
SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Company Registration No. 04772219

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Report and Financial Statements For the year ended 31 March 2015

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SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Company Information

Directors

S J Barnes (Resigned 18 June 2015)
J E Haan
S D Green
G W Mackinlay
S F Murphy
P J Sheldrake
M W Grinonneau (Appointed 18 June 2015)

Company Secretary

Asset Management Solutions Limited (Resigned 30 April 2015)
Clare Sheridan (Appointed 1 May 2015)

Registered Office

Kent House
14-17 Market Place
London
W1W 8AJ

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Directors' Report For the year ended 31 March 2015

The directors present their annual report and the audited financial statements for the year ended 31 March 2015. This company is a wholly owned subsidiary of Sandwell LIFT Company Limited, a company registered in England and Wales.

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

Principal activities

The company manages four health centres under the Government's LIFT Initiative.

The results for the year are included on page 6.

Dividends

The directors cannot recommend the payment of a dividend (2014: £nil).

On 31 May 2014 Sandwell LIFT Company Limited made a capital contribution of £200,000 to Sandwell Project Company (No.1) Limited.

Directors

The current directors of the company, who served throughout the period and subsequently unless otherwise stated, are shown on page 1.

Sandwell LIFT Project Company (No. 1) Limited has adopted Articles of Association, the provisions of which do not require the directors to retire by rotation or to retire at the first Annual General Meeting after their appointment.

Qualifying third party indemnity provisions

The directors of Sandwell LIFT Project Company (No. 1) Limited have qualifying third party indemnity provisions put in place through other companies of which they are also directors.

Going concern

The company has net liabilities of £1,429,000 (2014: net liabilities of £1,404,000) which includes the fair value of the interest rate swaps of £3,807,000 (2014: £2,504,000) and RPI swaps of £1,062,000 (2014: £1,853,000) within liabilities and net current liabilities of £9,006,000 (2014: net current liabilities of £10,038,000) including cash of £1,753,000 (2014: £975,000) at 31 March 2015.

The directors have reviewed the future liquidity requirements and have considered the cash flow forecasts of the company. The company produces long-term financial forecasts which show the company is able to operate and meet its financial obligations as they fall due, including compliance with all loan covenants. Based on this review and the future business prospects of the company, despite the current economic conditions the directors believe the company will be able to meet its liabilities as they fall due.

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

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Directors' Report (continued) For the year ended 31 March 2015

Directors' responsibilities statement

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

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

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

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

Auditor and disclosure of information to auditor

In the case of each of the persons who are directors of the company at the date when this report is approved:

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

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

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

On behalf of the board



**Director
John Haan**

30 July 2015

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

We have audited the financial statements of Sandwell LIFT Project Company (No. 1) Limited for the year ended 31 March 2015 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

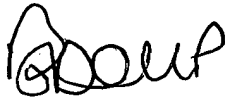
SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED (continued)

Matters on which we are required to report by exception

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

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



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

31/7/2015

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

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Statement of Comprehensive Income For the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Turnover	1	639	601
Cost of sales		(458)	(418)
Gross profit		<u>181</u>	<u>183</u>
Administrative expenses		(113)	(88)
Operating profit		<u>68</u>	<u>95</u>
Interest receivable and similar income	5	1,102	1,119
Interest payable and similar charges	6	(916)	(981)
Profit on ordinary activities before taxation	1	<u>254</u>	<u>233</u>
Tax on profit on ordinary activities	7	(69)	(73)
Profit for the financial year		<u>185</u>	<u>160</u>
Movement in cash flow hedge		(512)	1,962
Taxation in respect of items of other comprehensive income	13	102	(392)
Other comprehensive (loss)/income for the year		<u>(410)</u>	<u>1,570</u>
Total comprehensive (loss)/income for the year		<u><u>(225)</u></u>	<u><u>1,730</u></u>

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


SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Statement of Financial Position As at 31 March 2015

	Note	2015 £'000	2014 £'000
Non-current asset			
Financial assets	8	<u>14,717</u>	<u>14,958</u>
Current assets			
Debtors – due within one year	9	63	150
Debtors – due after one year	9	845	812
Cash at bank and in hand	10	<u>1,753</u>	<u>975</u>
		<u>2,661</u>	<u>1,937</u>
Creditors			
Amounts falling due within one year	11	<u>(11,667)</u>	<u>(11,975)</u>
Net current liabilities		<u>(9,006)</u>	<u>(10,038)</u>
Total assets less current liabilities		5,711	4,920
Creditors			
Amounts falling due after more than one year	11	(7,140)	(6,324)
Net liabilities		<u>(1,429)</u>	<u>(1,404)</u>
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account		2,466	2,081
Cash flow hedge reserve	15	(3,895)	(3,485)
Shareholders' deficit		<u>(1,429)</u>	<u>(1,404)</u>

The financial statements of Sandwell LIFT Project Company (No. 1) Limited, registered number 04772219, were approved by the Board of Directors and authorised for issue on 30 July 2015.

These accounts have been prepared in accordance with the provisions applicable to small companies entitled to the small companies' exemption.


..... Director
John Haan

30 July 2015

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Statement of Changes in Equity For the year ended 31 March 2015

	Issued share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total 2015 £'000
1 April 2014	-	(3,485)	2,081	(1,404)
Comprehensive Income for the year				
Profit for the year	-	-	185	185
Hedge effective portion of change in fair value of designated hedging	-	(512)	-	(512)
Taxation in respect of other comprehensive income	-	102	-	102
Other comprehensive loss for the year	-	(410)		(410)
Total comprehensive loss for the year	-	(410)	185	(225)
Contributions by and distributions to owners				
Capital Contribution	-	-	200	200
Total contributions by and distributions to owners	-	-	200	200
31 March 2015	-	(3,895)	2,466	(1,429)

	Issued share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total 2014 £'000
1 April 2013	-	(5,055)	1,921	(3,134)
Comprehensive Income for the year				
Profit for the year	-	-	160	160
Hedge effective portion of change in fair value of designated hedging	-	1,962	-	1,962
Taxation in respect of other comprehensive income	-	(392)	-	(392)
Other comprehensive income for the year	-	1,570	-	1,570
Total comprehensive income for the year	-	1,570	160	1,730
31 March 2014	-	(3,485)	2,081	(1,404)

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Statement of Cash Flows For the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Cash flows from operating activities			
Profit for the financial year		185	160
Adjustments for:			
Turnover from mark-up on costs		(336)	(300)
Net interest receivable		(186)	(139)
Taxation expense		69	73
Decrease in trade and other debtors		87	98
Decrease in trade creditors		(2)	(1,687)
Cash used in operations		<u>(183)</u>	<u>(1,795)</u>
Interest paid		<u>(768)</u>	<u>(1,400)</u>
Net cash used in operating activities		<u>(951)</u>	<u>(3,195)</u>
Cash flows from investing activities			
Receipts on financial asset		1,734	1,689
Interest received		6	5
Net cash from investing activities		<u>1,740</u>	<u>1,694</u>
Cash flows from financing activities			
Loan repayments		(211)	(284)
Capital contribution		200	350
Net cash (used in)/from financing activities		<u>(11)</u>	<u>66</u>
Net increase/(decrease) in cash & cash equivalents		778	(1,435)
Cash and cash equivalents at beginning of year		975	2,410
Cash and cash equivalents at end of year	10	<u>1,753</u>	<u>975</u>
Cash and cash equivalents comprise:			
Cash at bank and in hand		1,753	975
		<u>1,753</u>	<u>975</u>

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Principal Accounting Policies For the year ended 31 March 2015

Sandwell LIFT Project Company (No. 1) Limited is incorporated in England and Wales. The registered office is Kent House, 14-17 Market Place, London, W1W 8AJ.

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

Basis of preparation

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

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015 but may be applied early to periods ending on or after 31 December 2012. Sandwell LIFT Project Company (No. 1) Limited has taken the option to apply the standard early in the preparation of these financial statements. Information on the impact of first-time adoption of FRS 102 is given in note 18.

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

Going concern

The company has net liabilities of £1,429,000 (2014: net liabilities of £1,404,000) which includes the fair value of the interest rate swaps of £3,807,000 (2014: £2,504,000) and RPI swaps of £1,062,000 (2014: £1,853,000) within liabilities and net current liabilities of £9,006,000 (2014: net current liabilities of £10,038,000) including cash of £1,753,000 (2014: £975,000) at 31 March 2015.

The directors have reviewed the future liquidity requirements and have considered the cash flow forecasts of the company. The company produces long-term financial forecasts which show the company is able to operate and meet its financial obligations as they fall due, including compliance with all loan covenants. Based on this review and the future business prospects of the company, despite the current economic conditions the directors believe the company will be able to meet its liabilities as they fall due.

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

Taxation

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

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

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

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

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Principal Accounting Policies (continued) **For the year ended 31 March 2015**

Turnover

a. Public to private concession arrangements

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

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

- the grantor controls or regulates what services the operator must provide using the infrastructure, to whom, and at what price; and
- the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

Pursuant to section 34 of FRS 102, such infrastructure is not recognised in assets of the operator as property, plant and equipment but as financial assets ('financial asset model').

b. Financial asset model

The financial asset model applies when the operator has an unconditional right to receive cash or another financial asset from the grantor.

In the case of concession services, the operator has such an unconditional right if the grantor contractually guarantees the payment of:

- Amounts specified or determined in the contract or
- The shortfall, if any, between amounts received from users of the public service and amounts specified or determined in the contract

Financial assets resulting from the application of section 34 of FRS 102 are recorded in the statement of financial position under the heading financial assets and measured at amortised cost.

Pursuant to section 23 of FRS 102, revenue associated with this financial model comprises of service remuneration which relates to lifecycle maintenance and facilities income and ad hoc property related services income.

c. Other revenue items

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

Financial Asset

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

Financial instruments

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

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

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Principal Accounting Policies (continued) **For the year ended 31 March 2015**

Financial instruments (continued)

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

Financial liabilities and equity

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

Hedge Accounting

The company has entered into variable to fixed rate interest swaps to manage its exposure to interest rate cash flow risk on its variable rate debt. The company has also entered into RPI swaps to hedge the potential volatility in future revenue cash flows arising from movements in RPI. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in the statement of comprehensive income for the period.

Finance costs

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

Loan arrangement fees

Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument. The capitalised fees are then released to the statement of comprehensive income on a straight line basis over the term of the loan.

Accounting estimates and judgments

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

a. Key sources of estimation uncertainty

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

Financial asset interest rate – The financial asset interest income is based on the WACC of the project and is applied to the carrying value of the financial asset on a quarterly basis. The interest rate used in 2015 is 7.59%.

Service margin – After the property is constructed, the company provides property management services. The remuneration for these services is recognised at cost plus an estimated mark up for profit on property management services. The service margin rate used in 2015 is 13.34%.

b. Critical judgements

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

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Notes to the Financial Statements For the year ended 31 March 2015

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

All turnover and profit on ordinary activities before taxation relates to one class of business, the company's principal activity carried out in the UK.

2. Audit costs

The audit fee for the Company amounted to £2,500 (2014: £2,500). This cost has been borne by Community Solutions Partnership Services Limited and has been recovered through the management services agreement between the two parties.

3. Directors' remuneration

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

4. Staff numbers

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

5. Interest receivable and similar income

	2015 £'000	2014 £'000
Bank interest receivable	6	5
Financial asset interest receivable	1,096	1,114
	<u>1,102</u>	<u>1,119</u>

6. Interest payable and similar charges

	2015 £'000	2014 £'000
Bank interest payable	713	191
Loan note interest payable	203	790
	<u>916</u>	<u>981</u>

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2015

7. Tax on profit on ordinary activities

	2015 £'000	2014 £'000
a) Analysis of tax on ordinary activities		
UK corporation tax payable at 21% (2014: 23%)	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences		
- current year	69	73
Total deferred tax	69	73
Tax on profit on ordinary activities	69	73
Taxation in respect of other comprehensive income		
Cash flow hedge reserve	(102)	392
Total taxation in respect of other comprehensive income	(102)	392

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (21%) (2014: 23%). The differences are explained below:

	£'000	£'000
b) Factors affecting the tax charge for the year		
Profit on ordinary activities before tax	254	233
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (21%) (2014: 23%)	53	54
Effects of:		
Expenses not deductible for tax purposes	19	16
Group release surrendered	-	14
Change in tax rate	(3)	(11)
Current tax charge for the year	69	73

The reduction in the corporation tax rate to 20% from 1 April 2015 is not anticipated to materially affect the future tax charge.

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2015

8. Financial assets

	2015 £'000	2014 £'000
Balance at 1 April	14,958	15,173
Income recognised in the income statement		
- service remuneration	336	300
- interest income	1,096	1,115
	<u>1,432</u>	<u>1,415</u>
Other movements		
- cash expenditure	61	60
- cash received	(1,734)	(1,690)
	<u>(1,673)</u>	<u>(1,630)</u>
Balance at 31 March	<u>14,717</u>	<u>14,958</u>

9. Debtors

	2015 £'000	2014 £'000
Due within one year		
Amounts owed by related parties	28	28
Trade debtors	30	-
Prepayments and accrued income	5	122
	<u>63</u>	<u>150</u>

	2015 £'000	2014 £'000
Due after one year		
Deferred taxation (note 13)	845	812
	<u>845</u>	<u>812</u>

10. Cash at bank and in hand

Included in cash at bank and in hand is cash of £1,753,000 (2014: £975,000) which is restricted for use in pre-described circumstances by the bank.

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2015

11. Creditors

	2015 £'000	2014 £'000
Amounts falling due within one year		
Bank loans (note 12)	10,936	11,143
Trade creditors	52	137
Amounts owed to related parties	412	433
Other taxation and social security	70	78
Accruals and deferred income	111	97
Other creditors	86	87
	<u>11,667</u>	<u>11,975</u>
Amounts falling due after more than one year		
Amounts owed to related parties	2,271	1,967
Cash flow Hedge - Interest rate/RPI SWAP (note 15)	4,869	4,357
	<u>7,140</u>	<u>6,324</u>

12. Loans

(a) Bank loans

	2015 £'000	2014 £'000
The bank loans are repayable as follows		
Within one year	10,936	11,143
	<u>10,936</u>	<u>11,143</u>

The Company has categorised all debt due to senior lenders as falling due within one year as a result of a breach in the loan covenants as at the year end reporting date. The lenders are aware of the potential default under the loan agreement relating to under lease compliance issues and that remedial plans are in place to remedy the matters in so far as the Directors are able to do so. The Directors are not aware of any proposals by the senior lenders to seek early repayment of the outstanding loan amounts.

Senior Debt loans have been restated to being due within one year within the comparative numbers given the same position as explained above was effective at the prior year end.

Bank borrowings relate to a Senior Debt Facility. The amounts drawn under the Facility are repayable on an agreed repayment profile of six monthly instalments that commenced on 15 January 2004 and are due to end in July 2032.

Interest charges on amounts drawn down under both the current and previous facility are based on floating LIBOR. The company has entered into a number of interest rate swap agreements whereby it pays fixed rates of 5.18% per annum, 5.23% per annum, 5.20% per annum, 5.21% per annum and 5.25% per annum in respect of amounts drawn under the facilities. The company paid interest of £518,000 (2014: £542,000) in relation to these agreements.

The swaps expire on 31 March 2031, 30 September 2030, 30 September 2030, 30 September 2030 and 30 September 2029 respectively.

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2015

The Senior Facility is secured by a first floating charge over the assets of the company.

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

(b) Subordinated loan due to parent undertaking

	£'000	£'000
The loans are repayable as follows		
Within one year	-	457
Between one and two years	-	87
After more than five years	<u>1,478</u>	<u>1,032</u>
	<u>1,478</u>	<u>1,576</u>

The loan notes carry a coupon of 12% (2014: 12%) and are repayable in the quarter ending December 2030.

(C) Mezzanine loan due to parent undertaking

	£'000	£'000
The loans are repayable as follows		
Within one year	23	43
Between one and two years	26	23
Between two and five years	95	86
After more than five years	<u>659</u>	<u>672</u>
	<u>803</u>	<u>824</u>

The loan notes carry a coupon of 4.75% (2014: 4.75%) and are repayable in the predetermined 6 month instalments ending June 2030.

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2015

13. Deferred tax

	2015 £'000	2014 £'000
Deferred tax		
Balance at beginning of year	(812)	(1,277)
Debit to profit for the financial year	69	73
(Credit)/debit to other comprehensive income	(102)	392
Balance at end of year	<u>(845)</u>	<u>(812)</u>

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

	£'000	£'000
Capital allowances in excess of amortisation	764	761
Non trading loan relationship losses	(542)	(609)
UK Property losses	(93)	(93)
Cash flow hedge reserve	(974)	(871)
	<u>(845)</u>	<u>(812)</u>

14. Called up share capital

	2015 £	2014 £
Allotted, called up and fully paid		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

15. Financial instruments

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

	2015 £'000	2014 £'000
Financial assets		
Financial assets measured at amortised cost	<u>16,505</u>	<u>15,933</u>
	<u>16,505</u>	<u>15,933</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(13,856)	(13,865)
Derivative financial instruments designated as hedges of variable interest rate/RPI risk	(4,869)	(4,357)
	<u>(18,725)</u>	<u>(18,222)</u>

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Notes to the Financial Statements (continued) **For the year ended 31 March 2015**

15. Financial instruments (continued)

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

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

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

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

In 2004, the company borrowed funds from its bankers under two term loans of £10,544,000 and £2,436,000, both of which are repayable in 2032.

To hedge the potential volatility in future interest cash flows arising from movements in LIBOR, the company has entered into floating to fixed interest rate swaps with a nominal value equal to that initial borrowings, the same term as the loans and interest re-pricing dates identical to those of the variable rate loans. These result in the company paying 5.18% per annum, 5.23% per annum, 5.20% per annum, 5.21% per annum and 5.25% per annum and receiving LIBOR (though cash flows are settled on a net basis) and effectively fixing the total interest cost on loans and interest rates swaps at 5.18% per annum, 5.23% per annum, 5.20% per annum, 5.21% per annum and 5.25% per annum.

The derivatives are accounted for as a hedge of variable rate interest rate risks, in accordance with FRS 102 and had a fair value of £3,807,000 (2014: £2,504,000) as at the year-end date. The cash flows arising from the interest rate swaps will continue until their maturity in 2031, coincidental with the repayment of the term loans. The change in fair value in the period was an increase of £1,303,000 (2014: decrease of £1,248,000) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

Between 2004 and 2005, the company entered into eight LPA agreements having fixed contractual terms which caused their turnover to increase with RPI on a yearly basis.

To hedge the potential volatility in future revenue cash flows arising from movements in RPI, the company has entered into RPI swaps with a nominal value below that of the LPA contract but having the same term as the loans and RPI re-pricing dates identical to those of the LPA contract. These result in the company paying 2.60% and 2.86% per annum and receiving actual RPI and effectively fixing the inflation on a determined portion of the LPA contract.

The derivatives are accounted for as a hedge of variable rate RPI rate risks, in accordance with FRS 102 and had a fair value asset of £1,062,000 (2014: £1,853,000) as at the reporting date. The cash flows arising from the RPI swaps will continue until their maturity in 2031, coincidental with the LPA contractual terms. The change in fair value in the period was a decrease of £791,000 (2014: decrease of £714,000) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2015

16. Ultimate parent company and controlling party

The Company is a wholly owned subsidiary of Sandwell LIFT Company Limited, a company registered in England and Wales. As at 31 March 2015, Sandwell LIFT Company Limited was owned by Primary Plus Holdings Limited (60%) and Community Health Partnerships Limited (40%), which are both registered in England and Wales.

The directors are of the opinion that there is no ultimate parent undertaking or controlling party by virtue of the Company's joint ownership and control.

17. Related party transactions

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

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

Name of party	Relationship	Nature of transaction	Transaction amount during year ended 31 March 2015 £'000	Amount owed to related parties at 31 March 2015 £'000
Community Health Partnerships Limited	Shareholder in Sandwell LIFT Company Limited	Loan	-	(912)
Community Health Partnerships Limited	Shareholder in Sandwell LIFT Company Limited	Interest	(81)	(129)
Community Health Partnerships Limited	Shareholder in Sandwell LIFT Company Limited	Provision of services	1,879	(66)
Primary Plus Holdings Limited	Shareholder in Sandwell LIFT Company Limited	Loan	-	(1,369)
Primary Plus Holdings Limited	Shareholder in Sandwell LIFT Company Limited	Interest	(122)	(194)

Transactions with related parties in the prior year are set out overleaf.

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2015

17. Related party transactions (continued)

Name of party	Relationship	Nature of transaction	Transaction amount during year ended 31 March 2014 £'000	Amount owed to related parties at 31 March 2014 £'000
Community Health Partnerships Limited	Shareholder in Sandwell LIFT Company Limited	Loan	-	(631)
Community Health Partnerships Limited	Shareholder in Sandwell LIFT Company Limited	Interest	(283)	-
Community Health Partnerships Limited	Shareholder in Sandwell LIFT Company Limited	Provision of services	1,845	(122)
Primary Plus Holdings Limited	Shareholder in Sandwell LIFT Company Limited	Loan	-	(946)
Primary Plus Holdings Limited	Shareholder in Sandwell LIFT Company Limited	Interest	(124)	-

SANDWELL LIFT PROJECT COMPANY (NO. 1) LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2015

18. First time adoption of FRS 102

	Note	Equity as at 1 April 2013 £'000	Profit for year 31 March 2014 £'000	Capital contribution £'000	Equity as at 31 March 2014 £'000
As previously stated under former UK GAAP		<u>(1,907)</u>	<u>124</u>	<u>350</u>	<u>(1,433)</u>
Transitional adjustments					
Conversion of the tangible fixed asset to the Financial asset	a	3,815	109	(350)	3,574
Financial derivatives	b	(6,319)	1,962	-	(4,357)
Deferred Tax	c	1,277	(465)	-	812
As stated in accordance with FRS 102		<u>(3,134)</u>	<u>1,730</u>	<u>-</u>	<u>(1,404)</u>

Explanation of changes to previously reported profit and equity

- FRS 102 requires that infrastructure assets, that are part of "Service Concession Arrangements", are to be recognised as financial assets and no longer in assets of the operator as property, plant and equipment. Adjustments required to transition the infrastructure assets to a financial asset model include substituting the unitary charge income for service remuneration, recognising a financial asset interest receivable, and reversing both the asset revaluation reserve, accumulated depreciation and capitalised borrowing costs.
- FRS 102 requires that all derivatives must be shown at fair value on the face of the Statement of financial position
- Deferred Tax adjustments on conversion have arisen on both timing differences from adjustments in point 'a' above and financial derivatives recognised from adjustments in point 'b' above.