BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 1 LIMITED

Company Registration No. 05075990

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

Report and Financial Statements
For the year ended 31 March 2017

Contents	**Page**

Company Information

Directors	D G Richardson (Chairman)	
	R J Coates	(Appointed 16 September 2016)
	D J Harding	
	P A Would	
	J Lawreniuk	(Appointed 20 July 2017)
	J H Hirst	(Resigned 01 May 2017)
	N G Ward	(Resigned 16 September 2016)
Secretary	C Sheridan	
Registered Office	Kent House 14-17 Market Place London W1W 8AJ	
Auditor	BDO LLP 55 Baker Street London W1U 7EU	

Directors' Report
For the year ended 31 March 2017

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

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

Principal activities
The principal activity of the Company during the year was the construction and facilities management of primary healthcare facilities in the Bradford and Airedale region.

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

The results for the year are included on page 6.

Dividends
The company paid no dividends during the year (2016: £392,118).

Directors
The current directors of the company, who served throughout the financial year unless stated otherwise, are as shown on page 1.

Bradford and Airedale Community Solutions – Fundco 1 Limited has adopted Articles of Association, the provisions of which do not require the directors to retire by rotation or to retire at the first Annual General Meeting after their appointment.

Going concern
The company has net liabilities of £4,006,000 (2016: £3,429,000) which includes the negative fair value of the interest rate swaps of £4,434,000 (2016: £4,535,000) and a negative fair value of RPI swaps of £1,602,000 (2016: £794,000) within liabilities and net current assets of £2,573,000 (2016: £2,228,000), including cash of £2,115,000 (2016: £1,790,000), at 31 March 2017.

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.

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

Qualifying third party indemnity provisions
The directors of Bradford and Airedale Community Solutions – Fundco 1 Limited have qualifying third party indemnity provisions put in place through other companies of which they are also directors

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

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

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

In preparing these financial statements, the directors are required to:

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

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

Auditor and disclosure of information to auditor
In the case of each of the persons who are directors of the company at the date when this report is approved:

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

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

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

On behalf of the board

D Harding
Director
07/11/2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 1 LIMITED

We have audited the financial statements of Bradford & Airedale Community Solutions - Fundco 1 Limited for the year ended 31 March 2017 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors
As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 1 LIMITED (continued)

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained during the course of the audit, we have not identified material misstatements in the directors' report.

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

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

BDO LLP

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

7 November 2017

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

Statement of Comprehensive Income
For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Turnover	1	**702**	878
Cost of sales		**(434)**	(581)
Gross profit		**268**	297
Administrative expenses		**(120)**	(130)
Operating profit		**148**	167
Interest receivable and similar income	5	**952**	984
Interest payable and similar charges	6	**(964)**	(1,018)
Profit on ordinary activities before taxation		**136**	133
Tax on profit on ordinary activities	7	**(72)**	(50)
Profit for the financial year		**64**	83
Movement in cash flow hedge		**(708)**	374
Taxation in respect of items of other comprehensive income		**67**	(181)
Other comprehensive (loss) / income for the year		**(641)**	193
Total comprehensive (loss) / income for the year		**(577)**	276

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

The notes on pages 10 to 19 form part of the financial statements

Statement of Financial Position
As at 31 March 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Financial assets	8	**13,321**	13,844
Current assets			
Debtors – due within one year	9	**654**	343
Debtors – due after more than one year	9	**682**	687
Cash at bank and in hand	10	**2,115**	1,790
		3,451	2,820
Creditors			
Amounts falling due within one year	11	**(878)**	(592)
Net current assets		**2,573**	2,228
Total assets less current liabilities		**15,894**	16,072
Creditors			
Amounts falling due after more than one year	11	**(19,900)**	(19,501)
Net liabilities		**(4,006)**	(3,429)
Capital and reserves			
Called up share capital	15	**17**	17
Profit and loss account		**987**	923
Cash flow hedge reserve		**(5,010)**	(4,369)
Shareholders' deficit		**(4,006)**	(3,429)

The financial statements of Bradford & Airedale Community Solutions - Fundco 1 Limited, registered number 05075990, were approved by the Board of Directors and authorised for issue on .

These accounts have been prepared in accordance with the provisions applicable to small companies entitled to the small companies exemption. 07/11/2017

....

D Harding
Director

The notes on pages 10 to 19 form part of the financial statements.

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

	Issued share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total 2017 £'000
1 April 2016	**17**	**(4,369)**	**923**	**(3,429)**
Comprehensive Income for the year				
Profit for the year	-	-	64	64
Hedge effective portion of change in fair value of designated hedging	-	(708)	-	(708)
Taxation in respect of other comprehensive income	-	67	-	67
Other comprehensive income for the year	-	(641)	-	(641)
Total comprehensive income for the year	**-**	**(641)**	**64**	**(577)**
Contributions by and distributions to owners				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
31 March 2017	**17**	**(5,010)**	**987**	**(4,006)**

	Issued share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total 2016 £'000
1 April 2015	**17**	**(4,562)**	**1,232**	**(3,313)**
Comprehensive Income for the year				
Profit for the year	-	-	83	83
Hedge effective portion of change in fair value of designated hedging	-	374	-	374
Taxation in respect of other comprehensive income	-	(181)	-	(181)
Other comprehensive loss for the year	-	193	-	193
Total comprehensive loss for the year	**-**	**193**	**83**	**276**
Contributions by and distributions to owners				
Dividends	-	-	**(392)**	**(392)**
Total contributions by and distributions to owners	**-**	**-**	**(392)**	**(392)**
31 March 2016	**17**	**(4,369)**	**923**	**(3,429)**

The notes on pages 10 to 19 form part of the financial statements.

Statement of Cash Flows
For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit for the financial year		**64**	83
Adjustments for:			
Net interest payable		**12**	33
Turnover on mark-up on costs		**(479)**	(492)
Taxation expense		**72**	50
(Increase) in trade and other debtors		**(311)**	(49)
Increase in trade and other creditors		**56**	114
Net cash used in operating activities		**(586)**	(261)
Cash flows from investing activities			
Receipts on financial asset	8	**1,948**	1,919
Interest received	5	**34**	2
Net cash generated from investing activities		**1,982**	1,921
Cash flows from financing activities			
Dividends paid		**-**	(392)
Interest paid		**(920)**	(1,055)
Repayment of loans		**(150)**	(270)
Net cash used in financing activities		**(1,070)**	(1,717)
Net increase/(decrease) in cash & cash equivalents		**326**	(57)
Cash and cash equivalents at beginning of year		**1,790**	1,847
Cash and cash equivalents at end of year		**2,115**	1,790
Cash and cash equivalents comprise:			
Cash at bank and in hand	10	**2,115**	1,790
		2,115	1,790

The notes on pages 10 to 19 form part of the financial statements.

Principal Accounting Policies
For the year ended 31 March 2017

Bradford & Airedale Community Solutions – Fundco 1 Limited is incorporated in England and Wales. The registered office is Kent House, 14-17 Market Place, London, W1W 8AJ.

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

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

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

Going concern
The company has net liabilities of £4,006,000 (2016: £3,429,000) which includes the negative fair value of the interest rate swaps of £4,434,000 (2016: £4,535,000) and a negative fair value of RPI swaps of £1,602,000 (2016: £794,000) within liabilities and net current assets of £2,573,000 (2016: £2,228,000), including cash of £2,115,000 (2016: £1,790,000), at 31 March 2017.

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.

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

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

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

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

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

Dividends
Equity dividends are recognised when they become legally payable. 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 detriment to senior debt covenants, if applicable.

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

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

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

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

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

Pursuant to section 34 of FRS 102, such 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 in income on a straight-line basis over the lease term.

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

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

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

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

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

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

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

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

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

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

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

Financial asset interest rate – The financial asset interest income is based on the WACC of the project and is applied to the carrying value of the financial asset on a quarterly basis. The interest rate used in 2017 is 6.90% (2016: 6.90%) per annum.

Service Margin – After the property is constructed, the company provides property management services. The remuneration for these services is recognised at cost plus an estimated mark up for profit on property management services. The service margin rate used in 2017 is 31.73% (2016: 29.71%) per annum. It is the policy of the directors that the service margin is reviewed annually on 1 April each year to generate a new service margin rate, which is to be applied in the proceeding financial year.

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

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

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

Turnover in the year is analysed as follows:

	2017 £'000	2016 £'000
Cost recoveries	**130**	307
Service margin	**479**	492
Rental income (third party)	**93**	79
	702	878

2. Audit costs

The audit fee for the company amounted to £2,718 (2016: £2,639). This has been borne by the parent company.

3. Directors' remuneration

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

4. Staff numbers and costs

The company had no employees during the current or the prior financial year.

5. Interest receivable and similar income

	2017 £'000	2016 £'000
Bank interest receivable	**34**	1
Financial asset interest receivable	**918**	983
	952	984

6. Interest payable and similar charges

	2017 £'000	2016 £'000
Interest payable on bank loans	**755**	805
Bank interest payable	**8**	8
Interest payable on subordinated loan	**201**	205
	964	1,018

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

7. Tax on profit on ordinary activities

	2017	2016
	£'000	£'000
a) Analysis of tax on ordinary activities		
Current tax		
UK corporation tax charge at 20.00% (2016: 20.00%)	-	-
Group relief payment	-	-
Total current tax (note 7(b))	-	-
Deferred tax		
Origination and reversal of timing differences	72	54
Adjustment in respect of prior year	-	(4)
Tax charge on profit on ordinary activities	72	50
Taxation in respect of other comprehensive income		
Cash flow hedge reserve	(67)	181
Total taxation in respect of other comprehensive income	(67)	181

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

	£'000	£'000
b) Factors affecting tax charge for the year		
Profit on ordinary activities before tax	136	133
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)	27	27
Effects of:		
Expenses not deductible for tax purposes	76	57
Change in tax rates	(31)	(34)
Current tax charge for the year	72	50

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

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

8. Financial assets

	2017 £'000	2016 £'000
Balance at 1 April	**13,844**	14,242
Income recognised in the profit or loss		
- service remuneration	**479**	492
- interest income	**918**	983
	1,397	1,475
Other movements		
- cash expenditure	**28**	46
- cash received	**(1,948)**	(1,919)
	(1,920)	(1,873)
Balance at 31 March	**13,321**	13,844

9. *Debtors*

	2017 £'000	2016 £'000
Amounts falling due within one year		
Trade debtors	**94**	7
Amounts owed by parent undertaking	**425**	240
Prepayments and accrued income	**46**	93
Other debtors	**89**	3
	654	**343**
Due after more than one year		
Deferred tax (note 14)	**682**	687
	682	687

10. Cash at bank and in hand

Included in cash at bank and in hand is cash of £2,115,000 (2016: £1,790,000) which is restricted for use in pre-described circumstances by the bank.

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

11. Creditors

	2017 £'000	2016 £'000
Amounts falling due within one year		
Bank loans (note 12)	**413**	248
Subordinated loan to related party (note 12)	**14**	25
Trade creditors	**73**	16
Amounts owed to parent undertakings	**-**	90
Other taxation and social security	**92**	80
Other creditors	**13**	4
Accruals and deferred income	**273**	129
	878	592
Amounts falling due after more than one year		
Bank loans (note 12)	**12,223**	12,512
Subordinated loan to related party (note 12)	**1,584**	1,598
Cash flow hedge	**6,036**	5,329
Accruals and deferred income	**57**	62
	19,900	19,501

Deferred income is a pharmacy lease premium received in advance. This amount is being released in equal amounts to the profit and loss over the 25 year term of the lease.

12. Loans

	2017 £'000	2016 £'000
(a) Bank loans		
The bank loans are repayable as follows		
Within one year	**413**	248
Between one and two years	**435**	289
Between two and five years	**1,906**	1,692
After more than five years	**9,882**	10,531
	12,636	12,760

Senior debt is a variable rate loan payable in 2030. Interest of £125,000 (2016: £170,000) has been charged by the bank.

Interest charges on amounts drawn are based on floating LIBOR. The company has entered into an interest rate swap agreement whereby it pays a fixed rate of 5.1725% per annum in respect of amounts drawn under the facilities. The company was charged interest of £580,000 (2016: £582,000) in relation to these agreements.

The swap expires on 30 September 2030.

The residual value facility is a variable rate loan repayable in 2031. Interest of £50,000 (2016: £53,000) has been charged by the bank.

The loans are secured by a fixed charge against the assets of the company.

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

12. Loans (continued)

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

(b) Subordinated loan owed to parent undertaking	**2017 £'000**	2016 £'000
The loans are repayable as follows:		
Within one year	**14**	25
Between one and two years	**27**	14
Between two and five years	**188**	144
After more than five years	**1,369**	1,440
	1,598	1,623

The subordinated loan is an unsecured loan repayable in 2031, carrying a coupon of 12.5% (2016: 12.5%). Interest of £201,000 (2016: £205,000) has been charged in the year.

13. Financial instruments

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

	2017 £'000	2016 £'000
Financial assets		
Financial assets measured at amortised cost	**16,090**	15,976
	16,090	15,976
Financial liabilities		
Financial liabilities measured at amortised cost	**(14,685)**	(14,506)
Derivative financial instruments designated as hedges of variable interest rate and RPI risk	**(6,036)**	(5,329)
	(20,721)	(19,835)

Financial assets measured at amortised cost comprise financial asset, cash at bank and in hand, trade debtors, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors and other creditors.

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

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

In 2005, the company borrowed funds from its bankers under two term loans of £11,662,000 and £2,867,000 both of which are repayable in 2031.

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

13. Financial instruments (continued)

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 that initial borrowings, the same term as the loans and interest re-pricing dates identical to those of the variable rate loans. These result in the company paying between 4.83375% and 5.1725% per annum and receiving LIBOR (though cash flows are settled on a net basis).

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 £4,434,000 (2016: £4,535,000) as at the year-end date. The cash flows arising from the interest rate swaps will continue until their maturity in 2031, coincidental with the repayment of the term loans. The change in fair value in the year was a decrease of £101,000 (2016: £6,000 decrease) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

In 2006, the company entered into one LPA agreement having fixed contractual terms which caused the turnover to increase with RPI on a yearly basis.

To hedge the potential volatility in future revenue cash flows arising from movements in RPI, the company has entered into RPI swaps with a nominal value below that of the LPA contract but having the same term as the contract and RPI re-pricing dates identical to those of the LPA contract. These result in the company paying 2.70% per annum and receiving actual RPI and effectively fixing the inflation on a determined portion of the LPA contract.

The derivatives are accounted for as a hedge of variable rate RPI rate risks, in accordance with FRS 102 and had a negative fair value of 1,602,000 (2016: £794,000) at the year-end date. The cash flows arising from the interest rate swaps will continue until their maturity in 2031, coincidental with the LPA contractual terms. The change in fair value in the year was an increase of £808,000 (2016: £379,000) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

14. Deferred tax

	2017	2016
	£'000	£'000
Deferred tax		
Balance at beginning of year	**687**	918
Charge to profit and loss account	**(72)**	(50)
Charge to other comprehensive income	**67**	(181)
Balance at end of year	**682**	687

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

	£'000	£'000
Fixed assets timing differences	**(551)**	(595)
UK property business losses	**44**	47
Non trade loan relationship deficit losses	**152**	264
Short term timing differences	**11**	12
Cash flow hedge reserve	**1,026**	959
	682	687

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

15. Called up share capital

	2017 £	2016 £
Allotted, called up and fully paid		
16,500 Ordinary shares of £1 each	**16,500**	16,500

16. Ultimate parent company

The Company's immediate parent undertaking is Bradford & Airedale Community Solutions – Holdco 1 Limited, a company registered in England and Wales. The parent undertaking is wholly owned by Bradford & Airedale Community Solutions Limited, a company registered in England and Wales.

Bradford & Airedale Community Solutions Limited is owned by Bradford & Airedale (LIFT) Investments Limited (60%) and by Community Health Partnerships Limited (40%) both registered in England and Wales.

Bradford & Airedale (Lift) Investments Limited is a Joint Venture between Community Solutions Investment Partners Limited, Equitix Limited and Equitix Healthcare Limited, 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.

17. Related party transactions

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

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

Name of party	**Relationship**	**Nature of transaction**	**Transaction amount 2017**	**Amount owed by related party at 31 March 2017**	**Transaction amount 2016**	**Amount owed by related party at 31 March 2016**
			£'000	**£'000**	**£'000**	**£'000**
Community Health Partnerships Limited	Shareholder	Services	**2,114**	**62**	2,067	-