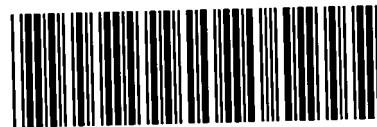




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Community Health Partnerships Limited

Annual report and financial statements

Registered number 04220587

For the year ended 31 March 2018

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Contact Details

Registered Office	Suite 12B, Manchester One 53 Portland Street Manchester M1 3LD
Directors	Mr John Bacon CB (Chairman) Mr Nigel Beer (Non-Executive Director) Mrs Bernadette Conroy (Non-Executive Director) Dr Susanna Davidson Mr Mark Day Sir Anthony Everington (Non-Executive Director) Ms Gillian Hunt Mr Benjamin Masterson (Non-Executive Director) Mr Graham Spence
Bankers	Barclays Bank PLC UK Banking 1 Churchill Place London E14 5HP United Kingdom
Auditor	Deloitte LLP 1 City Square Leeds LS1 2AL United Kingdom
Lawyers	Browne Jacobson LLP Mowbray House Castle Meadow Road Nottingham Nottinghamshire NG2 1BJ United Kingdom
Registered Number	04220587

Strategic Report

The Directors present their strategic report on the Company for the year ended 31 March 2018.

Review of the business

Community Health Partnerships Limited (CHP) is a private company limited by shares wholly owned by the Secretary of State for Health. Incorporated in England in 2001 with the objective of generating, developing and delivering investment in the NHS Local Improvement Finance Trust (LIFT) Programme, the Company's responsibilities have grown in response to the Department of Health and Social Care's developing requirements. Now operating primarily to support the National Health Service (NHS) in England, the Company's purpose is to provide a high-quality service to commissioners and local partners across England with the aim of delivering transformational change, efficiency savings, increased service integration, and driving optimal use of the NHS Estate.

The Company is headquartered in Manchester and operates through a matrix structure that has Executive Board Directors that lead on functional areas. The Manchester office is located at Manchester One with a further three regional offices in Leeds, Birmingham and London serving the North, Midlands and South Regions respectively.

Results and Performance

The results of the Company for the year, as set out on pages 15 to 56 show a profit on ordinary activities before tax of £10.127m (2017: £1.896m). The shareholders' funds of the Company total £777.160m (2017: £539.279m). The Directors do not propose the payment of a dividend for the financial year (2017: £ nil).

The Company continues to operate within the Department of Health and Social Care Group with income for the year of £372.9m (2017: £365.2m). The Company invests equity and subordinated debt in LIFT companies and the projects undertaken by the LIFT companies, often structured via special purpose companies. During the financial year, the Company's investment portfolio decreased from £97.5m to £96.3m.

The Company has, and continues to face considerable challenges in recovering rent and other charges from both Tenants and Commissioners. Given the clear obligation of debtors to pay and the NHS funding model in place this manifests itself as a cash management rather than an income and expenditure risk with the Company ending the year with borrowings of £180.0m (2017: £180.0m) against a Department of Health and Social Care Flexible Loan Facility. Wider, non-financial, determinants of performance continue to indicate encouraging results as the Company continues to adapt to its new responsibilities.

Strategic Report *(continued)*

Business environment

As for many of our customers and partners across the NHS and wider public sector, 2017/18 was a year of continued challenges as health economies continue to face ever increasing financial pressures. Continued improvements to the quality of data now held and the continued maturing of systems has enabled greater clarity and more efficient business operations when dealing with our customers but challenges inherent in system funding continue and delays in payment result in increased costs from working capital requirements. The continuing evolution of the health system and Community Health Partnerships Limited in responding to its needs is summarised in the section below on Future Developments.

Strategy

The Company's success in 2017/18 was dependent upon the effective delivery of four strategic priorities:

Investing for Transformation	Building on the development of Strategic Estate Plans for Clinical Commissioning Groups (CCGs) and Sustainability and Transformation Plans (STPs).
Investing in the Estate Portfolio	Delivering a transparent and engaged service to our tenants, generating efficiency savings whilst providing the highest levels of service and safety.
Investing in Public Private Partnerships (PPP), LIFT and Project Phoenix	Adding value to CHP investment portfolio in LIFT and delivering the next generation of PPPs through evolution to enable delivery of transformational and sustainable new models of care in modern care settings.
Investing for the Future	Supporting the NHS by transforming the estate to meet the demands of the Five Year Forward View.

Strategic Report *(continued)*

Key performance indicators (KPIs)

CHP's response to the challenges over the past 12 months has been one of focus, effective change management and systems development driven by a significant and ongoing commitment by the Board, Executive and Staff team to effectively and efficiently deliver our objectives and provide a high quality of service for our customers across the NHS and wider public sector.

As well as monitoring key financial metrics the Board monitors the progress of the Company by reference to a range of output based measures and these are summarised in the Company's 2017/18 Annual Review.

The Company has two key financial KPIs to measure the performance of the business during the year; profit before tax and cash. The operating budget for the year ended 31 March 2018 showed a breakeven budget position with the actual result being a £10.1m profit. The year end cash position has deteriorated; £41m (2017: £70m). This deterioration has resulted in no repayment of the loan facility in 2017/18, however there has been no increase in the level of borrowings. The reduction in the cash position reflects the deterioration in cash balances held by tenants and commissioners leading to a slower rate of debt recovery. Despite the downward trend in cash collection the company continued to ensure that adequate cash was available to maintain operations and meet all financial obligations. A business plan and associated operational plan was agreed for 2017/18 with key indicators being presented to the Board throughout the year by way of a performance 'dashboard'.

In addition to financial KPIs, the achievement of the Company's strategic objectives are measured and monitored via a matrices of performance indicators covering all operational areas of the business. The Company 2017/18 performance includes;

Strategic Priority One: Investing in Transformation

KPI – Development of a future pipeline of investable schemes.

Performance – the Company has contributed to the national NHS pipeline target being exceeded.

Strategic Priority Two: Investing in the Estate Portfolio

KPI – Total expenditure in line with budget. All statutory compliance requirements met.

Performance –CHP as Head Tenant ensured both statutory and financial obligations were met, and property expenditure was delivered in accordance with budget. In addition statutory compliance was monitored and achieved.

Strategic Priority Three: Investing in Public Private Partnerships (PPP), LIFT and Project Phoenix

KPI – Shareholders forums are attended by all 18 private sector partners.

Performance – CHP ensured all 18 private sector partners attended the shareholder forums to ensure continued investment in the health care estate.

Strategic Report *(continued)*

Key performance indicators (KPIs) *(continued)*

Strategic Priority Four: Investing in the Future

KPI – The development of a new Public Private Partnership (PPP) model that meets the needs of the NHS and delivers a debt funded solution for the wider system.

Performance – Successful procurement of advisers and submission of Business Case for a new funding model with continued support from the Department of Health and Social Care and Treasury.

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies have been subject to Board approval and ongoing review by management, risk management framework and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Company and the Board. These activities are reviewed by the Audit Committee, Funding and Investment Assurance Committee, Remuneration Committee and Property and Asset Committee operating under delegated authority from the Board. The Board has agreed that full compliance with the requirements of the Financial Reporting Council's Combined Code on Corporate Governance, annexed to the Listing Rules of the Financial Services Authority, would be excessive for a private limited company of this nature.

The Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial and other risks and that controls operate effectively. The Company operates a corporate risk register, which is formally reported to the Board and Audit Committee, and reviewed by the Management Team on a regular basis. Additionally each function operates individual risk registers, which are reviewed at monthly team meetings and are owned by the relevant executive director. The continued appointment of KPMG LLP to provide the Company's internal audit function has strengthened risk management by providing independent advice and review of the management systems deployed. The principal risks and mitigations are summarised below:

Financial Risks
Going Concern – There are considerable challenges surrounding income on Head Tenant operations and this includes the risk that CHP fails to generate sufficient recurrent income to retain business functions and continue trading as a going concern. This risk is mitigated by the existence of the Secretary of State Indemnity which ensures that funds will be made available to ensure the Company can continue to trade now and in the future. The company also operates effective budgeting and cash flow management and through established relationships with and regular reporting to the Department of Health and Social Care has continued to meet its financial obligations during 2017/18 without increasing working capital loan funding from the Department. The extensive work by staff in the Company to collect cash in spite of the deteriorating system cash levels has ensured the Company has continued to meet all financial obligations without needing to increase financial support. Support is also in place from both NHS England and the Department of Health and Social Care regarding the collection of cash from Commissioners. As at

Strategic Report (continued)

Principal risks and uncertainties (continued)

31 March 2018, the Company had borrowings of £55m in the form of a Shareholder loan. The Company receives interest income from its investment portfolio and on its cash balances. The interest payments on its investments in subordinated debt are generally based on fixed interest rates whilst the Company generally receives a floating rate of interest on its cash balances. The Company does not hold any derivative financial instruments to manage interest rate risk. Furthermore, no other interest rate hedging is considered necessary. The company also benefited from a working capital loan facility put in place by the Department for Health and Social Care to enable the Company to meet its financial obligations following the transfer of the Head Tenant function in relation to the LIFT estate. As at 31 March 2018 the balance in relation to this loan was £125m (2017: £125m).

The Company is exposed to counterparty credit risk in respect of the payments of interest and capital on subordinated debt advanced to LIFT companies. A small proportion of this is currently subject to 'lock-up' due to legacy issues inherited in April 2013. This results in a delay to payment rather than loss of income. Currently there is £5.81m (2017: £4.15m) of cash tied up by 'lock up'. These risks are managed through the Company's representation on the Boards of the LIFT Companies; the regular monitoring of information provided by the LIFT Companies; and through the scrutiny provided by the Funding and Investment Assurance Committee and the Company's Investment function.

Separate from its investment activities the Company also provides procurement support and advisory services primarily for public sector entities and consequently has low counterparty credit risk in respect of these activities.

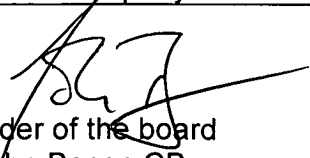
The Company monitors on a regular basis all anticipated commitments to fund additional investments, to ensure that these are matched by available funds. Additional funding is obtained from the Company's shareholder, as and when necessary, through the issue of new shares or debt funding. During the year the Company issued £2.827m of new shares at par. The Company's transactions are all denominated in Sterling and hence it does not have an exposure to foreign currencies.

Other Risks

Significant changes in policy and legislation – mitigated by Department of Health and Social Care shareholder representation on the Board and engagement in policy development.

Disaster recovery and Information Technology failure – mitigated by performance managing the service contract and continual revision of policies and procedures.

Potential poor performance of individual LIFT companies – mitigated by directorships on LIFT Company Boards and monitoring of key performance information.


By order of the board
Mr John Bacon CB
Chairman and Non-Executive Director

Directors' report

The directors present their Annual report and audited financial statements for the year ended 31 March 2018.

Directors

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

Mr John Bacon CB
Mr Nigel Beer
Mrs Bernadette Conroy
Dr Susanna Davidson
Mr Mark Day
Sir Anthony Everington
Ms Gillian Hunt (Appointed 01 October 2017)
Mr Benjamin Masterson
Mr Graham Spence (Appointed 01 October 2017)

Political and charitable contributions

The company made no political contributions during the year to 31 March 2018 (2017: £nil). During the year, the company made a charitable donation of £500 to UNICEF (2017: £500).

Dividends

The Directors do not propose the payment of a dividend for the financial year (2017: £nil).

Future developments

Our Business Plan can be found on the company website at the following location www.communityhealthpartnerships.co.uk and describes how, over the next year we will draw on our collective skills and experiences, continue to listen and respond to customers' needs to deliver ambitious targets on improving the efficiency and enabling the transformation of the estate.

In our role as Head Tenant for the NHS LIFT Estate, we will continue to ensure that all users and tenants of LIFT buildings have access to a modern, safe, efficient, high quality and well maintained estate, which improves the experience of patients, staff and other service users and that the buildings are used to their maximum potential.

Building upon the work delivered by our Strategic Estate Planning service we will work to enable transformational change through our Commercial function, meeting the demand for new investment in the NHS estate and increasing utilisation of existing estate. The Company will continue to work with local health economies to identify and assist in the development and implementation of innovative estates solutions, delivering more flexible use of space, improved patient outcomes and system wide savings.

The forming of a single national Strategic Estates Planning service, combining CHP and

Directors' Report *(continued)*

Future developments *(continued)*

NHS Property Services teams, has led to a national pipeline of capital projects with an increase in demand for investment. The new Public Private Partnership (PPP) model developed by the Company will see the establishment of Regional Health Infrastructure Companies (RHICs) to offer a debt funded solution to address the shortfall in publicly available capital.

Financial risk management

The management of the financial risks of the company is discussed in the Strategic Report on pages 6 and 7 and also in note 23 of the notes to the financial statements.

The company has chosen, in accordance with section 414C(11), to set out in the company's strategic report information required by section 7.

Third party indemnity provisions

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

Subsequent events

There are no known events after the end of the reporting period that have occurred that would have a material impact on the financial statements (note 29 of the notes to the financial statements).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director 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.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

By order of the board


Mr John Bacon CB
Chairman and Non-Executive Director

Suite 12B, Manchester One
53 Portland Street
Manchester M1 3LD

Date
17 JULY 2018

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Community Health Partnerships Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Community Health Partnerships Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement;
- the statement of accounting policies; and
- the related notes 2 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or

Independent auditor's report to the members of Community Health Partnerships Limited *(continued)*

Conclusions relating to going concern *(continued)*

- 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.

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Independent auditor's report to the members of Community Health Partnerships 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 our report

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

Report on other legal and regulatory requirements

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

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 any material misstatements in the strategic report or the directors' report.

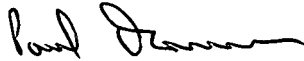
Independent auditor's report to the members of Community Health Partnerships Limited *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Paul Thomson ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom

Date 24 JULY 2018

**Statement of Comprehensive Income
for the year ended 31 March 2018**

	Note	2018 £000	2017 £000
Continuing operations			
Revenue	3	354,217	348,650
Cost of sales		(177,561)	(182,702)
Gross profit		176,656	165,948
Other operating income	4	-	-
Administrative expenses		(15,203)	(13,617)
Operating profit		161,453	152,331
Financial income	8	18,695	16,550
Financial expenses	8	(170,021)	(166,985)
Net financing expense		(151,326)	(150,435)
Profit before tax		10,127	1,896
Taxation	9	(70)	(-)
Profit from continuing operations		10,057	1,896
Profit for the year		10,057	1,896
Other comprehensive income / (loss)			
<i>Items that will not be recycled to profit or loss:</i>			
Revaluation of property, plant and equipment	10	270,771	89,217
Impairment loss taken to revaluation reserve	10	(2,176)	(15,534)
Deferred Tax provision	14	(43,598)	(4,539)
		224,997	69,144
Total comprehensive income for the year		235,054	71,040

**Statement of Financial Position
as at 31 March 2018**

	Note	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	10	2,512,565	2,270,045
Investments in associates	11	96,344	97,493
Investments in subsidiaries	12	-	-
Deferred tax assets	14	900	900
Trade and other receivables	15	13,056	13,376
		<u>2,622,865</u>	<u>2,381,814</u>
Current assets			
Trade and other receivables	15	241,104	200,860
Cash and cash equivalents	16	41,003	70,241
		<u>282,107</u>	<u>271,101</u>
Total assets		<u>2,904,972</u>	<u>2,652,915</u>
Current liabilities			
Other interest-bearing loans and borrowings	17	-	(125,000)
Trade and other payables	18	(93,526)	(85,826)
Provisions	20	(734)	(3,177)
Other financial liabilities	13	(35,475)	(34,173)
		<u>(129,735)</u>	<u>(248,176)</u>
Non-current liabilities			
Other interest-bearing loans and borrowings	17	(180,000)	(55,000)
Other payables	18	(4,119)	(4,119)
Provisions	20	(1,023)	(1,023)
Other financial liabilities	13	(1,664,912)	(1,700,893)
Deferred tax liabilities	14	(148,023)	(104,425)
		<u>(1,998,077)</u>	<u>(1,865,460)</u>
Total liabilities		<u>(2,127,812)</u>	<u>(2,113,636)</u>
Net assets		<u>777,160</u>	<u>539,279</u>

Statement of Financial Position (continued)
as at 31 March 2018

Equity

Share capital	22	65,697	62,870
Revaluation Reserve		722,689	509,831
Merger Reserve		(58,718)	(58,718)
Retained earnings		47,492	25,296
Total equity		777,160	539,279

These financial statements were approved by the board of directors on 17 JULY 2018 and were signed on its behalf by:



Dr Susanna Davidson

Director

Company registered number: 04220587

**Statement of Changes in Equity
for the year ended 31 March 2018**

	Note	Share capital £000	Revaluation reserve £000	Merger Reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2017		62,870	509,831	(58,718)	25,296	539,279
Total comprehensive income for the year						
Profit for the year		-	-	-	10,057	10,057
Net gain on revaluation of property, plant and equipment	10	-	270,771	-	-	270,771
Impairment loss taken to revaluation reserve	10	-	(2,176)	-	-	(2,176)
Deferred Tax Provision	14	-	(43,598)	-	-	(43,598)
Transfer between Revaluation Reserve and Retained Earnings in relation to Depreciation of Revalued Assets		-	(12,139)	-	12,139	-
Total comprehensive income for the period		-	212,858	-	22,196	235,054
Transactions with owners, recorded directly in equity						
Issue of shares	22	2,827	-	-	-	2,827
Transferred from Other NHS Bodies		-	-	-	-	-
Total contributions by and distributions to owners		2,827	-	-	-	2,827
Balance at 31 March 2018		65,697	722,689	(58,718)	47,492	777,160

Statement of Changes in Equity (continued)
for the year ended 31 March 2017

	Note	Share capital £000	Revaluation reserve £000	Merger Reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2016		56,500	451,787	(58,718)	12,300	461,869
Total comprehensive income for the year						
Profit or loss for the year		-	-	-	1,896	1,896
Net gain on revaluation of property, plant and equipment	10	-	89,217	-	-	89,217
Impairment loss taken to revaluation reserve	10	-	(15,534)	-	-	(15,534)
Deferred Tax Provision	14	-	(4,539)	-	-	(4,539)
Transfer between Revaluation Reserve and Retained Earnings in relation to Depreciation of Revalued Assets		-	(11,100)	-	11,100	-
Total comprehensive income for the period		-	58,044	-	12,996	71,040
Transactions with owners, recorded directly in equity						
Issue of shares	22	6,370	-	-	-	6,370
Transferred from Other NHS Bodies		-	-	-	-	-
Total contributions by and distributions to owners		6,370	-	-	-	6,370
Balance at 31 March 2017		62,870	509,831	(58,718)	25,296	539,279

Cash Flow Statement
for year ended 31 March 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Profit/(Loss) for the year		10,057	1,896
Adjustments for:			
Depreciation and impairment	10	31,808	36,360
Loss on de-recognition of fixed assets		-	-
Financial income	8	(18,695)	(16,550)
Financial expense	8	170,021	166,985
Taxation	9	70	-
		<u>193,261</u>	<u>188,691</u>
(Increase)/Decrease in trade and other receivables	15	(40,560)	19,649
Increase/(Decrease) in trade and other payables	18	6,535	31,369
Provisions Utilised	20	(3,068)	(1,639)
Increase in provisions and employee benefits	20	625	3,013
		<u>156,793</u>	<u>241,083</u>
Net Interest paid		(937)	(3,148)
Tax paid		706	-
Net cash from operating activities		<u>156,562</u>	<u>237,935</u>
Cash flows from investing activities			
Interest received	8	10,485	11,428
Dividends received	8	7,327	5,045
Purchase of new investments in respect of LIFT	11	(377)	(306)
Repayment of subordinated debt in respect of LIFT	11	1,526	1,172
Purchase of Property, Plant and Equipment	10	(5,733)	(3,514)
Net cash from investing activities		<u>13,228</u>	<u>13,825</u>
Cash flows used in financing activities			
Proceeds from the issue of share capital	22	2,827	6,370
Repayment of loan	17	-	(40,400)
Proceeds from loans provided to associates	15	542	-
Capital Element of Payments in Respect of Finance Leases and On-SOFP PFI and LIFT		(34,679)	(34,729)
Receipt from finance lease debtor		197	262
Payment of finance lease liabilities	8	(167,915)	(164,631)
Net cash used in financing activities		<u>(199,028)</u>	<u>(233,128)</u>
Net increase / (decrease) in cash and cash equivalents		(29,238)	18,632
Cash and cash equivalents at 1 April		70,241	51,609
Cash and cash equivalents at 31 March	16	<u>41,003</u>	<u>70,241</u>

Notes to the financial statements

1 Accounting policies

Community Health Partnerships Limited (the "Company") is a company incorporated and domiciled in the UK.

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

As at 31 March 2018 the company remained a wholly-owned subsidiary of the Secretary of State for Health and in accordance with Section 401 of the Companies Act 2006, is not required to produce, and has not published, consolidated financial statements. This includes the exemption from preparing consolidated financial statements in relation to the Company's shareholding in 49 LIFT companies. The company regards all aspects of its business as one segment for the purposes of segmental reporting and presents its results to reflect this position.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: property, plant and equipment as defined in note 1.4. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

1.2 Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 7. The financial position of the company, its cash flows, liquidity position and borrowing facilities are also described in the annual report.

The company has considerable financial resources underpinned by a deed of indemnity that commits the Department for Health and Social Care to meeting the overall operating costs of the Company in relation to the new area of business arising after the transfer from Primary Care Trusts ensuring that the company has sufficient cash resources to meet its obligations.

As a consequence, the directors believe that the company is well placed to manage its business risks successfully and they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the financial statements (continued)

1.3 Financial Instruments

Financial Assets

Financial assets are recognised when the company becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred. Financial assets are initially recognised at fair value.

Financial assets are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Income and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Income to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position when the company becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Notes to the financial statements *(continued)*

1.3 Financial instruments *(continued)*

Financial liabilities *(continued)*

Financial liabilities are initially recognised at fair value. Balances that have transferred from PCTs including finance leases are recognised at carrying value. All financial liabilities are classified as other financial liabilities.

Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest.

1.4 Property, plant and equipment

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All land and buildings are measured subsequently at fair value with all other assets held at transferred value less depreciation.

Land and buildings used for the delivery of health services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. A full valuation of the LIFT portfolio was performed by the Valuations Office Agency as at 31 March 2015. With effect from and including the 2017 financial year a 3-year rolling valuation approach as at 31 March is taken. On an annual basis, this entails one third of the portfolio obtaining a full valuation with the remaining two thirds receiving a desk top valuation only. This will be rotated annually, ensuring that 100% of the portfolio has received a full valuation by the end of 2018. This ensures that revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use.
- Specialised buildings – depreciated replacement cost.

The Company has adopted a policy in line with HM Treasury with a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered

Notes to the financial statements (continued)

1.4 Property, plant and equipment (continued)

separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 50 years
- Plant and Equipment 15 years
- Fixtures and Fittings 15 years

At each reporting period end, the company checks whether there is any indication that any of its tangible non-current assets have suffered an impairment loss. If there is an indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.5 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.6 Employee Benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. Where considered material, the cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Notes to the financial statements (continued)

1.6 Employee benefits (continued)

Retirement benefit costs

Defined Contribution Plans

Some employees are members of the group personal pension scheme established on behalf of its employees. This is a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

1.7 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.8 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

The Company as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in calculating the company's net operating profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are initially recognised as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Notes to the financial statements (continued)

1.8 Leases (continued)

The Company as lessee (continued)

Contingent rentals are recognised as an expense in the period in which they are incurred.

The Company as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.9 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the Treasury's published discount rates.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

1.10 Revenue

Revenue comprises the following income streams:

Lease income from sub-tenants is received as rental income from the company acting as lessor for the buildings held in the LIFT scheme companies. Income is also received from Commissioners in relation to the building where the company is acting as a lessor. The other categories of revenue comprise revenue from the Company's procurement support activities, directors' fees received from LIFT companies, and income from other advisory services and grants.

All revenue arises from continuing activities and transferred in activities and is recognised in the period that revenue is earned. Rental income is recognised for the period in which it falls due under a rental agreement. Income from commissioners is recognised as the obligations of the finance lease falls due.

Notes to the financial statements (continued)

1.11 Financial Income

Financing income comprise interest receivable on funds invested and dividend income. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.12 Expenses

Financing expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, and unwinding of the discount on provisions that are recognised in the income statement.

Other Expenses

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

1.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the financial statements (continued)

1.14 Investment in Associates

Investments made in LIFT companies are accounted for as an investment in an associate. The investment is measured using the equity method recorded at cost with dividend income recognised in the Statement of Comprehensive Income.

1.15 NHS LIFT Transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes (including NHS LIFT) where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The company therefore recognises the LIFT asset as an item of property, plant and equipment together with a finance lease liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received;
- b) Payment for the LIFT asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

a) Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

b) LIFT assets, liabilities, and finance cost

LIFTs assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at the present value of the minimum lease payments in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance the principles of IAS 16.

A LIFT finance lease liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the present value of the minimum lease payments and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Income. The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

Notes to the financial statements (continued)

1.15 NHS LIFT transactions (continued)

b) LIFT assets, liabilities, and finance cost (continued)

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Income.

c) Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the company's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Other assets contributed by the company to the operator

Assets contributed (e.g. cash payments, surplus property) by the company to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the company, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

1.16 Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

Notes to the financial statements (continued)

1.16 Adopted IFRS not yet applied (continued)

- IFRS 9 Financial Instruments (mandatory for year commencing on or after 1 January 2018). This will not materially affect the accounts as the sub debt investments meet the business model test and will continue to be valued at amortised cost within the accounts
- IFRS 15 Revenue from Contracts with Customers (mandatory for year commencing on or after 1 January 2018).
- IFRS 16 Leases (mandatory for year commencing on or after 1 January 2019). The conversion of operating leases to finance leases will not generate a material increase to the non current assets or liabilities.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical Accounting Judgements

The directors of the company continue to exercise judgement in relation to the recoverability of debtors. The year end balance is material representing a large proportion of tenant income. However, the directors are confident that monies due are recoverable due to a large proportion of debtors being NHS bodies and a significant balance is also attributable to GP reimbursements funded by NHS Commissioners.

Key Sources of Estimation Uncertainty

The accounting policy for depreciation, depreciates assets over 50 years which is in excess of the lease term of around 25 years. The assumptions used by the directors recognised that after 25 years using the LIFT model and the associated lifecycle funds generated the building will be in 'day one' condition and should the company then opt to acquire the building it would continue to service the building in the same way and in doing so would deliver the lifecycle elements needed to maintain the building. Therefore, this leads to an estimate in the accounts regarding the value attributed to depreciation which could be increased if the residual value after 50 years was deemed significantly less.

Notes to the financial statements (continued)

3 Revenue

	2018	2017
	£000	£000
Lease Income from Sub-tenants	266,983	264,851
Income – Commissioners	86,772	83,483
Directors Fees reimbursed by LIFT companies	462	316
	<hr/>	<hr/>
	354,217	348,650
	<hr/>	<hr/>

4 Other operating income

	2018	2017
	£000	£000
Other Income	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

5 Expenses and auditor's remuneration

Included in profit are the following:

	2018	2017
	£000	£000
Depreciation expense	31,808	36,360
Operating leases	1,477	2,133
	<hr/>	<hr/>
	33,285	38,493

Auditor's remuneration:

	2018	2017
	£000	£000
Audit of these financial statements	53	50

Notes to the financial statements (continued)

6 Staff numbers and costs

The monthly average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
	Number	Number
Administration	165	106
Directors	7	5
	172	111

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	8,830	5,794
Social security costs	968	620
Contributions to group personal pension	674	477
Contractors	1,082	2,872
	11,554	9,763

Notes to the financial statements *(continued)***7 Directors' remuneration**

	2018				2017			
	Salary	Bonus	Pension	Total	Salary	Bonus	Pension	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Key management personnel								
S Davidson	165-170	30-35	-	195-200	160-165	20-25	-	185-190
M Day	125-130	20-25	13	160-165	120-125	15-20	12	145-150
S Raper*	n/a	n/a	n/a	n/a	105-110	10-15	9	125-130
G Hunt**	55-60	-	5	60-65	n/a	n/a	n/a	n/a
G Spence**	50-55	-	5	55-60	n/a	n/a	n/a	n/a
	398	59	23	480	393	52	21	466
Non-executive directors								
J Bacon	25-30	-	-	25-30	25-30	-	-	25-30
N Beer	15-20	-	-	15-20	15-20	-	-	15-20
B Conroy	15-20	-	-	15-20	15-20	-	-	15-20
A Everington	10-15	-	-	10-15	10-15	-	-	10-15
D MacGregor***	n/a	n/a	n/a	n/a	10-15	-	-	10-15
	73	-	-	73	82	-	-	82
Aggregate Remuneration	471	59	23	553	475	52	21	548

* Sarah Raper resigned as a director on 5 August 2016

** Gillian Hunt and Graham Spence were appointed on 1 October 2017

*** Donald MacGregor resigned on 31 October 2016

The Executive Directors are considered the key management personnel of the company and all compensation is disclosed.

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £198,093 (2017: £188,027), and company pension contributions of £nil (2017: £nil) were made to a group personal pension scheme.

Notes to the financial statements *(continued)*

8 Finance income and expense

Recognised in Statement of comprehensive income

	2018	2017
	£000	£000
Finance Income		
LIFT: equity dividends receivable	7,327	5,045
Interest from subordinated debt	11,251	11,376
Bank Interest	117	129
Total finance income	18,695	16,550
	2018	2017
	£000	£000
Finance expense		
Interest		
Interest on obligations under LIFT contracts:		
- Main finance cost	124,047	126,316
- Contingent finance cost	43,868	38,315
Interest on unsecured loan facility	2,106	2,354
Total finance expense	170,021	166,985

Notes to the financial statements (continued)**9 Taxation****Recognised in the income statement**

	2018	2017
	£000	£000
Current tax expense / (credit)		
Current year	377	-
Adjustments for prior years	(307)	-
Current tax expense / (credit)	70	-
Deferred tax (credit)	-	-
Tax expense in income statement	70	-
Total tax expense / (credit)	70	-

Reconciliation of effective tax rate

	2018	2017
	£000	£000
Profit for the year	10,127	1,896
Total tax expense	(70)	-
Profit excluding taxation	10,057	1,896
Tax using the UK corporation tax rate of 19% (2017: 20%)	1,924	379
Effects of:		
UK dividends received	(1,392)	(1,009)
Disallowed items	1,251	4
Losses for which no deferred tax has been recognised	(1,406)	(1,824)
Tax Loss not recognised	-	2,757
Prior year adjustment	(307)	(307)
Total tax expense / (credit) (including tax on discontinued operations)	70	-

Finance Act 2016, which was substantively enacted in September 2016, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 17% from 1 April 2020. Accordingly, deferred tax balances have been stated at the lower rate of 17% (2017: 17%) in these accounts. To the extent that the deferred tax reverses before 1 April 2020 then the impact on the net deferred tax liability will be reduced.

Unrecognised deferred tax asset of £1.4m has not been included in the accounts in line with expected future tax charges not requiring an increase to the carrying value.

Notes to the financial statements (continued)**10 Property, plant and equipment**

	Land and buildings £000	Plant and equipment £000	Fixtures & fittings £000	Total £000
Cost or valuation				
Balance at 1 April 2016	2,229,207	-	-	2,229,207
Additions	3,514	-	-	3,514
Revaluations	52,858	-	-	52,858
Impairment loss taken to profit/loss	-	-	-	-
Impairment loss taken to reserves	(15,534)	-	-	(15,534)
Disposals	-	-	-	-
Balance at 31 March 2017	2,270,045	-	-	2,270,045
Balance at 1 April 2017	2,270,045	-	-	2,270,045
Additions	5,733	-	-	5,733
Revaluations	238,963	-	-	238,963
Impairment loss taken to profit/loss	-	-	-	-
Impairment loss taken to reserves	(2,176)	-	-	(2,176)
Disposals	-	-	-	-
Balance at 31 March 2018	2,512,565	-	-	2,512,565
Depreciation and impairment				
Balance at 1 April 2016	-	-	-	-
Depreciation charge for the year	(36,360)	-	-	(36,360)
Disposals	-	-	-	-
Elimination of accumulated depreciation on revaluation	36,360	-	-	36,360
Balance at 31 March 2017	-	-	-	-
Balance at 1 April 2017	-	-	-	-
Depreciation charge for the year	(31,808)	-	-	(31,808)
Elimination of accumulated depreciation on revaluation	31,808	-	-	31,808
Balance at 31 March 2018	-	-	-	-
Net book value				
At 31 March 2016	2,229,207	-	-	2,229,207
At 31 March 2017	2,270,045	-	-	2,270,045
At 31 March 2018	2,512,565	-	-	2,512,565

Notes to the financial statements (continued)**10 Property, plant and equipment (continued)**

	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000
Asset Financing			
Owned	-	-	-
Held on Finance Lease	-	-	-
On-SOFP LIFT contract	2,512,565	-	-
Total	2,512,565	-	-

The Land and Building assets were independently revalued by the District Valuers on 31st March 2018 and the carrying value of the assets as at 31st March 2018 under historic cost valuation is £1,642m (2017: £1,656m). All buildings are considered specialised buildings and are valued at depreciated replacement cost.

Impairment losses in year are recognised in relation to the new buildings upon reaching practical completion and the resulting difference between the finance lease value and the direct replacement cost of the asset.

10.1 Property, plant and equipment

The amount of borrowing costs capitalised during the period was £nil (2017: £nil).

Notes to the financial statements (continued)

11 Investments in associates

NHS LIFT Investments

As at 31 March 2018, the Company had made equity investments in each of the LIFT companies listed below, including their project financing subsidiaries where applicable. The principle activities of all companies listed below is the operation of leased properties. All shareholdings are of ordinary class of shares.

- **Arden Estates Partnerships Ltd**, formerly *Coventry Care Partnership Limited* (Shareholding: 40%)
Registered Office: 15th Floor Cobalt Square, Birmingham, B16 8QG
- **Assemble Community Partnership Limited** (Shareholding: 40%)
Registered Office: 126-128 Buckingham Palace Road, London, SW1W 9SA
- **Barking Dagenham Havering Community Ventures Limited**, formerly *Barking & Havering Lift Limited* (Shareholding: 40%)
Registered Office: 15th Floor Cobalt Square, Birmingham, B16 8QG
- **Barnsley Community Solutions Limited** (Shareholding: 30%)
Registered Office: 10-11 Charterhouse Square, London, EC1M 6EH
- **Infracare South East London Limited**, formerly *Bexley Bromley and Greenwich LIFT Company Limited* (Shareholding: 40%)
Registered Office: Challenge House, Tewkesbury, GL20 8UQ
- **Infracare North West London Limited**, formerly *BHH LIFT Company Limited* (Shareholding: 40%)
Registered Office: Challenge House, Tewkesbury, GL20 8UQ
- **Birmingham and Solihull Local Improvement Finance Trust Limited** (Shareholding: 40%)
Registered Office: 5 The Triangle, Worcester, WR5 2QX
- **Bradford & Airedale Community Solutions Limited**, formerly *Bradford & Airedale Care Partnerships Limited* (Shareholding: 40%)
Registered Office: Kent House, 14-17 Market Place, London, W1W 8AJ
- **BRAHM LIFT Limited** (Shareholding: 40%)
Registered Office: Sceptre House, Preston, PR5 6AW
- **Bristol Infracare LIFT Limited** (Shareholding: 40%)
Registered Office: Challenge House, Tewkesbury, GL20 8UQ
- **Building Better Health – Lambeth Southwark Lewisham Limited** (Shareholding: 40%)
Registered Office: 4th Floor 105 Piccadilly, London, W1J 7NJ
- **Bury, Tameside & Glossop Community Solutions Limited** (Shareholding: 40%)
Registered Office: 15th Floor Cobalt Square, Birmingham, B16 8QG
- **Camden & Islington Community Solutions Limited** (Shareholding: 40%)
Registered Office: 15th Floor Cobalt Square, Birmingham, B16 8QG
- **Community 1st Cornwall Limited** (Shareholding: 40%)
Registered Office: Blue Support House, St. Austell, PL25 5BS
- **Community 1st Oldham Limited** (Shareholding: 40%)
Registered Office: Building 1000 Kings Reach, Stockport, SK4 2HG
- **Community 1st Sheffield Limited** (Shareholding: 40%)
Registered Office: Building 1000 Kings Reach, Stockport, SK4 2HG
- **Community Ventures Company (Leeds) Limited** (Shareholding: 36.7%)
Registered Office: 4340 Park Approach, Thorpe Park, Leeds, LS15 8GB

Notes to the financial statements (continued)

11 Investment in associates

NHS LIFT Investments (continued)

- **Doncaster Community Solutions (LIFTCo) Limited** (Shareholding: 35%)
Registered Office: 10-11 Charterhouse Square, London, EC1M 6EH
- **Dudley Infracare Lift Limited** (Shareholding: 40%)
Registered Office: Challenge House, Tewkesbury, GL20 8UQ
- **Durham & Tees Community Ventures Limited, formerly Care Partnerships 25 Limited** (Shareholding: 40%)
Registered Office: 4340 Park Approach, Thorpe Park, Leeds, LS15 8GB
- **East Lancashire Building Partnership Limited** (Shareholding: 40%)
Registered Office: Sceptre House, Preston, PR5 6AW
- **Infracare East London Limited, formerly East London LIFT Company Limited** (Shareholding: 38%)
Registered Office: Challenge House, Tewkesbury, GL20 8UQ
- **eLIFT Cumbria Limited** (Shareholding: 40%)
Registered Office: Richard House, Preston, PR1 3HP
- **Foundation for Life Limited** (Shareholding: 40%)
Registered Office: Sceptre House, Preston, PR5 6AW
- **GRT Nottingham LIFT Company Limited** (Shareholding: 36%)
Registered Office: 10-11 Charterhouse Square, London, EC1M 6EH
- **Infracare Wolverhampton & Walsall Limited, formerly Healthcare Improvement Partnership (Wolverhampton City and Walsall) Limited** (Shareholding: 40%)
Registered Office: Challenge House, Tewkesbury, GL20 8UQ
- **Hull Citycare Limited** (Shareholding: 40%)
Registered Office: C/O Sewell Group Plc, Geneva Way, Hull, HU7 0DG
- **Leicester Lift Company Limited** (Shareholding: 40%)
Registered Office: 10-11 Charterhouse Square, London, EC1M 6EH
- **Liverpool and Sefton Health Partnership Limited** (Shareholding: 40%)
Registered Office: 15th Floor Cobalt Square, Birmingham, B16 8QG
- **MAST LIFT Company Limited (formerly Liftco Topco (Mast) Limited)** (Shareholding: 30%)
Registered Office: 15th Floor Cobalt Square, Birmingham, B16 8QG
- **Medway Community Estates Limited (formerly Medway Liftco Limited)** (Shareholding: 40%)
Registered Office: 55 Station Road, Beaconsfield, HP9 1QL
- **NNT LIFT Company Limited** (Shareholding: 27.4%)
Registered Office: Cannon Place, London, EC4N 6AF
- **Norlife Limited** (Shareholding: 40%)
Registered Office: 128 Buckingham Palace Road, London, SW1W 9SA
- **North London Estate Partnerships Limited, formerly Elevate Partnerships Limited** (Shareholding: 40%)
Registered Office: 15th Floor Cobalt Square, Birmingham, B16 8QG
- **North Nottinghamshire LIFT Company Limited** (Shareholding: 40%)
Registered Office: 10-11 Charterhouse Square, London, EC1M 6EH
- **Oxford Infracare LIFT Limited** (Shareholding: 40%)
Registered Office: Challenge House, Tewkesbury, GL20 8UQ
- **Prima 200 Limited** (Shareholding: 40%)
Registered Office: 5 The Triangle, Worcester, WR5 2QX

Notes to the financial statements (continued)**11 Investment in associates****NHS LIFT Investments (continued)**

- **Prydium Limited**, formerly *South East Essex LIFT Limited* (Shareholding: 40%)
Registered Office: 15th Floor Cobalt Square, Birmingham, B16 8QG
- **Realise Health Limited** (Shareholding: 40%)
Registered Office: Third Floor Broad Quay House, Prince Street, Bristol, BS1 4DJ
- **Renova Developments Limited** (Shareholding: 40%)
Registered Office: 4th Floor 105 Piccadilly, London, W1J 7NJ
- **Resound (Health) Limited** (Shareholding: 40%)
Registered Office: 15th Floor Cobalt Square, Birmingham, B16 8QG
- **RWF Health and Community Developers Limited** (Shareholding: 40%)
Registered Office: 55 Station Road, Beaconsfield, HP9 1QL
- **Sandwell LIFT Company Limited** (Shareholding: 40%)
Registered Office: 15th Floor Cobalt Square, Birmingham, B16 8QG
- **Solent Community Solutions Limited** (Shareholding: 40%)
Registered Office: 15th Floor Cobalt Square, Birmingham, B16 8QG
- **South West Hampshire LIFT Limited** (Shareholding: 40%)
Registered Office: 15th Floor Cobalt Square, Birmingham, B16 8QG
- **South West London Health Partnerships Limited** (Shareholding: 40%)
Registered Office: 4th Floor 105 Piccadilly, London, W1J 7NJ
- **Southern Derbyshire LIFT Company Limited** (Shareholding: 40%)
Registered Office: 10-11 Charterhouse Square, London, EC1M 6EH
- **West London Health Partnership Limited**, formerly *Building Better Health – West London Limited* (Shareholding: 40%)
Registered Office: 4th Floor 105 Piccadilly, London, W1J 7NJ
- **West Sussex Community Solutions Limited** (Shareholding: 40%)
Registered Office: 15th Floor Cobalt Square, Birmingham, B16 8QG

Each of the LIFT companies is engaged in providing community-based healthcare facilities and related services.

	Subordinated debt £000	Share Capital £000	Total £000
Balance at 1 April 2016	96,958	1,401	98,359
Additions	306	-	306
Interest income capitalised during the year	-	-	-
Loan Repayments	(1,172)	-	(1,172)
Balance at 31 March 2017	96,092	1,401	97,493
Balance at 1 April 2017	96,092	1,401	97,493
Additions	377	-	377
Interest income capitalised during the year	-	-	-
Loan Repayments	(1,526)	-	(1,526)
Balance at 31 March 2018	94,943	1,401	96,344

Notes to the financial statements (continued)**12 Investments in subsidiary**

	2018	2017
	£	£
Investments in subsidiary – Partnerships For Health Limited	1	1

Investments above which represent a holding greater than 20% are as follows:

	Country of Incorpor- ation	Class of shares held	Ownership 2018	2017
Partnerships for Health Limited	United Kingdom	Ordinary	100%	100%

On 11 November 2010, the Company acquired the whole of the equity share capital of Partnerships for Health Limited from the Secretary of State for Health for a cost of £1. Partnerships for Health Limited (Company number: 06019358 Registered office: Suite12B Manchester One, 53 Portland Street, Manchester, M1 3LD) is a dormant company incorporated in the United Kingdom and has never traded.

13 Other financial liabilities

	2018	2017
	£000	£000
Non-current		
LIFT Financial Lease liabilities	1,664,912	1,700,893
Finance Lease Liability	-	-
	1,664,912	1,700,893
Current		
LIFT Financial Lease liabilities	35,475	34,173
Finance Lease Liability	-	-
	35,475	34,173

Notes to the financial statements (continued)**14 Deferred tax assets and liabilities***Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000
Property, plant and equipment	-	-	(148,023)	(104,425)	(148,023)	(104,425)
Tax loss	-	-	-	-	-	-
Tax losses not recognised	-	-	-	-	-	-
Brought Forward	900	900	-	-	900	900
Net tax assets / (liabilities)	900	900	(148,023)	(104,425)	(147,123)	(103,525)

Movement in deferred tax during the year

	1 April 2017	Recognised in income	Recognised in equity	31 March 2018
	£000	£000	£000	£000
Property, plant and equipment	(104,425)	-	(43,598)	(148,023)
Taxable loss	900	-	-	900
	(103,525)	-	(43,598)	(147,123)

The Corporation Tax rate of 17% has been used for both 2016/17 and 2017/18. The carrying value of the deferred tax asset is supported by future forecast tax charges.

Movement in deferred tax during the prior year

	1 April 2016	Recognised in income	Recognised in equity	31 March 2017
	£000	£000	£000	£000
Property, plant and equipment	(99,886)	-	(4,539)	(104,425)
Taxable Loss	900	-	-	900
	(98,986)	-	(4,539)	(103,525)

Notes to the financial statements (continued)**15 Trade and other receivables**

	2018	2017
	£000	£000
Current:		
Trade receivables	136,225	119,790
Sub Debt interest receivable	7,161	6,395
VAT Receivables	8,630	6,931
Tax Receivable	-	663
Prepayments and accrued income	1,382	2,923
Finance lease receivables	320	197
Other receivables	1,708	1,484
Loans receivable from other bodies	160	702
Current part of LIFT and other PPP arrangements	85,518	61,775
prepayments and accrued income		
Current	<u>241,104</u>	<u>200,860</u>
Non-current		
Finance lease receivables	7,223	7,543
Other receivables	5,833	5,833
Non-current	<u>13,056</u>	<u>13,376</u>

16 Cash and cash equivalents/ bank overdrafts

	2018	2017
	£000	£000
Cash and cash equivalents per balance sheet	41,003	70,241
Cash and cash equivalents per cash flow statements	<u>41,003</u>	<u>70,241</u>

Notes to the financial statements (continued)
17 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

		2018		2017			
		£000		£000			
Non-current liabilities							
Loan from Parent		180,000	55,000				
		<u>180,000</u>	<u>55,000</u>				
Current liabilities							
Loan from Parent		-	125,000				
		<u>-</u>	<u>125,000</u>				
Terms and debt repayment schedule							
	Currency	Nominal interest rate	Financial Year of maturity	Face value	Carrying amount	Face value	Carrying amount
				2018 £000	2018 £000	2017 £000	2017 £000
Shareholder Loan	£	3.50%	2020	55,000	55,000	55,000	55,000
Working Capital Loan	£	0.14%	2019	125,000	125,000	125,000	125,000
				<u>180,000</u>	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>

Notes to the financial statements (continued)

18 Trade and other payables

	2018	2017
	£000	£000
Current		
Trade payables	18,575	23,896
Other trade payables	5,405	5,538
Non-trade payables and accrued expenses	62,872	54,370
Interest payable	-	-
Tax Payable	113	-
Social Security Costs	281	203
Deferred Income	6,280	1,819
	93,526	85,826
Non-current		
Other payables	4,119	4,119
	4,119	4,119

Notes to the financial statements (continued)**19 Employee benefits****Pension plans**

The Company contributes to the group personal pension scheme established on behalf of its employees. During the year ended 31 March 2018 the company made contributions totalling £673,623 (2017: £476,934). As at 31 March 2018 the company owed Aviva plc, the scheme managers, £76,021 (2017: £nil).

20 Provisions

	Dilapidation	Centre Management	SEP	uLPA Project Costs	Other	DCM	Soft FM	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2017	1,023	649	1,784	200	544	-	-	4,200
Provisions made during the year	-	-	-	200	-	205	220	625
Provisions used during the year	-	(490)	(702)	(200)	(368)	-	-	(1,760)
Unused Provisions released to I&E	-	(159)	(1,082)	-	(67)	-	-	(1,308)
Balance at 31 March 2018	1,023	-	-	200	109	205	220	1,757
Current	-	-	-	200	109	205	220	734
Non-current	1,023	-	-	-	-	-	-	1,023
	1,023	-	-	200	109	205	220	1,757

Dilapidation provisions were transferred from predecessor bodies and are not expected to be realised in the next 12 months.

The DCM provision relates to costs committed in relation to a project to improve the utilisation of the estate and is expected to be utilised within 6 months. The Soft FM provision relates to committed costs on the procurement exercise underway and is expected to be utilised within 4 months.

The uLPA provision relates to the legal costs associated with the under lease regularisation work in progress and is expected to be utilised within 3 months. The other provision applies to other professional fees relating to committed projects and is expected to be utilised within 6 months.

Notes to the financial statements (continued)**21 LIFT – additional Information**

	31 March 2018 £000	31 March 2017 £000
Charges to operating expenditure and future commitments in respect of ON and OFF SOFP LIFT		
Total charge to operating expenses in year – OFF SOFP LIFT	77	73
Service element of on SOFP LIFT charged to operating expenses in year	49,911	48,288
Total	<u>49,988</u>	<u>48,361</u>
Payments committed to in respect of off SOFP LIFT and the service element of on SOFP LIFT		
No later than one year	51,793	49,989
Later than one year, no later than five years	222,163	213,914
Later than five years	717,516	766,899
Total	<u>991,472</u>	<u>1,030,802</u>

The estimated annual payments in future years are expected to be materially different from those which the company is committed to make during the next year. The likely financial effect of this is:

	31 March 2018 £000	31 March 2017 £000
Estimated Capital Value of Project – off SOFP LIFT	938	938
Imputed “finance lease” obligations for on SOFP LIFT contracts due		
No later than one year	157,269	158,234
Later than one year, no later than five years	615,956	620,046
Later than five years	2,566,158	2,719,828
Subtotal	<u>3,339,383</u>	<u>3,498,108</u>
Less: Interest Element	<u>(1,638,996)</u>	<u>(1,763,042)</u>
Total	<u>1,700,387</u>	<u>1,735,066</u>

LIFT contracts are subject to repricing in line with the contract terms over a horizon of up to 25 years.

The LIFT scheme arrangements give CHP the right to sub-let the LIFT properties. The LIFT contracts carry no further obligations in respect of provision of service or construction of assets; however they do convey the right to the reversionary interest in the LIFT properties at the end of the contract at which point a commercial decision will be taken in respect of each asset.

Notes to the financial statements (continued)**22 Capital and reserves****Share capital**

	Ordinary shares	
	2018	2017
	No	No
On issue at 1 April	62,870,000	56,500,000
Issued for cash at par	2,827,000	6,370,000
On issue at 31 March – fully paid	65,697,000	62,870,000
	2018	2017
	£000	£000
<i>Allotted, called up and fully paid</i>		
65,697,000 ordinary shares of £1 each	65,697	62,870
	65,697	62,870
Shares classified in shareholders' funds	65,697	62,870
	65,697	62,870

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Revaluation reserve

Where property, plant and equipment is revalued or reclassified as investment property, the cumulative increase in the fair value of the property at the date of reclassification in excess of any previous impairment losses is included in the revaluation reserve.

Merger reserve

This reserve picks up the results of the common control transfer of shareholdings in LIFT companies and the related head leases of buildings owned and operated by these companies. The reserve reflects the value of LIFT assets, financial liabilities, loan debt receivable and the investment value in the associate LIFT company.

Notes to the financial statements (continued)

23 Financial instruments

(a) Fair values of financial instruments

Investments in debt and equity securities

The fair value of held-to-maturity investments is determined by reference to their valuation of future returns at their present value as previously calculated by the Department for Health and Social Care at the balance sheet date. The fair value of held-to-maturity investments after initial recognition is determined for disclosure purposes only. Fair value of investments in sub debt is categorised within level two of the financial hierarchy.

Trade and other receivables

The fair value of trade and other receivables, excluding construction contract debtors, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Notes to the financial statements (continued)**23 Financial instruments (continued)****(a) Fair values of financial instruments (continued)**

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	Carrying amount 2018 £000	Fair value 2018 £000	Carrying amount 2017 £000	Fair value 2017 £000
IAS 39 categories of financial instruments				
Held to maturity financial assets (note 11)				
Investments in sub debt	96,344	117,132	97,493	119,718
Loans and receivables				
Cash and cash equivalents (note 16)	41,003	41,003	70,241	70,241
Other loans and receivables (note 15)	146,952	146,952	143,911	143,911
Total loans and receivables	187,955	187,955	214,152	214,152
Total financial assets	284,299	305,087	311,645	333,870

The fair value of the investments in sub debt is determined by calculation the present value of future cash receipts as per the initial investment models.

	Carrying amount 2018 £000	Fair value 2018 £000	Carrying amount 2017 £000	Fair value 2017 £000
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (note 17)	180,000	180,000	180,000	180,000
Trade and other payables (note 18)	1,799,670	1,799,670	1,829,211	1,829,211
Total financial liabilities measured at amortised cost	1,979,670	1,979,670	2,009,211	2,009,211
Total financial liabilities	1,979,670	1,979,670	2,009,211	2,009,211
Total financial instruments	1,979,670	1,979,670	2,009,211	2,009,211

Notes to the financial statements (continued)**23 Financial instruments (continued)****(b) Credit risk***Financial risk management*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

The company assesses the risk of non-payment to be minimal given the category of tenants with the large majority of receivables coming from other NHS organisations. An analysis of the collectability of receivables payable by non-NHS organisations has resulted in the need for the credit note provision detailed below.

The credit risk of the investment in sub debt has been assessed to be very minimal as the Company also has a creditor relationship with the counterparty.

Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

	Gross	Credit Note	Gross	Credit Note
	2018	Provision	2017	Provision
	£000	2018	£000	2017
		£000		£000
Not past due	22,439	-	3,211	-
Past due 0-30 days	12,667	-	19,411	-
Past due 31-120 days	29,997	-	28,096	-
More than 120 days	92,821	21,699	79,921	10,850
	157,924	21,699	130,639	10,850

The movement in the credit note provision in respect of trade receivables during the year was as follows:

	2018	2017
	£000	£000
Balance at 1 st April	10,850	10,438
Release prior year provision	-	-
Utilised during the year	(782)	(6,270)
Released in year	(7,168)	(2,444)
Credit note provision	18,799	9,126
Balance at 31 st March	21,699	10,850

The provision for trade receivables is used to reflect the likelihood of non-payment by trade debtors unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

Notes to the financial statements (continued)**23 Financial instruments (continued)****(c) Liquidity risk***Financial risk management*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Following the transfer of assets and liabilities to the Company on 1st April 2013 the Department for Health and Social Care requires the Company to operate this area of business on a cost neutral basis (i.e. no profit and no loss) and the financial position is underpinned by a deed of indemnity that commits NHS England to meeting the overall operating costs and the Department for Health and Social Care to ensuring that the company has sufficient cash resources to meet its obligations.

*Maturity of Financial Liabilities***Financial liabilities**

No later than one year	134,758	308,318
In more than one year but no more than two years	159,646	35,478
In more than two years but not more than five years	172,838	111,397
In more than five years	1,512,428	1,554,018
Total	1,979,670	2,009,211

(d) Market risk*Financial risk management*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments

The Company's exposure to market risk is limited due to the agreement of interest rates within the lease plus agreements.

Notes to the financial statements *(continued)*

24 Finance leases as a lessor

Gross investment in leases:

	2018	2017
	£000	£000
Less than one year	1,077	974
Between one and five years	3,788	4,159
More than five years	10,055	10,761
Less future finance income	(7,377)	(8,154)
	7,543	7,740

During the year £974,000 was recognised as revenue in the income statement in respect of finance leases (2017: £803,000).

The Company lets one property under a finance lease. The present value of minimum lease receipts under this lease are as follows:

	2018	2017
	£000	£000
Less than one year	320	197
Between one and five years	1,088	1,326
More than five years	6,135	6,217
	7,543	7,740

Notes to the financial statements (continued)**25 Operating leases**

Non-cancellable operating lease rentals are payable as follows:

	2018	2017
	£000	£000
Less than one year	1,410	1,376
Between one and five years	3,727	5,855
More than five years	4,046	34,840
	9,183	42,071

As at 31 March 2018 the company has no significant operating lease arrangements.

During the year £1,477,000 was recognised as an expense in the income statement in respect of operating leases (2017: £2,133,000).

Leases as lessor

The LIFT properties are let under operating leases. The future minimum lease receipts under non-cancellable leases are as follows:

	2018	2017
	£000	£000
Less than one year	73,264	48,169
Between one and five years	264,500	175,768
More than five years	620,220	451,043
	957,984	674,980

During the year £266,983,000 (2017: £264,851,000) was recognised as rental income by the Company.

26 Commitments*Capital commitments*

At the year end the Company had no capital commitments (2017: £nil).

Notes to the financial statements (continued)**27 Related parties**

During the year none of the Company board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Community Health Partnerships Limited.

As at 31 March 2018, the Company owed the Department of Health and Social Care £180,000,000 (2017: £180,000,000) in respect of the Unsecured Loan Facility and £1,052,858 (2017: £nil) in respect of accrued interest.

During the financial year, the Department of Health and Social Care provided accommodation and other services to the Company amounting to £262,000 (2017: £152,411). As at 31 March 2018, the Company owed £120,343 (2017: £48,208) in respect of these services.

As the ultimate parent of the Company, the Department of Health and Social Care is regarded as a related party. During the year Community Health Partnerships Limited has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These include NHS Property Services Limited, NHS England, Clinical Commissioning Groups, NHS Trusts and NHS Foundation Trusts. The company has also had a significant number of material transactions with LIFT companies where the Company is both a shareholder and investor. These transactions have taken place in the normal course of business.

Mr Benjamin Masterson is a director of the Company and of NHS Property Services Limited.

A summary of these related party transactions is detailed below:

	Income		Expenditure	
	2018	2017	2018	2017
	£000	£000	£000	£000
Department for Health and Social Care	-	-	2,579	2,646
NHS Property Services Limited	64	-	32,384	28,829
NHS England	13,484	24,954	-	24
Clinical Commissioning Groups	73,882	69,810	-	616
NHS Trusts	47,411	52,588	245	457
NHS Foundation Trusts	100,269	105,417	1,481	2,143
LIFT Companies	11,713	11,692	275,794	267,308
	246,823	264,461	312,483	302,023

Notes to the financial statements (continued)**27 Related parties (continued)**

	Receivables outstanding		Payables outstanding	
	2018	2017	2018	2017
	£000	£000	£000	£000
Department for Health and Social Care	-	-	-	-
NHS Property Services Limited	36	11	3,052	19,023
NHS England	5,074	5,489	12	24
Clinical Commissioning Groups	21,072	14,482	1,294	1,263
NHS Trusts	18,414	15,756	187	84
NHS Foundation Trusts	33,414	38,696	552	1,028
LIFT Companies	7,161	6,395	-	-
	85,171	80,829	5,097	21,422

28 Ultimate parent company and parent company of larger group

At the year-end, the Secretary of State for Health owned 100% of the share capital. The Directors regard the Secretary of State for Health as the ultimate controlling party.

The largest and smallest group in which the results of the Company are consolidated is that headed by the Department of Health and Social care (registered office: 39 Victoria Street, London, SW1H 0EU). These financial statements are produced under IFRS to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. No other group financial statements include the results of the Company.

A copy of the Consolidated Financial Statements of the Department of Health and Social Care can be found at the following website www.gov.uk/government/publications.

29 Subsequent events

There are no known post balance date events that have occurred that would have a material impact on the financial statements outlined in this Annual report and financial statements.