

**Company Registration No. 04928314 (England and Wales)**

**GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2)  
LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2020**



# **GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	P Tipping R J Coates C S E Douglass L A Dadge K O'Brien A N Duck	(Appointed 24 April 2019)
<b>Secretary</b>	M Duggan	
<b>Company number</b>	04928314	
<b>Registered office</b>	Unit G1 Ash Tree Court Nottingham Business Park Nottingham NG8 6PY	
<b>Auditor</b>	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW	

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# **GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED**

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# **GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2020**

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The directors present their annual report and financial statements for the year ended 31 March 2020.

#### **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.

#### **Directors**

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

P Tipping

R J Coates

C S E Douglass

L A Dadge

K O'Brien

A N Duck

(Appointed 24 April 2019)

M Grinonneau

(Appointed 18 April 2019 and resigned 23 April 2019)

G W Mackinlay

(Resigned 24 April 2019)

Grt Nottingham LIFT Project Company (No.2) 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.

#### **Results and dividends**

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

#### **Qualifying third party indemnity provisions**

The directors of Grt Nottingham LIFT Project Company (No.2) Limited have qualifying third party indemnity provisions put in place through other companies of which they are also directors.

#### **Going concern**

The company has net liabilities of £7,577,000 (2019: £7,470,000) which includes the negative fair value of the interest rate swaps of £10,720,000 (2019: £9,170,000) and positive fair value of RPI swaps of £1,047,000 (2019: £168,000 negative) within liabilities and net current assets of £1,733,000 (2019: £1,633,000), including cash of £2,816,000 (2019: £2,241,000) at 31 March 2020.

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 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.

# **GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2020**

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### **Going concern (continued)**

In the annual review of the company's going concern, the directors have considered the long term impact of the corona virus, COVID-19, pandemic. Recent Government Procurement Policy Note sets out information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the current COVID-19 outbreak confirming that the suppliers will continue to be paid as normal. The company has entered into long-term contracts with its customer and suppliers, and after careful review of these contracts the directors are confident that the company can operate as normal for the next twelve months. The directors have committed to carrying out regular reviews of the company's cash flows to monitor the ongoing situation.

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.

### **Auditor**

UHY Hacker Young were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

### **Statement of directors' responsibilities**

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement of disclosure to auditor**

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

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

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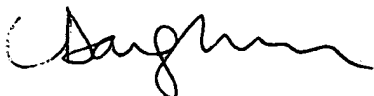
**GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2020**

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On behalf of the board



**C S E Douglass**  
**Director**

31 July 2020

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED**

#### **Opinion**

We have audited the financial statements of Grt Nottingham LIFT Project Company (No.2) Limited (the 'company') for the year ended 31 March 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 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.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED**

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#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

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

#### **Matters on which we are required to report by exception**

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

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

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



## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED**

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#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

#### **Other matters**

The financial statements for the year ended 31 March 2019 were audited by another auditor, who gave an unqualified opinion on 30 September 2019.

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Marc Waterman (Senior Statutory Auditor)**  
for and on behalf of UHY Hacker Young

31 July 2020

**Chartered Accountants**  
**Statutory Auditor**

**GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED****STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020 £000	2019 £000
<b>Turnover</b>	<b>3</b>	1,762	1,132
Cost of sales		(963)	(645)
<b>Gross profit</b>		<u>799</u>	<u>487</u>
Administrative expenses		(247)	(141)
<b>Operating profit</b>		<u>552</u>	<u>346</u>
Interest receivable and similar income	<b>7</b>	1,684	1,714
Interest payable and similar expenses	<b>8</b>	(1,913)	(1,957)
<b>Profit before taxation</b>		<u>323</u>	<u>103</u>
Tax on profit	<b>9</b>	(346)	(129)
<b>Loss for the financial year</b>		<u>(23)</u>	<u>(26)</u>
<b>Other comprehensive income</b>			
Cash flow hedges loss arising in the year		(335)	(726)
Tax relating to other comprehensive income		251	123
<b>Total comprehensive income for the year</b>		<u>(107)</u>	<u>(629)</u>

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

The notes on pages 11 to 25 form part of these financial statements.

# GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020 £000	£000	2019 £000	£000
<b>Current assets</b>					
Debtors falling due after more than one year	11	25,300		25,827	
Debtors falling due within one year	11	345		494	
Cash at bank and in hand		2,816		2,241	
		<u>28,461</u>		<u>28,562</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(1,428)</u>		<u>(1,102)</u>	
<b>Net current assets</b>			27,033		27,460
<b>Creditors: amounts falling due after more than one year</b>	14		(34,610)		(34,930)
<b>Net liabilities</b>			<u>(7,577)</u>		<u>(7,470)</u>
<b>Capital and reserves</b>					
Called up share capital	17		1		1
Hedging reserve			(7,835)		(7,751)
Profit and loss reserves			257		280
<b>Total equity</b>			<u>(7,577)</u>		<u>(7,470)</u>

The notes on pages 11 to 25 form part of these financial statements.

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

The financial statements were approved by the board of directors and authorised for issue on 31 July 2020 and are signed on its behalf by:



C S E Douglass  
Director

Company Registration No. 04928314

**GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2020**

	<b>Share capital</b>	<b>Hedging reserve</b>	<b>Profit and loss reserves</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2018</b>	<u>1</u>	<u>(7,148)</u>	<u>306</u>	<u>(6,841)</u>
<b>Year ended 31 March 2019:</b>				
Loss for the year	-	-	(26)	(26)
Other comprehensive income:				
Cash flow hedges gains	-	(726)	-	(726)
Tax relating to other comprehensive income	-	123	-	123
	<u>-</u>	<u>(603)</u>	<u>(26)</u>	<u>(629)</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>(603)</u>	<u>(26)</u>	<u>(629)</u>
<b>Balance at 31 March 2019</b>	<u>1</u>	<u>(7,751)</u>	<u>280</u>	<u>(7,470)</u>
<b>Year ended 31 March 2020:</b>				
Loss for the year	-	-	(23)	(23)
Other comprehensive income:				
Cash flow hedges gains	-	(335)	-	(335)
Tax relating to other comprehensive income	-	251	-	251
	<u>-</u>	<u>(84)</u>	<u>(23)</u>	<u>(107)</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>(84)</u>	<u>(23)</u>	<u>(107)</u>
<b>Balance at 31 March 2020</b>	<u>1</u>	<u>(7,835)</u>	<u>257</u>	<u>(7,577)</u>

The notes on pages 11 to 25 form part of these financial statements

**GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 MARCH 2020**

		2020		2019	
	Notes	£000	£000	£000	£000
<b>Cash flows from operating activities</b>					
Cash generated from operations	20		1,219		527
Interest paid			(1,913)		(1,957)
Income taxes paid			(1)		(9)
<b>Net cash outflow from operating activities</b>			(695)		(1,439)
<b>Investing activities</b>					
Interest received		1,684		1,714	
<b>Net cash generated from investing activities</b>			1,684		1,714
<b>Financing activities</b>					
Repayment of borrowings		-		(22)	
Repayment of bank loans		(414)		(352)	
<b>Net cash used in financing activities</b>			(414)		(374)
<b>Net increase/(decrease) in cash and cash equivalents</b>			575		(99)
Cash and cash equivalents at beginning of year			2,241		2,340
<b>Cash and cash equivalents at end of year</b>			2,816		2,241

The notes on pages 11 to 25 form part of these financial statements.

# **GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 MARCH 2020**

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#### **1 Accounting policies**

##### **Company information**

Grt Nottingham LIFT Project Company (No.2) Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit G1 Ash Tree Court, Nottingham Business Park, Nottingham, NG8 6PY.

##### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

##### **1.2 Going concern**

The company has net liabilities of £7,577,000 (2019: £7,470,000) which includes the negative fair value of the interest rate swaps of £10,720,000 (2019: £9,170,000) and positive fair value of RPI swaps of £1,047,000 (2019: £168,000 negative) within liabilities and net current assets of £1,733,000 (2019: £1,633,000), including cash of £2,816,000 (2019: £2,241,000) at 31 March 2020.

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 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.

In the annual review of the company's going concern, the directors have considered the long term impact of the corona virus, COVID-19, pandemic. Recent Government Procurement Policy Note sets out information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the current COVID-19 outbreak confirming that the suppliers will continue to be paid as normal. The company has entered into long-term contracts with its customer and suppliers, and after careful review of these contracts the directors are confident that the company can operate as normal for the next twelve months. The directors have committed to carrying out regular reviews of the company's cash flows to monitor the ongoing situation.

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.

# **GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2020**

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### **1 Accounting policies**

**(Continued)**

#### **1.3 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 2 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 infrastructure 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.

##### **c. Other revenue items**

Rental income from operating leases is recognised on a straight-line basis over the lease term.

#### **1.4 Cash and cash equivalents**

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

# GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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### 1 Accounting policies

(Continued)

#### 1.5 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, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

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

##### *Basic financial assets*

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

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.

##### *Classification of financial liabilities*

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

##### *Basic financial liabilities*

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

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

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



# **GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2020**

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### **1 Accounting policies**

**(Continued)**

#### **1.6 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company. There is no requirement to pay dividends unless approved by the shareholders by way of written resolution where there is sufficient cash to meet current liabilities, and without written detriment to senior debt covenants, if applicable.

#### **1.7 Derivatives**

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

#### **1.8 Hedge accounting**

The company designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges. At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Any gain or loss previously recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. This occurs when the hedging instrument expires or no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

#### **1.9 Taxation**

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

# **GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2020**

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### **1 Accounting policies**

**(Continued)**

#### ***Current tax***

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

#### ***Deferred tax***

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

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

#### **1.10 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 on a straight line basis over the term of the loan.

## **GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2020**

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#### **2 Judgements and key sources of estimation uncertainty**

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

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

##### **Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

##### ***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,

##### **Key sources of estimation uncertainty**

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

##### ***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 2020 is 7.21% (2019: 7.21%) 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 2020 is 49.08% (2019: 35.64%) 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.

# **GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 MARCH 2020**

#### **3 Turnover**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Turnover analysed by class of business</b>		
Cost recoveries	650	202
Service margin	925	887
Rental income (third party)	55	43
Other income	132	-
	<u>1,762</u>	<u>1,132</u>

#### **4 Auditor's remuneration**

The audit fee for the company amounted to £nil (2019: £3,000). This has been borne by the parent company.

#### **5 Employees**

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

#### **6 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.

#### **7 Interest receivable and similar income**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Financial asset interest receivable	<u>1,684</u>	<u>1,714</u>

#### **8 Interest payable and similar expenses**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Bank interest payable	1,571	1,613
Loan note interest payable	342	344
	<u>1,913</u>	<u>1,957</u>

**GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2020**

**9 Taxation**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	346	129
	<u>          </u>	<u>          </u>

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

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Profit before taxation	323	103
	<u>          </u>	<u>          </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	61	20
Tax effect of expenses that are not deductible in determining taxable profit	-	38
Adjustments in respect of prior years	(104)	-
Effect of change in corporation tax rate	(191)	(15)
Group relief	366	86
Other non-reversing timing differences	(37)	-
Deferred taxation	251	-
	<u>          </u>	<u>          </u>
Taxation charge for the year	346	129
	<u>          </u>	<u>          </u>

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	(251)	(123)
	<u>          </u>	<u>          </u>

# GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 10 Financial instruments

	2020 £000	2019 £000
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	26,714	28,625
<b>Carrying amount of financial liabilities</b>		
Measured at fair value through profit or loss		
- Derivative financial instruments	9,673	9,338
Measured at amortised cost	25,887	26,013

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.

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

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

Historically, the company borrowed funds from its bankers under two term loans of £21,900,000 and £6,400,000, which are repayable in 2036.

To hedge the potential volatility in future interest cash flows arising from movements in LIBOR, the company has entered into floating to fixed interest rate swaps with a nominal value equal to the 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 4.53% and 4.82% per annum, for the Amortising and Bullet loans, respectively, and receiving LIBOR (though cash flows are settled on a net basis). The company pays LIBOR, plus margins of 2.0% and 2.25%, respectively, effectively fixing the total interest cost on loans and interest rate swaps at 6.53% and 7.07% per annum.

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 £10,720,000 (2019: £9,170,000) at the reporting date. The cash flows arising from the interest rate swaps will continue until their maturity in 2036, coincidental with the repayment of the term loans. The change in fair value in the period was an increase of £1,550,000 (2019: £379,000 decrease), with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

# GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 10 Financial instruments

(Continued)

In 2010, the company entered into two LPA agreements having fixed contractual terms which cause their revenue 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 LPA contract and RPI re-pricing dates identical to those of the LPA contract. These result in the company 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 positive fair value of £1,047,000 (2019: £168,000 negative) at the reporting date. The cash flows arising from the interest rate swap will continue until their maturity in March 2035, coincidental with the LPA contractual terms. The change in fair value in the period was an increase of £1,215,000 (2019: £347,000 decrease), with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

#### 11 Debtors

	2020	2019
	£000	£000
<b>Amounts falling due within one year:</b>		
Trade debtors	43	167
Other debtors	10	(42)
Prepayments and accrued income	292	369
	<u>345</u>	<u>494</u>
	2020	2019
	£000	£000
<b>Amounts falling due after more than one year:</b>		
Other debtors	23,812	24,245
Deferred tax asset (note 16)	1,488	1,582
	<u>25,300</u>	<u>25,827</u>
<b>Total debtors</b>	<u>25,645</u>	<u>26,321</u>

#### 12 Cash at bank and in hand

Included in cash at bank and in hand is cash of £2,816,000 (2019: £2,241,000), which is restricted for use in pre-described circumstances by the bank.

**GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2020****13 Creditors: amounts falling due within one year**

	Notes	2020 £000	2019 £000
Bank loans	15	502	415
Amounts owed to related parties	15	150	6
Trade creditors		19	(97)
Taxation and social security		138	161
Accruals and deferred income		619	617
		<u>1,428</u>	<u>1,102</u>

The amounts shown in accruals and deferred income include interest on loans on the subordinated and mezzanine debts of £467,000 (2019: £454,000). The amounts owed to related parties shown above relate to the subordinated and mezzanine debts.

**14 Creditors: amounts falling due after more than one year**

	Notes	2020 £000	2019 £000
Bank loans and overdrafts	15	22,017	22,518
Amounts owed to related parties	15	2,580	2,724
Derivative financial instruments		9,673	9,338
Deferred income		340	350
		<u>34,610</u>	<u>34,930</u>

Amounts included above which fall due after five years are as follows:

Payable by instalments	21,659	20,120
	<u>21,659</u>	<u>20,120</u>



# **GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 MARCH 2020**

#### **15 Loans and overdrafts**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Bank loans	22,519	22,933
Loans from related parties	2,730	2,730
	<u>25,249</u>	<u>25,663</u>
Payable within one year	652	421
Payable after one year	<u>24,597</u>	<u>25,242</u>

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

The amounts drawn under the Senior Debt Facility are repayable on an agreed repayment profile commencing on 31 March 2012 and ending on 30 November 2036, together with bullet instalment totalling £6,400,000 payable on 31 December 2036.

The company has entered into an interest rate swap agreement whereby it pays a fixed rate of 4.53% per annum in respect of amounts drawn under the Amortising Senior Debt Facility, and receives LIBOR. The company has also entered into an interest rate swap agreement whereby it pays a fixed rate of 4.82% per annum in respect of amounts drawn under the Bullet Senior Debt Facility, and receives LIBOR. The swaps expire on 31 December 2036.

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

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

The subordinated loan notes carry a coupon of 12.5% and are repayable in pre-determined semi-annual instalments commencing on 30 June 2013 and ending on 31 March 2037. The loans are unsecured.

# GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 16 Deferred taxation

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

	<b>Assets 2020 £000</b>	<b>Assets 2019 £000</b>
<b>Balances:</b>		
Accelerated capital allowances	(1,361)	(983)
UK property business losses	89	89
Non-trade loan relationship losses	800	830
Provisions	59	59
Cash flow hedge reserve	1,901	1,587
	<u>1,488</u>	<u>1,582</u>
<b>Movements in the year:</b>		<b>2020 £000</b>
Asset at 1 April 2019		(1,582)
Charge to profit or loss		345
Credit to other comprehensive income		(251)
Asset at 31 March 2020		<u>(1,488)</u>

#### 17 Share capital

	<b>2020 £000</b>	<b>2019 £000</b>
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
1,000 (2019: 1,000) Ordinary shares of £1 each	<u>1</u>	<u>1</u>

#### 18 Related party transactions

##### Transactions with related parties

The company has taken advantage of the exemption provided in FRS 102 not to disclose transactions with companies within the group of which it is a member, where these transactions occur between entities which are 100% owned members of that group.

During the year the company entered into the following transactions with related parties:

# GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 18 Related party transactions

(Continued)

Name of related party	Nature of relationship
Community Health Partnerships Limited	Shareholder in Grt Nottingham LIFT Company Limited
Nottingham City Council	Shareholder in Grt Nottingham LIFT Company Limited
Primary Plus Holdings Limited	Shareholder in Grt Nottingham LIFT Company Limited

Description of transaction		Income		Payments	
		2020	2019	2020	2019
		£000	£000	£000	£000
Community Health Partnerships Limited	Provision of services/ loan interest	1,242	1,430	123	99
Nottingham City Council	Provision of services/ loan interest	2,445	2,361	14	38
Primary Plus Holdings Limited	Loan interest	-	-	205	206

### Balances with related parties

	Amounts owed by related parties		Amounts owed to related parties	
	2020	2019	2020	2019
	£000	£000	£000	£000
Community Health Partnerships Limited	28	-	983	970
Nottingham City Council	15	371	109	307
Primary Plus Holdings Limited	-	-	1,638	1,638

### 19 Ultimate controlling party

The company is a wholly owned subsidiary of Grt Nottingham LIFT Midco (No.2) Limited, which is in turn a wholly owned subsidiary of Grt Nottingham LIFT Company Limited. Both are registered in England and Wales. Grt Nottingham LIFT Company Limited is owned by Primary Plus Holdings Limited (60%), Nottingham City Council (4%) and Community Health Partnerships Limited (36%), which are all 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.

**GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.2) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2020**

**20 Cash generated from operations**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Loss for the year after tax	(23)	(26)
<b>Adjustments for:</b>		
Taxation charged	346	129
Finance costs	1,913	1,957
Investment income	(1,684)	(1,714)
<b>Movements in working capital:</b>		
Decrease in debtors	582	63
Increase/(decrease) in creditors	95	(232)
(Decrease)/increase in deferred income	(10)	350
<b>Cash generated from operations</b>	<b>1,219</b>	<b>527</b>

**21 Analysis of changes in net debt**

	<b>1 April 2019</b>	<b>Cash flows</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	2,241	575	2,816
Borrowings excluding overdrafts	(25,663)	414	(25,249)
	<b>(23,422)</b>	<b>989</b>	<b>(22,433)</b>