and inflation rate risk, respectively. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in the statement of comprehensive income for the period.

Finance costs
Finance costs that were accrued during construction of the fixed assets were expensed as they were incurred.

Loan arrangement fees
Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument. The capitalised fees are then released to the statement of comprehensive income account on a straight line basis over the term of the loan.

Accounting estimates and judgments
The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are as follows:

a. Key sources of estimation uncertainty
Financial asset – The calculation of the amortised cost of the financial asset requires an estimate of the residual value of the property at the end of the lease term. This estimate has been based on the residual value allocated to the contract in the financial models, which form the basis for the calculation of rent charged to the lessees.

Financial asset interest rate – The financial asset interest income is based on the WACC of the project and is applied to the carrying value of the financial asset on a quarterly basis. The interest rate used in 2017 is 6.74% (2016: 6.74%) per annum.

Service Margin – After the property is constructed, the company provides property management services. The remuneration for these services is recognised at cost plus an estimated mark up for profit on property management services. The service margin rate used in 2017 is 29.71% (2016: 28.67%) per annum. It is the policy of the directors that the service margin is reviewed annually on 1 April each year to generate a new service margin rate, which is to be applied in the proceeding financial year.

b. Critical judgements
Concession arrangements – The concession arrangements undertaken by the company are considered to fall within the scope of section 34 of FRS 102 "Service Concession Arrangements", as described in the Turnover note. This judgement has been based on a consideration of the nature and terms of the agreements and, in all contracts, the existence of an option for the grantor to purchase the properties at the end of the contract.

Notes to the Financial Statements
For the year ended 31 March 2017

1. Analysis of turnover and profit on ordinary activities before taxation

Turnover in the year is analysed as follows:

	2017 £'000	2016 £'000
Cost recoveries	351	671
Service margin	1,322	1,368
Rental income (third party)	132	130
Other income	18	18
	1,823	2,187

2. Audit costs

The audit fee for the company amounted to £2,718 (2016: £2,600). This has been borne by the parent company.

3. Directors' remuneration

The directors did not receive any remuneration from the company for their services to the company during the year or the previous year. The directors are remunerated by the shareholding companies for their services to the group as a whole. It is not practicable to apportion their remuneration for their services to this company.

4. Staff numbers

The company had no employees during the year or the previous year.

5. Interest receivable and similar income

	2017 £'000	2016 £'000
Bank interest receivable	9	14
Financial asset interest receivable	2,662	2,775
	2,671	2,789

6. Interest payable and similar charges

	2017 £'000	2016 £'000
Bank interest payable	1,985	2,061
Loan note interest payable	513	495
	2,498	2,556

Notes to the Financial Statements (continued)
For the year ended 31 March 2017

7. Tax on profit on ordinary activities

	2017 £'000	2016 £'000
a) Analysis of tax on ordinary activities		
UK corporation tax payable at 20.00% (2016: 20.00%	-	-
Group relief payment	(8)	(14)
Total current tax	(8)	(14)
Deferred tax		
Origination and reversal of timing differences:		
- prior year	-	11
- current year	172	138
Total deferred tax	172	149
Tax on profit on ordinary activities	164	135
Taxation in respect of other comprehensive income		
Cash flow hedge reserve	(253)	455
Total taxation in respect of other comprehensive income	(253)	455

The tax assessed for the year is lower than the standard rate of corporation tax in the UK 20.00% (2016: 20.00%). The differences are explained below:

	£'000	£'000
b) Factors affecting the tax charge for the year		
Profit on ordinary activities before tax	690	685
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK 20.00% (2016: 20.00%)	138	137
Effects of:		
Expenses not deductible for tax purposes	89	43
Adjustments for prior year	-	11
Change in tax rate	(63)	(56)
Current tax charge for the year	164	135

The change in the corporation tax rate to 19% effective from 1 April 2017 and the reduction in the corporation tax rate to 17% from 1 April 2020 is not anticipated to materially affect the future tax charge.

Notes to the Financial Statements (continued)
For the year ended 31 March 2017

8. *Financial assets*

	2017 £'000	2016 £'000
Balance at 1 April	**40,781**	41,198
Income recognised in the income statement		
- service remuneration	**1,322**	1,368
- interest income	**2,662**	2,775
	3,984	4,143
Other movements		
- cash expenditure	**38**	80
- cash received	**(4,697)**	(4,640)
	(4,659)	(4,560)
Balance at 31 March	**40,106**	40,781

9. Debtors

	2017 £'000	2016 £'000
Due within one year		
Trade debtors	**125**	110
Amounts owed by related parties	**112**	64
Amounts owed by group undertakings	**37**	309
Corporation tax	**-**	26
Other debtors	**31**	82
Prepayments and accrued income	**30**	40
	335	631
Due after more than one year		
Deferred tax (note 13)	**1,852**	1,771
	1,852	1,771

10. Cash at bank and in hand

Included in cash at bank and in hand is cash of £3,014,208 (2016: £2,771,358) which is restricted for use in pre-described circumstances by the bank.

Notes to the Financial Statements (continued)
For the year ended 31 March 2017

11. Creditors

	2017 £'000	2016 £'000
(a) Amounts falling due within one year		
Trade creditors	**59**	57
Bank loans (note 12)	**30,268**	31,317
Mezzanine debt (note 12)	**61**	56
Subordinated debt (note 12)	**74**	14
Other taxation and social security	**218**	221
Other creditors	**32**	32
Accruals and deferred income	**109**	112
	30,821	31,809

	2017 £'000	2016 £'000
(b) Amounts falling due after more than one year		
Mezzanine debt (note 12)	**2,103**	2,124
Subordinated debt (note 12)	**3,237**	3,331
Accruals and deferred income	**279**	344
Amounts owed to related parties	**916**	1,251
Cash flow Hedge - Interest rate and RPI SWAP (note 15)	**14,880**	12,651
	21,415	19,701

The amount shown as being owed to parent company relates to accrued interest on the subordinated and mezzanine debt amounting to £916,000 (2016: £1,251,000).

12. Loans

(a) Bank loans

	2017 £'000	2016 £'000
The bank loans are repayable as follows		
Within one year	**30,268**	31,317
	30,268	31,317

The company has categorised all debt due to senior lenders as falling due within one year as a result of a breach in the loan covenants as at the year-end reporting date. The lenders are aware of the potential default under the loan agreement relating to under lease compliance issues and that remedial plans are in place to remedy the matters in so far as the Directors are able to do so. The Directors are not aware of any proposals by the senior lenders to seek early repayment of the outstanding loan amounts

Bank borrowings relate to a Senior Debt Facility granted by Bank of Scotland.

The amounts drawn under the Senior Debt Facility are repayable on an agreed repayment profile of six-monthly instalments that commenced on 31 March 2009 and are due to end on 31 March 2034, with a final instalment of £1,300,000.

Notes to the Financial Statements (continued)
For the year ended 31 March 2017

12. Loans (continued)

Interest charges on amounts borrowed are based on floating LIBOR. The company has entered into an interest rate swap agreement whereby it pays a fixed rate 5.391%, 5.377%, 4.871%, 4.871%, 5.278%, 4.714%, 4.822%, 4.695%, 4.793%, 4.573%, 4.768%, and 4.597% per annum in respect of amounts drawn under the senior debt facility. The swap expires on 31 March 2033.

The Senior Debt Facility is secured by fixed and floating charges on the assets of the company.

In addition, the company has entered into RPI swap agreements at of 2.70%, 2.77%, 2.93% and 2.85% to mitigate its risk in respect of inflation linked income.

Issue costs of debt have been offset against the loans and will be amortised over the duration of the facilities.

(b) Mezzanine loans owed to parent	2017	2016
	£'000	£'000
The loans are repayable as follows		
Within one year	61	56
Between one and two years	68	61
Between two and five years	247	225
After more than five years	1,788	1,838
	2,164	2,180

(c) Subordinated loan due to parent undertaking		
	£'000	£'000
The loans are repayable as follows		
Within one year	74	14
Between two and five years	403	343
After more than five years	2,834	2,988
	3,311	3,345

The loan notes represent amounts borrowed under the Loan Note Agreement. The loans are unsecured and carry a coupon of 12% and are repayable in predetermined 6 monthly instalments commencing on 31 December 2004 and ending on 31 March 2032.

13. Deferred tax

	2017	2016
	£'000	£'000
Deferred tax		
Balance at beginning of year	1,771	2,365
Charge to profit and loss account (note 7a)	(172)	(135)
Adjustment in respect of prior year	-	(4)
Credit/(charge) to other comprehensive (loss)/income (note 7a)	253	(455)
Balance at end of year	1,852	1,771

Notes to the Financial Statements (continued)
For the year ended 31 March 2017

13. Deferred tax (continued)

An analysis of the deferred taxation provided in the financial statements is as follows:

	£'000	£'000
Fixed assets timing differences	(1,725)	(1,814)
UK property business losses	157	166
Non trade loan relationship deficit losses	890	1,142
Cash flow hedge reserve	2,530	2,277
	1,852	1,771

14. Called up share capital

	2017 £	2016 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	525,001	525,001

15. Financial instruments

The Company's financial instruments may be analysed as follows:

	2017 £'000	2016 £'000
Financial assets		
Financial assets measured at amortised cost	43,452	43,844
	43,452	43,844
Financial liabilities		
Financial liabilities measured at amortised cost	(36,946)	(38,182)
Derivative financial instruments designated as hedges of variable interest rate and RPI risk	(14,880)	(12,651)
	(51,826)	(50,833)

Financial assets measured at amortised cost comprise financial asset, cash at bank and in hand, trade debtors, amounts owed by related parties and group undertakings, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, amounts owed to related parties, other creditors and accruals.

Derivative financial instruments designated as hedges of variable interest rate risk comprise interest rate swaps and RPI swaps.

The fair values of the interest rate swaps have been determined by reference to prices available from the markets on which the instruments involved are traded.

In 2009, the company borrowed funds from its bankers under two term loans of £30,841,000 and £4,916,000, repayable 31 March 2033 and 31 March 2034 respectively.

Notes to the Financial Statements (continued)
For the year ended 31 March 2017

15. Financial instruments (continued)

To hedge the potential volatility in future interest cash flows arising from movements in LIBOR, the company has entered into fixed interest rate swaps with a nominal value equal to that initial borrowings, the same term as the loans and interest re-pricing dates identical to those of the variable rate loans. These result in the company paying a fixed rate of 5.391%, 5.377%, 4.871%, 4.871%, 5.278%, 4.714%, 4.822%, 4.695%, 4.793%, 4.573%, 4.768%, and 4.597% per annum and receiving LIBOR (though cash flows are settled on a net basis) and effectively fixing the total interest cost on loans.

The derivatives are accounted for as a hedge of variable rate interest rate risks, in accordance with FRS 102 and had a negative fair value of £11,384,361 (2016: £11,479,611) as at the year-end date. The cash flows arising from the interest rate swaps will continue until their maturity in 2034, coincidental with the repayment of the term loans. The change in fair value in the period was an increase of £95,250 (2016: £103,636 decrease) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

In 2009, the company entered into five LPA agreements having fixed contractual terms which caused their turnover to increase with RPI on a yearly basis.

To hedge the potential volatility in future revenue cash flows arising from movements in RPI, the company has entered into RPI swaps with a nominal value below that of the LPA contract but having the same term as the loans and RPI re-pricing dates identical to those of the LPA contract. These result in the company paying 2.77% per annum and receiving actual RPI and effectively fixing the inflation on a determined portion of the LPA contract.

The derivatives are accounted for as a hedge of variable rate RPI rate risks, in accordance with FRS 102 and had a negative fair value of £3,496,076 (2016: £1,171,924) at the year-end date. The cash flows arising from the interest rate swaps will continue until their maturity in 2034, coincidental with the LPA contractual terms. The change in fair value in the period was a decrease of £2,324,152 (2016: £1,117,250 increase) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

16. Ultimate parent company and controlling party

The company is a wholly owned subsidiary of Leicester LIFT Midco (No.1) Limited, which is in turn a wholly owned subsidiary of Leicester LIFT Company Limited. Both companies are registered in England and Wales.

As at 31 March 2017 Leicester LIFT Company Limited was owned by Primary Plus Holdings Limited (60%) and Community Health Partnerships (40%), which are both registered in England and Wales.

The directors are of the opinion that there is no ultimate parent undertaking or controlling party by virtue of the Company's joint ownership and control.

Notes to the Financial Statements (continued)
For the year ended 31 March 2017

17. Related party transactions

The company has taken advantage of the exemption provided in FRS102 not to disclose transactions with companies within the group of which it is a member, where these transactions occur between entities that are 100% owned members of that group.

The directors consider the material transactions undertaken by the company during the year with related parties were as follows:

Name of party	Relation-ship	Nature of transaction	Transaction amount 2017	Amount owed (to)/by related party at 31 March 2017	Transaction amount 2016	Amount owed (to)/by related party at 31 March 2016
			£'000	£'000	£'000	£'000
Primary Plus Holdings Limited	Indirect shareholder	Interest Loan	(308)	(550) (3,285)	(297)	(751) (3,314)
Community Health Partnership	Indirect shareholder	Services Debtor Interest Loan	4,524 (205) 	 112 (366) (2,190)	4,766 (198) 	 64 (501) (2,209)