

Registration Number: 04958890

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

WEDNESDAY



A17 *A56ADI63* 04/05/2016 #384
COMPANIES HOUSE

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
COMPANY INFORMATION

Directors	R Laing J Taylor R Williams J Keyte E Forsyth P Sherriff M Grinonneau
Secretary	R Williams
Registered Number	04958890
Registered Office	5 The Triangle Wildwood Drive Worcester Worcestershire WR5 2QX
Auditors	PricewaterhouseCoopers LLP Cornwall Court 19 Cornwall Street Birmingham B3 2DT

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
CONTENTS

Strategic Report.....	4
Directors' Report	6
Independent Auditors' Report.....	8
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Comprehensive Income	11
Consolidated and Company Statement of Financial Position	12
Consolidated Cash Flow Statement	14
Notes to the Financial Statements	15

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
STRATEGIC REPORT
YEAR ENDED 31 DECEMBER 2015

Review of Business

The group is a property development joint venture between BaSS LIFT Holdings Limited (a subsidiary of Prime LIFT Investments Limited) and Community Health Partnerships Limited to deliver health, social care and educational infrastructure in the Birmingham and Solihull area.

The group's properties are let predominantly to NHS and Local Authority backed clients, on long leases.

The group's profit before tax increased by £2,727,701 to £7,147,608 (2014 - £4,419,907). The main reason for the increase is due the larger revaluation of properties in 2015 of £4,405,000 in comparison to £1,598,000 in 2014.

The net assets of the group have increased by 53% to £22,234,525 (2014 - £14,525,949) largely due to the profit for the year and assisted by an upwards revaluation of the group's property portfolio. The gross value of the properties owned by the group at the year end was £194,047,114.

Construction on the group's largest project to date, Birmingham Dental Hospital and School of Dentistry, continued during 2015. The project is due to become operational and earnings accretive in early 2016.

As a public private partnership with public sector clients, the principal risks and uncertainties relate to the credit risk of the public sector tenants together with potential delays in the property development programme. Credit risk is considered to be low, but delays in the development programme have been experienced due to budget constraints in the NHS and Local Authorities.

The profit for the group, excluding the revaluation increases is anticipated to increase for the year to 31 December 2016 due to rental growth and the Birmingham Dental Hospital earning rental income. It is also anticipated that the net assets of the group will be largely stable.

Key Performance Indicators

The group and subsidiary companies use 'Net Asset Value growth', 'Rental growth' and 'Pre-tax profits' excluding revaluation increases as its financial key performance indicators (KPIs) to measure its performance. The directors consider these ratios to be the most relevant to the nature of the trading and investing activities of the group as a whole.

Metrics:

- Sustained growth in 'Net Asset Value'
- Sustained rental growth
- 'Pre-tax profits' excluding revaluation increases to exceed 5% of turnover

Performance:

- 'Net Asset Value' increased by 53.0%
- Rental income increased by 1.3%
- 'Pre-tax profits excluding revaluation increases' were 22.6% of turnover

Financial risk management

The group's financial risk management objective is broadly to seek to make neither a profit nor a loss from exposure to interest rate risk. Its policy is to finance working capital through retained earnings and to finance fixed assets through borrowings for the term of the first lease of each of these assets.

The group's hedging strategy is to enter into financial instruments in the form of either interest rate swaps and RPI revenue swaps or other fixed interest arrangements in order to manage its exposure to interest rate and inflation rate risk as required. These financial instruments are held for the purposes of hedging through the entire term of the relevant loan or lease and are not intended to be traded, so that the group's exposure to price risk of financial instruments is minimal. Further as the counterparties to all financial instruments are its bankers and its parent company, the group is also exposed to minimal credit risk or liquidity risk in respect of these instruments.

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
STRATEGIC REPORT
YEAR ENDED 31 DECEMBER 2015

The group's lease revenues and most of its costs were linked to inflation at the inception of projects. In respect of part of the portfolio the financing structures include a portion of the lease income being subject to a RPI revenue swap and senior loan repayment profiles are structured such that the group would continue to meet its covenants in a low inflation environment, resulting in these projects being largely but not wholly insensitive to inflation.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or profit.

This report was approved by the board on 15 April 2016 and signed on its behalf.

A handwritten signature in black ink, appearing to be 'R Williams', with a horizontal line underneath.

R Williams
Director

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2015

The directors submit their report and the consolidated financial statements for the year ended 31 December 2015.

Principal Activity

The principal activity of the BaS group (Birmingham and Solihull Local Improvement Finance Trust Limited and subsidiaries) during the year was that of property investment, property development and delivering services in health and education facilities. It acquires land and designs and constructs facilities for rent in the Birmingham and Solihull area as part of the government sponsored Local Improvement Finance Trust (LIFT) initiative.

A review of the business and future developments is included within the Strategic Report.

Dividends

No dividends were distributed for the year ended 31 December 2015 (2014 - £Nil).

Directors

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

R Laing
J Taylor
R Williams
J Keyte
E Forsyth
P Sherriff

During the year, the following change in directors has occurred:

A Pursey – resigned 30 April 2015
S Barnes – resigned 17 June 2015
M Grinonneau – appointed 17 June 2015
M Dyer – resigned 15 December 2015

The Chair of the Board, J Taylor is remunerated by the company.

All other directors are remunerated by their respective employing entities.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 ;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements ;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2015

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 as to disclosure of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the group's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

This report was approved by the board on 15 April 2016 and signed on its behalf.



R Williams
Director

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED**

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion Birmingham and Solihull Local Improvement Finance Trust Limited's group financial statements and company financial statements ("the financial statements"), defined below:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit and cash flows 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.

What we have audited

Birmingham and Solihull Local Improvement Finance Trust Limited's financial statements comprise:

- the consolidated and company statements of financial position as at 31 December 2015;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED**

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 group's and the parent 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements (the "Annual Report") to identify 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.



Paul Nott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

26 April 2016

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £	2014 £
REVENUE		12,116,791	11,984,686
Administrative expenses		(2,293,089)	(2,040,402)
Revaluation of investment properties	9	4,405,000	1,598,000
OPERATING PROFIT	2	14,228,702	11,542,284
Interest receivable and similar income	4	44,484	38,748
Interest payable and similar charges	5	(7,125,578)	(7,161,125)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,147,608	4,419,907
TAX ON PROFIT ON ORDINARY ACTIVITIES	6	(566,015)	(445,089)
PROFIT FOR THE FINANCIAL YEAR		6,581,593	3,974,818

All amounts relate to continuing operations.

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £	2014 £
PROFIT FOR THE FINANCIAL YEAR		6,581,593	3,974,818
Other comprehensive income/(expense):			
Change in fair value of hedging instruments		1,624,757	(3,337,854)
Tax on components of other comprehensive income	6	(497,774)	667,570
OTHER COMPREHENSIVE INCOME FOR THE YEAR		1,126,983	(2,670,284)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,708,576	1,304,534

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2015

		GROUP		COMPANY	
	Note	2015	2014	2015	2014
		£	£	£	£
FIXED ASSETS					
Tangible fixed assets	7	813	1,424	813	1,424
Investments	8	-	-	1,004	1,004
Investment property	9	194,047,114	177,627,318	-	-
		194,047,927	177,628,742	1,817	2,428
CURRENT ASSETS					
Debtors: amounts falling due within one year	10	192,079	4,746,506	-	64,353
Debtors: amounts falling due after more than one year	10	84,089	442,295	12,593,536	12,428,364
Cash at bank and in hand		13,573,667	11,034,605	51,558	114,625
		13,849,835	16,223,406	12,645,094	12,607,342
CREDITORS - amounts falling due within one year	11	(6,953,181)	(4,738,633)	(167,831)	(257,787)
NET CURRENT ASSETS		6,896,654	11,484,773	12,477,263	12,349,555
TOTAL ASSETS LESS CURRENT LIABILITIES		200,944,581	189,113,515	12,479,080	12,351,983
CREDITORS – amounts falling due after more than one year	12	(176,236,399)	(172,817,711)	(12,509,140)	(12,348,879)
PROVISIONS FOR LIABILITIES	14	(2,473,657)	(1,769,855)	-	-
NET ASSETS/(LIABILITIES)		22,234,525	14,525,949	(30,060)	3,104
CAPITAL AND RESERVES					
Called-up share capital	16	50,000	50,000	50,000	50,000
Revaluation reserve	17	35,211,655	30,826,753	-	-
Hedging reserve	17	(7,085,745)	(8,212,728)	-	-
Retained earnings	17	(5,941,385)	(8,138,076)	(80,060)	(46,896)
EQUITY SHAREHOLDERS' FUNDS		22,234,525	14,525,949	(30,060)	3,104

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 April 2016



R Laing
Director

Birmingham and Solihull Local Improvement Finance Trust Limited
Registered Number – 04958890

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

CONSOLIDATED

	Called-up share capital £	Revaluation reserve £	Hedging reserve £	Retained earnings £	Total reserves £
AT 1 JANUARY 2014	50,000	29,182,563	(5,542,444)	(10,468,704)	13,221,415
CHANGES IN EQUITY					
Profit for the financial year	-	-	-	3,974,818	3,974,818
Other comprehensive expense for the year	-	-	(2,670,284)	-	(2,670,284)
Transfer in respect of property valuation gains		1,644,190	-	(1,644,190)	-
AT 31 DECEMBER 2014	50,000	30,826,753	(8,212,728)	(8,138,076)	14,525,949
CHANGES IN EQUITY					
Profit for the financial year	-	-	-	6,581,593	6,581,593
Other comprehensive income for the year	-	-	1,126,983	-	1,126,983
Transfer in respect of property valuation gains		4,384,902	-	(4,384,902)	-
AT 31 DECEMBER 2015	50,000	35,211,655	(7,085,745)	(5,941,385)	22,234,525

COMPANY

	Called-up share capital £	Retained earnings £	Total reserves £
AT 1 JANUARY 2014	50,000	(54,024)	(4,024)
CHANGES IN EQUITY			
Profit for the financial year	-	7,128	7,128
AT 31 DECEMBER 2014	50,000	(46,896)	3,104
CHANGES IN EQUITY			
Loss for the financial year	-	(33,164)	(33,164)
AT 31 DECEMBER 2015	50,000	(80,060)	(30,060)

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £	2014 £
OPERATING ACTIVITIES			
Net cash flows from operations	19	11,379,504	8,797,435
Corporation tax paid		-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES		11,379,504	8,797,435
INVESTING ACTIVITIES			
Interest receivable		62,866	60,799
Development costs of properties under the course of construction		(8,835,439)	(20,698,313)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(8,772,573)	(20,637,514)
FINANCING ACTIVITIES			
Interest payable		(9,114,540)	(8,008,518)
New loans drawn down		6,064,288	26,177,855
Repayment of loans		(1,367,781)	(1,420,808)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(4,418,033)	16,748,529
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,811,102)	4,908,450
CASH AND CASH EQUIVALENTS AT 1 JANUARY		15,385,950	10,477,500
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		13,574,848	15,385,950
CASH AND CASH EQUIVALENTS CONSISTS OF:			
Cash at bank and in hand		13,573,667	11,034,605
Short term deposits	10	1,181	4,351,345
CASH AND CASH EQUIVALENTS		13,574,848	15,385,950

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

a. General information and basis of accounting

Birmingham and Solihull Local Improvement Finance Trust Limited ('the company') is a company limited by shares and is incorporated in England and Wales. The address of the registered office is 5 The Triangle, Wildwood Drive, Worcester, Worcestershire, WR5 2QX. The nature of the company's operations and its principal activities are that of property investment, property development and delivering services in health and education facilities.

The consolidated and separate financial statements have been prepared in compliance with FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" and the Companies Act 2006.

The financial statements have been prepared under the historical cost convention and on a going concern basis.

The company along with its subsidiaries (together 'the group') transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. On transition to FRS 102 the group has elected not to apply paragraphs 34.12I to 34.16A of the standard in respect of service concession arrangements that were entered into before the date of transition to FRS 102. Such service concession arrangements continue to be accounted for using the same accounting policies being applied at the date of transition to FRS 102. A reconciliation and an explanation of how the transition to FRS 102 has affected the reported financial position and financial performance is given in note 22.

The financial statements comprise the audited financial statements of the group and company up to 31 December each year, and are stated in pound sterling, the group's functional and presentational currency. No Income Statement is presented for the company as permitted by section 408 of the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

b. Basis of consolidation

The financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December each year. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Subsidiaries are consolidated from the date of acquisition, being the date on which the group obtains control and continue to be consolidated until the date such control ceases. Control comprises the power to govern the financial statements of the investee so as to obtain benefit from its activities.

c. Related party exemption

The group has taken advantage of the exemption under Section 33 of FRS 102, not to disclose related party transactions with wholly owned subsidiaries within the group.

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (CONTINUED)

d. Revenue recognition

Revenue comprises the value of services supplied during the period and rental income arising from operating leases on investment properties. Revenue is recognised to the extent that there is a right to receive consideration and is recorded at the fair value of consideration received or receivable excluding value added tax.

Rental income is accounted for on a straight line basis over the lease term. An annual inflationary adjustment to the operating lease rentals linked to the Retail Prices Index (RPI) is recognised on all operating leases from 1 April each year and is based on the published RPI index for the month of February in the year of review.

All revenue is attributable to one class of business and arose in the United Kingdom.

e. Interest income

Interest income is recognised using the effective interest method.

f. Borrowing costs

Borrowing costs on loans which are directly attributable to the construction of tangible assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantively all the activities that are necessary to get the asset ready for use are complete.

Finance costs which include interest on loans and debt issue costs, are recognised over the life of the debt on an effective interest basis. The unamortised portion of any deferred or accelerated finance costs are netted off or added to the relevant debt balance.

All other borrowing costs are recognised as an expense in the income statement.

g. Rentals under operating leases

Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

h. Taxation

Taxation expense for the period comprises current and deferred tax recognised in the period. Tax is recognised in the income statement, 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 tax is the amount of UK corporation tax payable in respect of the taxable profit for the year or prior years calculated using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

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.

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (CONTINUED)

h. Taxation (continued)

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.

Except for deferred tax relating to investment property, all other deferred tax is measured using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply to the reversal of the timing difference. Deferred tax relating to investment property that is measured at fair value is calculated using the tax rates and allowances that apply to the sale of the asset.

i. Tangible assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses with the exception of properties under the course of construction. Depreciation is provided when the assets become available for use in the manner intended by management at rates calculated to write off the cost of each asset over its expected useful life as follows:

Fixtures and fittings	-	25% on a straight line basis
Computer & office equipment	-	25% on a straight line basis

Properties under the course of construction are stated at cost less accumulated impairment losses and are not depreciated as the assets are not usually available for use in the manner intended by management.

j. Investments

In the company's financial statements investments in subsidiaries are stated at cost less accumulated impairment losses.

An impairment review is carried out by comparing the carrying value of investments with a valuation of the individual subsidiary company. Given the nature of the group activities the valuation of subsidiaries is generally based on their underlying net asset value.

k. Investment property

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the income statement. Unrealised gains (net of any related deferred tax) are transferred from retained earnings to a separate revaluation reserve.

l. Financial instruments

The group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets and liabilities:

Basic financial assets and liabilities, including trade and other debtors/creditors, cash/bank balances and borrowings (Senior and Junior loans) are initially recognised at transaction price. Borrowings are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan and are amortised over the life of the loan to which it relates.

Derivatives, including interest rate and RPI swaps are not basic financial instruments. Derivatives

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (CONTINUED)

i. Financial instruments (continued)

are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the income statement in interest received or interest payable as appropriate, unless they are included in a hedging arrangement.

(ii) Hedging arrangements:

The group applies hedge accounting for transactions entered into to manage the cash flow exposures of rental income receivable and borrowings.

RPI swaps are used to hedge the group's exposure to movements in inflation by fixing a portion of the rental income receivable which is inflation linked.

Interest rate swaps are used to hedge the group's exposure to movements in floating interest rates.

Changes in the fair value of derivatives designated as cash flow hedges, and which are effective, are recognised in other comprehensive income. Any ineffectiveness in the hedging relationship is recognised in the income statement.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria or the hedging instrument is terminated.

m. Critical accounting judgements and estimates

In preparing the financial statements the directors are required to make a number of accounting judgements and make estimates and assumptions concerning the future. The following judgements and estimates are deemed significant in the context of these financial statements:

- i. On adoption of FRS 102, the directors have elected not to apply paragraphs 34.12 to 34.16A of the standard in respect of service concession arrangements entered into before the date of transition, and hence continue to account for the arrangements using the same accounting policies as applied historically under UK GAAP. The group's assets under the LIFT contracts are therefore recognised as investment properties rather than financial assets.
- ii. Investment properties are recognised at their fair value. The assessment of fair value requires the use of a range of assumptions, including future inflation rates and property yields. The valuations have been prepared by independent professional valuers, using appropriate industry guidelines.
- iii. The group is recognising a deferred tax asset in respect of carried forward tax losses. To support such recognition, the directors have assessed the forecast future taxable profits of the group to ensure that it is probable that these losses will be utilised.
- iv. Derivative financial instruments are recognised at fair value. The assessment of fair value includes estimates of future market interest and inflation rates.

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

2. OPERATING PROFIT

The operating profit is stated after charging:

	2015 £	2014 £
Depreciation of tangible fixed assets:		
- owned by the group	611	610
Auditor's remuneration:		
- Audit of parent company	10,802	6,500
- Audit of subsidiaries	21,195	17,500
- Tax compliance services	1,376	1,095
Operating lease rentals:		
- Loss on disposal of fixed assets	-	30,914

3. STAFF COSTS

Staff costs, including director's emoluments, were as follows:

	2015 £	2014 £
Wages and salaries	21,450	21,013
Social security costs	2,057	2,173
	23,507	23,186

The staff costs shown above relate solely to the remuneration of one director (2014: one). The average number of employees in the group during the year was one (2014: one).

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £	2014 £
Bank interest receivable	44,484	38,748
	44,484	38,748

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £	2014 £
Mortgage interest	5,691,275	5,757,760
Junior loan interest	1,329,717	1,297,621
Amortisation of finance costs	104,586	105,744
	7,125,578	7,161,125

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

6. TAXATION

Tax expense included in profit or loss

	2015 £	2014 £
Current tax:		
UK Corporation tax	-	-
Total current tax	-	-
Deferred tax:		
Origination of timing differences	566,015	445,089
Total deferred tax	566,015	445,089
Tax on profit on ordinary activities	566,015	445,089

Tax expense included in other comprehensive income

	2015 £	2014 £
Deferred tax:		
Origination of timing differences	497,774	(667,570)
Total tax income/(expense) included in other comprehensive income	497,774	(667,570)

Reconciliation of tax charge

The tax assessed for the year is lower (2014 – lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	7,147,607	4,419,907
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.247% (2014 – 21.493%)	1,447,176	949,971
Effects of:		
- Revaluation of investment properties	(288,763)	(284,392)
- Income not chargeable for tax purposes	-	(74,854)
- Expenses not deductible for tax purposes	22,530	-
- Re-measurement of deferred tax provision	(614,928)	(145,636)
Tax on profit on ordinary activities	566,015	445,089

Factors that may affect future tax charges

The Finance Act 2013 which was given royal assent and therefore enacted on 17 July 2013 included legislation reducing the main rate of corporation tax from 21% to 20% from 1 April 2015.

In addition the Finance (No.2) Act 2015 was enacted on 26 October 2015 and reduced the main rate of corporation tax from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020.

Based on the enacted changes to the main rate of corporation tax at the reporting date, current tax has been calculated at a blended rate of 20.247% (2014 - 21.493%). Closing balances on deferred tax assets and liabilities have been calculated using the substantively enacted tax rates above.

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

7. TANGIBLE FIXED ASSETS

GROUP AND COMPANY

	Furniture, fixtures and fittings £	Computer & office equipment £	Total £
COST			
At 1 January 2014	185	5,045	5,230
At 31 December 2015	185	5,045	5,230
DEPRECIATION			
At 1 January 2014	185	3,621	3,806
Charge for the year	-	611	611
At 31 December 2015	185	4,232	4,417
NET BOOK VALUES			
At 31 December 2015	-	813	813
At 31 December 2014	-	1,424	1,424

8. INVESTMENTS

	GROUP		COMPANY	
	2015 £	2014 £	2015 £	2014 £
Subsidiary undertakings	-	-	1,004	1,004
	-	-	1,004	1,004
Subsidiary undertakings – company				£
COST AND NET BOOK VALUE				
At 1 January 2015 and 31 December 2015				1,004
				1,004

The parent company has investments in the following subsidiaries:

Name	% Holding	Nature of company
Birmingham and Solihull LIFT (Fundco 1) Limited	100%	Property Investment
Birmingham and Solihull LIFT (Fundco 2) Limited	100%	Property Investment
Birmingham and Solihull LIFT (Fundco 3) Limited	100%	Property Investment
Birmingham and Solihull LIFT (Fundco 4) Limited	100%	Property Investment

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

9. INVESTMENT PROPERTY

GROUP

	Properties under construction £	Investment property £	TOTAL £
FAIR VALUE			
At 1 January 2015	35,536,318	142,091,000	177,627,318
Additions	12,014,796	-	12,014,796
Revaluation	-	4,405,000	4,405,000
AT 31 DECEMBER 2015	47,551,114	146,496,000	194,047,114

Fair value at 31 December 2015 is represented by:

Valuation – 2005	570,032
Valuation – 2006	3,355,000
Valuation – 2007	1,015,418
Valuation – 2008	1,037,686
Valuation – 2009	1,158,077
Valuation – 2010	8,184,000
Valuation – 2011	6,476,540
Valuation – 2012	11,469,730
Valuation – 2013	1,835,306
Valuation – 2014	1,598,000
Valuation – 2015	4,405,000
Cost	152,942,325
AT 31 DECEMBER 2015	194,047,114

Investment properties comprise properties under the course of construction and completed investment properties.

Properties under the course of construction are held at cost as the directors consider that the fair value of such properties cannot be measured reliably without undue cost and effort.

The amount of borrowing costs capitalised within the cost of investment properties under the course of construction during the year was £2,711,053 (2014 - £1,830,133).

All completed investment properties were revalued during the year.

Completed investment properties were revalued to fair value as at 31 December 2015, by independent valuers GVA Grimley Limited Chartered Surveyors with recent experience in the location and class of the investment properties being valued. The valuations were carried out on a Market Value basis as defined by the Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards January 2014, incorporating the International Valuation Standards 2013, IFRS and FT FReM guidelines.

The investment properties are leased to tenants on Lease Plus Agreements (LPA), which are standard form leases used for projects within NHS LIFT schemes. Under the terms of the LPAs, the company has facilities management obligations to repair and maintain the buildings.

The LPAs give tenants the right to acquire the properties in various situations, including at the expiry of the LPA term or in the event the company wishes to dispose of its freehold interest.

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

10. DEBTORS

	GROUP		COMPANY	
	2015	2014	2015	2014
	£	£	£	£
Amounts falling due within one year				
Trade debtors	140,842	303,551	-	57,323
Mortgages held on deposit	1,181	4,351,345	-	-
Other debtors	-	7,170	-	7,030
Prepayments and accrued income	50,056	84,440	-	-
	192,079	4,746,506	-	64,353
Amounts falling due after more than one year				
Amounts owed by group undertakings	-	-	12,509,447	12,348,879
Other debtors	1,780	-	1,780	-
Deferred tax asset (Note 14)	82,309	442,295	82,309	79,485
	84,089	442,295	12,593,536	12,428,364
	276,168	5,188,801	12,593,536	12,492,717

Mortgages held on deposit represent amounts drawn down under bank loans whose use is restricted solely to fund future construction costs

11. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2015	2014	2015	2014
	£	£	£	£
Bank loans (Note 13)	2,014,481	1,598,541	-	-
Trade creditors	1,885,296	169,459	-	175,036
Other creditors	43,139	44,725	-	-
Other taxation and social security	363,809	126,551	5,994	4,814
Accruals and deferred income	2,646,456	2,799,357	161,837	77,937
	6,953,181	4,738,633	167,831	257,787

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

12. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		COMPANY	
	2015	2014	2015	2014
	£	£	£	£
Bank loans (Note 13)	149,869,103	145,463,455	-	-
Amounts owed to joint venture partners	12,509,140	12,348,879	12,509,140	12,348,879
Amounts owed to related parties	5,217,004	4,739,468	-	-
Derivative financial instruments	8,641,152	10,265,909	-	-
	176,236,399	172,817,711	12,509,140	12,348,879

Amounts owed to joint venture partners represent the junior loans with a fixed interest rate of 11.50% to 12% and are repayable in more than 5 years.

Amounts owed to related parties represent the junior loan used to finance the group's property under the course of construction. The loan attracts a fixed interest rate of 0% during the construction period of the property and 12.5% during the operating period and is repayable in more than 5 years. Interest is accrued on the loan by applying the effective interest rate over the life of the loan.

13. BANK LOANS

	GROUP		COMPANY	
	2015	2014	2015	2014
	£	£	£	£
Bank loans	153,776,135	149,081,536	-	-
Unamortised finance costs	(1,892,551)	(2,019,540)	-	-
	151,883,584	147,061,996	-	-

Bank loans are repayable as follows:

Within one year	2,141,255	1,725,530	-	-
Between two and five years	10,962,841	9,335,094	-	-
After more than five years	140,672,039	138,020,912	-	-
	153,776,135	149,081,536	-	-

Bank loans are secured by fixed and floating charge over the group's investment properties and other assets. Interest rate payable on the loans range from 4.48% - 6.01% per annum.

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

14. PROVISIONS FOR LIABILITIES

Deferred Tax Liability

	GROUP	COMPANY
	£	£
At 1 January 2015	1,769,855	-
Charge/(Credit) for the year recognised in income statement	206,028	-
Charge/(Credit) for the year recognised in other comprehensive income	497,774	-
AT 31 DECEMBER 2015	2,473,657	-

The deferred tax liability consists of the following liabilities/(assets):

	GROUP		COMPANY	
	2015	2014	2015	2014
	£	£	£	£
Accelerated capital allowances	356,652	85,630	-	-
Capitalised interest	1,267,295	801,390	-	-
Latent gains	5,180,961	3,250,571	-	-
Lease Premiums	(69,582)	(70,555)	-	-
Derivative financial instruments	(1,555,407)	(2,053,182)	-	-
Unutilised losses	(2,706,262)	(243,999)	-	-
	2,473,657	1,769,855	-	-

Deferred Tax Asset

	GROUP	COMPANY
	£	£
At 1 January 2015	442,295	79,485
(Charge)/Credit for the year recognised in income statement	(359,986)	2,824
AT 31 DECEMBER 2015	82,309	82,309

The deferred tax asset consists of the following:

	GROUP		COMPANY	
	2015	2014	2015	2014
	£	£	£	£
Accelerated capital allowances	293	(200,143)	293	203
Capitalised interest	-	(606,716)	-	-
Latent gains	-	(1,910,293)	-	-
Unutilised losses	82,016	3,159,447	82,016	79,282
	82,309	442,295	82,309	79,485

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

15. FINANCIAL INSTRUMENTS

GROUP

The group has the following financial instruments:

	Note	2015 £	2014 £
Financial assets that are debt instruments measured at amortised cost:			
Trade debtors	10	140,842	303,551
Other debtors	10	-	7,170
Mortgages held on deposit	10	1,181	4,351,345
		142,023	4,662,066
Financial liabilities measured at fair value and designated in an effective hedging relationship:			
Derivative financial instruments	12	8,641,152	10,265,909
		8,641,152	10,265,909
Financial liabilities measured at amortised cost:			
Bank loans	11,12	151,883,584	147,061,996
Trade creditors	11	1,885,296	169,459
Amounts owed to joint venture partners	12	12,509,140	12,348,879
Amounts owed to related parties	12	5,217,004	4,739,468
Other creditors	11	43,139	44,725
		171,538,163	164,364,527

(a) Derivative financial instruments

Derivative instruments held by the group comprise interest rate and RPI swaps.

Interest rate swaps are held on all bank loans which convert the borrowings from rates linked to LIBOR to a fixed rate in the range of 3.8% to 4.2%. The fair value of the interest rate swaps is a liability of £8,116,759 (2014 – liability of £8,748,781).

RPI swaps convert a portion of the inflation linked lease revenue to a fixed inflation rate. The fair value of the RPI swaps is a liability of £524,393 (2014 – liability of £1,517,128)

These financial instruments are held for the purposes of hedging through the entire term of the relevant loan or lease and are not intended to be traded, so that the company's exposure to price risk of financial instruments is minimal.

Cash flows from interest rate swaps are settled each quarter on a net basis with the relevant loan repayments and will run until 2036 - 2037. Cash flows from the RPI swaps are settled bi-annually and will also run until 2036 - 2037. A hedging gain of £632,022 (2014 - loss of £5,530,241) was recognised in other comprehensive income for changes in the fair value of the interest rate swaps and a gain of £992,735 (2014 - gain of £2,192,387) for changes in the fair value of the RPI swaps.

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

15. FINANCIAL INSTRUMENTS (CONTINUED)

COMPANY

The company has the following financial instruments:

	Note	2015 £	2014 £
Financial assets that are debt instruments measured at amortised cost:			
Trade debtors	10	-	57,323
Other debtors	10	-	7,030
Amounts owed by group undertakings	10	12,509,447	12,348,879
		12,509,447	12,413,232
Financial liabilities measured at amortised cost:			
Trade creditors	11	-	175,036
Other creditors	11	-	-
Amounts owed to joint venture partners	12	12,509,140	12,348,879
		12,509,140	12,523,915

16. SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Class	Number	Nominal value £	2015 £	2014 £
A Ordinary shares	10,000	1	10,000	10,000
B Ordinary shares	10,000	1	10,000	10,000
C Ordinary shares	10,000	1	30,000	30,000
			50,000	50,000

17. RESERVES

GROUP

	Revaluation reserve £	Hedging reserve £	Retained earnings £	Total reserves £
At 1 January 2015	30,826,753	(8,212,728)	(8,138,076)	14,475,949
Profit for the financial year	-	-	6,581,593	6,581,593
Other comprehensive income for the year	-	1,126,983	-	1,126,983
Transfer in respect of property valuation gains	4,384,902	-	(4,384,902)	-
At 31 December 2015	35,211,655	(7,085,745)	(5,941,385)	22,184,525

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

17. RESERVES (CONTINUED)

COMPANY

	Retained earnings £	Total reserves £
At 1 January 2015	(46,896)	(46,896)
Loss for the financial year	(33,164)	(33,164)
At 31 December 2015	(80,060)	(80,060)

The retained earnings reserve represents cumulative profits and losses net of transfers of investment property revaluations and other adjustments.

The hedging reserve represents the cumulative portion of gains and losses recorded on the company's interest rate and RPI swap hedging arrangements.

The revaluation reserve represents the cumulative effect of revaluations of completed investment properties which are revalued to fair value at each reporting date.

18. CAPITAL AND OTHER COMMITMENTS

GROUP

At 31 December, the group had the following capital commitments:

	2015 £	2014 £
Contracts for future capital expenditure not provided in the financial statements:		
- Assets under the course of construction	164,286	9,446,729

Operating Lease Commitments

The group holds a number of healthcare properties as investment properties as disclosed in note 9 to the financial statements, which are let to Community Health Partnerships Limited (a company owned by the Department of Health). These non-cancellable leases have remaining terms of between 15 to 23 years. Rental income receivable under the leases is subject to annual inflationary increases linked to the RPI index. Contingent rent recognised as income in the period amounted to £86,363 (2014: £233,939).

Arrangements in the capacity of lessor

Minimum lease payments receivable under non-cancellable operating leases fall due as follows:

	2015 £	2014 £
Within than one year	12,036,268	11,921,215
Between one and five years	48,145,076	47,684,860
After more than five years	169,148,423	178,480,268
	229,329,767	238,086,343

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

18. CAPITAL AND OTHER COMMITMENTS (CONTINUED)

COMPANY

At 31 December, the company had the following operating lease commitments:

Arrangements in the capacity of lessee

Minimum lease payments payable under non-cancellable operating leases fall due as follows:

	2015 £	2014 £
Within than one year	30,712	30,491
Between one and five years	17,034	47,747
After more than five years	-	-
	47,747	78,238

19. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of operating profit to cash generated by operations:

	2015 £	2014 £
Profit / (Loss) for the financial year	6,581,593	3,974,818
Tax on profit on ordinary activities	566,015	445,089
Interest payable	7,125,578	7,161,125
Interest receivable	(44,484)	(38,748)
Operating profit	14,228,702	11,542,284
Revaluation of investment properties	(4,405,000)	(1,598,000)
Depreciation of tangible fixed assets	611	611
(Increase) / decrease in debtors	202,483	(93,941)
Increase / (decrease) in creditors	1,352,708	(1,053,519)
NET CASH FLOWS FROM OPERATIONS	11,379,504	8,797,435

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

20. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under Section 33 of FRS 102, not to disclose related party transactions with wholly owned subsidiaries within the group.

The company and its subsidiaries (together "the group") are jointly controlled by BaSS LIFT Holdings Limited ("BLH") and Community Health Partnerships Limited ("CHP"). BLH is a subsidiary of the group headed by HICL Infrastructure Company Limited ("HICL Group").

The company and the group hold junior loan stock from BLH, other subsidiaries of the HICL Group and CHP. Interest rates on these loans range from 11.5% - 12.5%. Interest paid on the loans during the year is disclosed in note 5 to the financial statements. At the year end, the outstanding junior loan balances due were as follows:

	2015 £	2014 £
BLH	6,992,374	6,937,404
HICL Group (excluding BLH)	3,651,903	3,868,206
CHP	6,226,683	6,282,737

During the year the group invoiced CHP £15,296,419 (2014 - £14,127,262) for rent and disbursements and the outstanding debtor balance at the year end in respect of these sales was £51,344 (2014 - £139,251).

The sales and purchases transactions with related parties are all stated inclusive of VAT.

21. CONTROLLING PARTY

The company is jointly controlled by BaSS LIFT Holdings Limited and Community Health Partnerships Limited (a company owned by the Department of Health). There is no ultimate controlling party.

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

22. EXPLANATION OF TRANSITION TO FRS 102

This is the first year that the group has presented its financial statements under FRS 102. The previous financial statements were prepared under UK GAAP and were for the year ended 31 December 2014. Set out below are the changes in accounting policies as a result of the transition to FRS 102 which had an impact on previously reported balances under UK GAAP.

A reconciliation of equity and profit for the financial year is set out below:

Reconciliation of equity:

	Note	1 Jan 2014 £	31 Dec 2014 £
Equity reported under previous UK GAAP		24,351,021	28,528,771
Adjustments to equity on transition to FRS 102:			
Derivative financial instruments	(a)	(6,928,055)	(10,265,909)
Effective interest rate adjustment	(d)	(475,134)	(786,538)
Deferred tax impact of adjustments:	(c)		
- Derivative financial instruments		1,385,611	2,053,181
- Revaluation of investment properties		(5,207,055)	(5,160,865)
- Effective interest rate adjustment		95,027	157,309
EQUITY REPORTED UNDER FRS 102		13,221,415	14,525,949

	Note	31 Dec 2014 £
Profit for the financial year as reported under previous UK GAAP		2,579,750
Adjustments to profit on transition to FRS 102:		
Revaluation of investment properties	(b)	1,598,000
Effective interest rate adjustment	(d)	(311,404)
Deferred tax impact of adjustments:	(c)	
- Derivative financial instruments		
- Revaluation of investment properties		46,190
- Effective interest rate adjustment		62,282
PROFIT FOR THE FINANCIAL YEAR UNDER FRS 102		3,974,818

(a) Derivative financial instruments

FRS 102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the group did not recognise these instruments in the financial statements. Accordingly at transition a liability was recognised of £6,928,055 and a loss of £3,337,854 was recognised in other comprehensive income for the year ended 31 December 2014. At the year end a liability of £10,265,909 was recognised.

(b) Revaluation of Investment properties

FRS 102 requires revaluation adjustments on investment property to be recognised in the income statement. Previously under UK GAAP the group recognised revaluation adjustments in the Statement of total recognised gains and losses. Accordingly a gain of £1,598,000 was recognised in the income statement.

BIRMINGHAM AND SOLIHULL LOCAL IMPROVEMENT FINANCE TRUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

22. EXPLANATION OF TRANSITION TO FRS 102 (CONTINUED)

(c) Deferred taxation

The group has accounted for deferred taxation as follows:

Derivative financial instruments - Deferred tax of £1,385,611 was recognised on the liability recognised on transition at 1 January 2014. During the year the group recognised a further £667,570 in other comprehensive income in respect of the increase in the value of derivative liabilities recognised in other comprehensive income.

Revaluation of investment properties - Under previous UK GAAP the group was not required to provide for taxation on revaluations. Under FRS 102 deferred taxation is provided on the temporary difference arising from the revaluation. A deferred tax charge of £5,207,055 arose on transition to FRS 102. In the year ended 31 December 2014 there was a credit of £46,190 on the revaluation surplus for the year.

(d) Effective interest rate adjustment

FRS 102 requires interest to be accounted for by applying the effective interest rate over the life of the loan. This differs in certain respects from the methodology adopted under UK GAAP. A charge of £475,134 arose on transition to FRS 102 and a further £311,405 was charged to the income statement in the year ended 31 December 2014. Deferred tax has been recognised on these adjustments.