

DONCASTER COMMUNITY SOLUTIONS (FUND CO 3) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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DONCASTER COMMUNITY SOLUTIONS (FUNDCO 3) LIMITED

COMPANY INFORMATION

Directors	R Coates C Douglass G Mackinlay (resigned 8 May 2019) P Sheldrake (resigned 22 May 2018) H Tingle (resigned 10 February 2018) M Christopher (appointed 22 May 2018) D Wilkinson (appointed 13 March 2018) A Duck (appointed 8 May 2019)
Company secretary	G Bucur
Registered number	06963235
Registered office	5th Floor, Aldersgate Street London EC1A 4JQ
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

DONCASTER COMMUNITY SOLUTIONS (FUNDCO 3) LIMITED

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DONCASTER COMMUNITY SOLUTIONS (FUNDCO 3) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report and the financial statements for the year ended 31 December 2018.

Principal activity

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

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

The results for the year are included on page 7.

Dividends

The Company paid a dividend of £199,000 during the year (2017: £Nil).

Directors

The Directors who served during the year were:

R Coates
C Douglass
G Mackinlay (resigned 8 May 2019)
P Sheldrake (resigned 22 May 2018)
H Tingle (resigned 10 February 2018)
M Christopher (appointed 22 May 2018)
D Wilkinson (appointed 13 March 2018)

Doncaster Community Solutions (Fundco 3) 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.

Qualifying third party indemnity provisions

During the year, third party indemnity provisions were in place through Doncaster Estate Partnership Limited for all Directors of the Company.

Going concern

The Company has net liabilities of £6,163,000 (2017: £6,494,000), which includes the negative fair value of the interest rate swap of £6,933,000 (2017: £7,719,000) and RPI swaps of £1,598,000 (2017: £1,373,000) within liabilities, and net current assets of £21,477,000 (2017: £21,959,000), including cash of £1,224,000 (2017: £1,280,000), at 31 December 2018.

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.

DONCASTER COMMUNITY SOLUTIONS (FUND CO 3) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Directors' responsibilities statement

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 elected to prepare 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'. 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 for the Company's financial statements 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 to 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.

Disclosure of information to auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DONCASTER COMMUNITY SOLUTIONS (FUNDCO 3) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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



**A Duck
Director**

Date: 28 June 2019

5th Floor, Aldersgate Street
London
EC1A 4JQ

DONCASTER COMMUNITY SOLUTIONS (FUNDCO 3) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DONCASTER COMMUNITY SOLUTIONS (FUNDCO 3) LIMITED

Opinion

We have audited the financial statements of Doncaster Community Solutions (Fundco 3) Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes, 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 Financial Reporting Standard 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 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 United Kingdom, including the Financial Reporting Council'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.

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

DONCASTER COMMUNITY SOLUTIONS (FUND CO 3) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DONCASTER COMMUNITY SOLUTIONS (FUND CO 3) LIMITED (CONTINUED)

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.

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.

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 in relation to which 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' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement on page 2, 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.

DONCASTER COMMUNITY SOLUTIONS (FUND CO 3) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DONCASTER COMMUNITY SOLUTIONS (FUND CO 3) LIMITED (CONTINUED)

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Use of the audit 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.



Alexander Tapp (Senior Statutory Auditor)

for and on behalf of

BDO LLP

55 Baker Street
London
W1U 7EU

Date: 28 June 2019

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

DONCASTER COMMUNITY SOLUTIONS (FUND CO 3) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Turnover	3	555	544
Cost of sales		(303)	(278)
Gross profit		252	266
Administrative expenses		(66)	(55)
Operating profit		186	211
Interest receivable and similar income	7	1,398	1,367
Interest payable and expenses	8	(1,421)	(1,423)
Profit before tax		163	155
Tax on profit	10	(100)	(45)
Profit for the financial year		63	110
Other comprehensive income for the year			
Movement in cash flow hedge		562	570
Taxation in respect of items of other comprehensive income		(95)	(97)
Other comprehensive income for the year		467	473
Total comprehensive income for the year		530	583

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

The notes on pages 12 to 24 form part of these financial statements.

DONCASTER COMMUNITY SOLUTIONS (FUNDCO 3) LIMITED
REGISTERED NUMBER: 06963235

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Current assets			
Debtors due after more than 1 year	11	20,920	21,337
Debtors: amounts falling due within one year	11	94	101
Cash at bank and in hand	12	1,224	1,280
		<u>22,238</u>	<u>22,718</u>
Creditors: amounts falling due within one year	13	(761)	(759)
Net current assets		<u>21,477</u>	<u>21,959</u>
Total assets less current liabilities		<u>21,477</u>	<u>21,959</u>
Creditors: amounts falling due after more than one year	14	(27,640)	(28,453)
Net liabilities		<u>(6,163)</u>	<u>(6,494)</u>
Capital and reserves			
Called up share capital	17	12	12
Cash flow hedge reserve		(7,079)	(7,546)
Profit and loss account		904	1,040
		<u>(6,163)</u>	<u>(6,494)</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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



A Duck
Director

Date: 28 June 2019

The notes on pages 12 to 24 form part of these financial statements.

DONCASTER COMMUNITY SOLUTIONS (FUND CO 3) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2018	12	(7,546)	1,040	(6,494)
Comprehensive income for the year				
Profit for the year	-	-	63	63
Taxation in respect of items of other comprehensive income	-	(95)	-	(95)
Hedge effective portion of change in fair value of designated hedging	-	562	-	562
Other comprehensive income for the year	-	467	-	467
Total comprehensive income for the year	-	467	63	530
Transactions with owners				
Dividends	-	-	(199)	(199)
Total transactions with owners	-	-	(199)	(199)
At 31 December 2018	12	(7,079)	904	(6,163)

The notes on pages 12 to 24 form part of these financial statements.

DONCASTER COMMUNITY SOLUTIONS (FUND CO 3) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2017	12	(8,019)	930	(7,077)
Comprehensive income for the year				
Profit for the year	-	-	110	110
Hedge effective portion of change in fair value of designated hedging	-	570	-	570
Taxation in respect of other comprehensive income	-	(97)	-	(97)
Other comprehensive income for the year	-	473	-	473
Total comprehensive income for the year	-	473	110	583
At 31 December 2017	12	(7,546)	1,040	(6,494)

The notes on pages 12 to 24 form part of these financial statements.

DONCASTER COMMUNITY SOLUTIONS (FUNDCO 3) LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £000	2017 £000
Cash flows from operating activities		
Profit for the financial year	63	110
Adjustments for:		
Interest paid	1,421	1,423
Interest received	(1,398)	(1,367)
Turnover for mark-up on costs	(365)	(340)
Taxation charge	100	45
Decrease in debtors	9	1
(Decrease)/increase in creditors	(53)	31
Net cash generated from/(used in) operating activities	(223)	(97)
Cash flows from investing activities		
Receipts on finance asset	1,977	1,910
Interest received	7	3
Net cash from investing activities	1,984	1,913
Cash flows from financing activities		
Repayment of loans	(204)	(190)
Dividends paid	(199)	-
Interest paid	(1,414)	(1,407)
Net cash used in financing activities	(1,817)	(1,597)
Net (decrease)/increase in cash and cash equivalents	(56)	219
Cash and cash equivalents at beginning of year	1,280	1,061
Cash and cash equivalents at the end of year	1,224	1,280
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,224	1,280
	1,224	1,280

The notes on pages 12 to 24 form part of these financial statements.

DONCASTER COMMUNITY SOLUTIONS (FUND CO 3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

1.2 Going concern

The Company has net liabilities of £6,163,000 (2017: £6,494,000), which includes the negative fair value of the interest rate swap of £6,933,000 (2017: £7,719,000) and RPI swaps of £1,598,000 (2017: £1,373,000) within liabilities, and net current assets of £21,477,000 (2017: £21,959,000), including cash of £1,224,000 (2017: £1,280,000), at 31 December 2018.

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.

1.3 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and 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.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

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

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

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

DONCASTER COMMUNITY SOLUTIONS (FUNDCO 3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.4 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

1.5 Revenue

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.

DONCASTER COMMUNITY SOLUTIONS (FUND CO 3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.6 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.

1.7 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

1.8 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.

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

1.9 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.

1.10 Hedge accounting

The Company has entered into variable to fixed rate interest swaps to manage its exposure to interest rate cash flow risk on its variable rate debt. The Company has also entered into RPI swaps to hedge the potential volatility in future revenue cash flows arising from movements in RPI. 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 profit or loss for the period.

DONCASTER COMMUNITY SOLUTIONS (FUNDCO 3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.11 Finance costs

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

1.12 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 profit or loss on a straight line basis over the term of the loan.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

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 2018 is 6.99% per annum (2017: 6.99%).

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 2018 is 48.07% (2017: 47.36%). It is the policy of the Directors that the service margin is reviewed annually on 1 January 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.

DONCASTER COMMUNITY SOLUTIONS (FUNDCO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. Turnover

An analysis of turnover by class of business is as follows:

	2018	2017
	£000	£000
Cost recoveries	122	109
Service margin	365	340
Rental income (third party)	61	50
Other income	3	43
Lease premium - amortisation	4	2
	<u>555</u>	<u>544</u>

4. Auditor's remuneration

Auditor's remuneration of £2,898 (2017: £2,813) is borne by the parent Company for the current and prior financial year.

5. 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.

6. Employees

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

7. Interest receivable

	2018	2017
	£000	£000
Bank interest receivable	7	3
Financial asset interest receivable	1,391	1,364
	<u>1,398</u>	<u>1,367</u>

DONCASTER COMMUNITY SOLUTIONS (FUND CO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. Interest payable and similar expenses

	2018 £000	2017 £000
Bank interest payable	1,227	1,226
Loan note interest payable	194	197
	<u>1,421</u>	<u>1,423</u>

9. Dividends

	2018 £000	2017 £000
Interim of dividends paid - £16.58 per share (2017: £Nil)	199	-
	<u>199</u>	<u>-</u>

10. Taxation

	2018 £000	2017 £000
Current tax on profits for the year	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	100	45
Total deferred tax	<u>100</u>	<u>45</u>
Taxation on profit on ordinary activities	<u>100</u>	<u>45</u>

DONCASTER COMMUNITY SOLUTIONS (FUND CO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	163	155
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	31	30
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	21	21
Changes in tax rate	(14)	(6)
Adjustments to tax charge in respect of prior periods	(21)	-
Group relief	83	-
Total tax charge for the year	100	45

Factors that may affect future tax charges

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

DONCASTER COMMUNITY SOLUTIONS (FUND CO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Debtors

	2018 £000	2017 £000
Due after more than one year		
Financial assets	19,689	19,909
Deferred tax asset (note 16)	1,232	1,428
	<u>20,921</u>	<u>21,337</u>
Due within one year		
Trade debtors	3	2
Amounts owed by related parties	4	28
Amounts owed by group undertakings	30	30
Prepayments and accrued income	57	41
	<u>21,015</u>	<u>21,438</u>

12. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	1,224	1,280
	<u>1,224</u>	<u>1,280</u>

Included in cash at bank and in hand is cash of £1,224,000 (2017: £1,280,000) which is restricted for use in pre-described circumstances by the bank.

DONCASTER COMMUNITY SOLUTIONS (FUNDCO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

13. Creditors: Amounts falling due within one year

	2018	2017
	£000	£000
Bank loans (note 15)	201	167
Subordinated loan notes (note 15)	41	37
Amounts owed to group undertakings	-	11
Trade creditors	33	57
Other taxation and social security	89	92
Accruals and deferred income	397	395
	761	759

14. Creditors: Amounts falling due after more than one year

	2018	2017
	£000	£000
Bank loans (note 15)	17,173	17,374
Subordinated loan notes (note 15)	1,866	1,907
Accruals and deferred income	70	80
Cash flow hedge - interest rate/RPI SWAP (note 18)	8,531	9,092
	27,640	28,453

DONCASTER COMMUNITY SOLUTIONS (FUNDCO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. Loans

Analysis of the maturity of loans is given below:

	2018 £000	2017 £000
Amounts falling due within one year		
Bank loans	201	167
Subordinated loan notes	41	37
	242	204
Amounts falling due 1-2 years		
Bank loans	266	186
Subordinated loan notes	45	41
	311	227
Amounts falling due 2-5 years		
Bank loans	1,168	992
Subordinated loan notes	165	149
	1,333	1,141
Amounts falling due after more than 5 years		
Bank loans (Net of arrangement fees)	15,739	16,196
Subordinated loan notes	1,656	1,717
	17,395	17,913
	19,281	19,485

Bank borrowings relate to a Senior Debt Facility granted by Barclays Bank Plc.

The amounts drawn under the Senior Debt Facility are repayable on an agreed repayment profile commencing on 30 September 2011 and ending on 9 November 2036.

The Company has entered into an interest rate swap agreement whereby it pays a fixed rate of 4.625% per annum, and receives LIBOR (though cash flows are settled on a net basis), in respect of amounts drawn under the Senior Debt Facility. The Company paid interest of £717,000 (2017: £726,000) in relation to these agreements. The swap expires on 9 November 2036.

DONCASTER COMMUNITY SOLUTIONS (FUNDCO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. Loans (continued)

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 loans and will be amortised over the duration of the facilities.

The loan notes carry a coupon of 10% and are repayable in pre-determined semi-annual instalments commencing on 31 March 2011 and ending on 30 September 2036. The loan is unsecured.

16. Deferred taxation

	2018	2017
	£000	£000
At beginning of year	1,428	1,570
Charged to other comprehensive income	(95)	(97)
Utilised in year	(101)	(45)
At end of year	1,232	1,428

The deferred taxation balance is made up as follows:

	2018	2017
	£000	£000
Capital allowances in excess of amortisation	(1,001)	(994)
Losses	490	583
Capital loss	294	294
Cash flow hedge reserve	1,449	1,545
	1,232	1,428

17. Share capital

	2018	2017
	£000	£000
Allotted, called up and fully paid		
12,000 (2017 - 12,000) Ordinary shares of £1.00 each	12	12

Barclays Bank Plc has a registered charge over the whole share capital of the Company.

DONCASTER COMMUNITY SOLUTIONS (FUNDCO 3) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. Financial instruments

	2018	2017
	£000	£000
Financial assets		
Financial assets measured at amortised cost	19,752	20,010
Cash at bank	1,224	1,280
	<u>20,976</u>	<u>21,290</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(19,710)	(19,935)
Derivative financial instruments designated as hedges of variable interest rate and RPI risk	(8,531)	(9,092)
	<u>(28,241)</u>	<u>(29,027)</u>

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

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

Derivative financial instruments designated as hedges of variable interest rate risk and RPI 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 2008, the Company borrowed funds from its bankers under two term loans of £12,911,309 and £5,437,667, which are repayable in 2036 respectively.

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 4.625% per annum and receiving LIBOR (though cash flows are settled on a net basis). The Company pays LIBOR, plus a margin of 1.90% on the Amortising loan and 1.95% on the Bullet loans effectively fixing the total interest cost on loans and interest rates swaps at 6.525% and 6.575% 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 liability of £6,933,000 (2017: £7,719,000) as at the year-end 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 decrease of £787,000 (2017: £394,000) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

DONCASTER COMMUNITY SOLUTIONS (FUND CO 3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

18. Financial instruments (continued)

In 2011, the Company entered into five LPA agreements having fixed contractual terms which caused their turnover to increase with RPI on a yearly basis.

To hedge the potential volatility in future revenue cash flows arising from movements in RPI, the Company has entered into RPI swaps with a nominal value below that of the LPA contract but having the same term as the contract and RPI re-pricing dates identical to those of the LPA contract. These result in the Company paying 2.931% 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 liability of £1,598,000 (2017: £1,373,000) as at the reporting date. The cash flows arising from the RPI swaps will continue until their maturity in 2036, coincidental with the LPA contractual terms. The change in fair value in the period was an increase of £225,000 (2017: £176,000) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

19. Ultimate parent Company and controlling party

The Company is a wholly owned subsidiary of Doncaster Estate Partnership Limited, which is registered in England and Wales.

Doncaster Estate Partnership Limited is owned by Community Solutions Investment Partners Limited (60%), Community Health Partnerships Limited (35%) and Doncaster Metropolitan Borough Council (5%), all of which are 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.

20. 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 which are 100% owned members of that group.

The following Company, together with undertakings within their individual groups of companies, are considered to be a related party to the Company during the year.

- Community Health Partnerships Limited

Services provided during the year amounted to £2,454,000 (2017: £2,017,000) for Community Health Partnerships Limited.

As at December 2018 £4,000 (2017: £28,000) were due from Community Health Partnerships Limited.