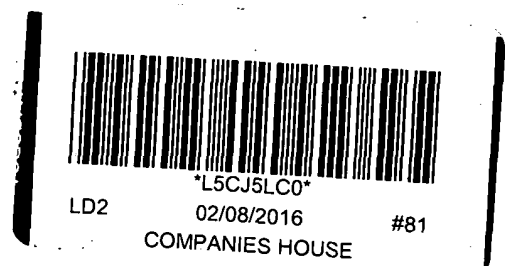

**GRT NOTTINGHAM LIFT PROJECT COMPANY (NO.
2) LIMITED**

Company Registration No. 04928314

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**



GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Report and Financial Statements For the year ended 31 March 2016

Contents	Page
COMPANY INFORMATION	1
DIRECTORS' REPORT	2
INDEPENDENT AUDITOR'S REPORT	4
STATEMENT OF COMPREHENSIVE INCOME	6
STATEMENT OF FINANCIAL POSITION	7
STATEMENT OF CHANGES IN EQUITY	8
STATEMENT OF CASH FLOWS	9
PRINCIPAL ACCOUNTING POLICIES	10
NOTES TO THE FINANCIAL STATEMENTS	14

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Company Information

Directors

G W Mackinlay
J E Haan (resigned 29 February 2016)
P J Sheldrake
P Tipping
M Grinonneau
J L Crouch (appointed 29 February 2016)

Company Secretary

Asset Management Solutions Limited (resigned 30 April 2015)
C 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

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Directors' Report For the year ended 31 March 2016

The directors present their annual report and the audited financial statements for the year ended 31 March 2016.

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

Principal activities

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

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

The results for the year are included on page 6.

Dividends

The company paid a dividend of £172,000 during the year (2015: £nil).

Directors

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

Grt Nottingham LIFT Project Company (No. 2) 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 Grt Nottingham LIFT Project Company (No. 2) 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 £6,866,000 (2015: £6,770,000), which includes the negative fair value of the interest rate swaps of £9,977,000 (2015: £9,476,000) and positive fair value of RPI swaps of £1,349,000 (2015: £590,000) within liabilities, and net current assets of £3,304,000 (2015: £3,748,000), including cash of £2,120,000 (2015: £2,113,000), at 31 March 2016.

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.

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Directors' Report (continued) **For the year ended 31 March 2016**

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

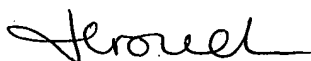
In the case of each of the persons who are directors of the company at the date when this report is approved:

- 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 a willingness to continue in office as the company auditor.

On behalf of the board



J L Crouch
Director

28 July 2016

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

We have audited the financial statements of Grt Nottingham LIFT Project Company (No. 2) Limited for the year ended 31 March 2016 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) 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.

BDO LLP

Paul Bailey (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor
55 Baker Street
London
W1U 7EU

29 July 2016

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

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Statement of Comprehensive Income For the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Turnover	1	1,133	861
Cost of sales		(720)	(651)
Gross profit		413	210
Administrative expenses		(134)	(46)
Operating profit		279	164
Interest receivable and similar income	5	1,774	1,847
Interest payable and similar charges	6	(1,942)	(1,959)
Profit on ordinary activities before taxation		111	52
Tax on profit on ordinary activities	8	(69)	(49)
Profit for the financial year		42	3
Movement in cash flow hedge		258	(2,530)
Taxation in respect of items of other comprehensive income/(loss)	8	(224)	506
Other comprehensive income/(loss) for the year		34	(2,024)
Total comprehensive income/(loss) for the year		76	(2,021)

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

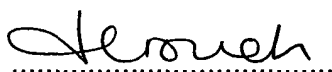
GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Statement of Financial Position As at 31 March 2016

	Note	2016 £'000	As restated 2015 £'000
Non-current asset			
Financial assets	9	<u>25,109</u>	<u>25,279</u>
Current assets			
Debtors – due within one year	10	98	417
Debtors – due after more than one year	10	1,774	2,067
Cash at bank and in hand	11	<u>2,120</u>	<u>2,113</u>
		3,992	4,597
Creditors			
Amounts falling due within one year	12	<u>(688)</u>	<u>(849)</u>
Net current assets		<u>3,304</u>	<u>3,748</u>
Total assets less current liabilities		28,413	29,027
Creditors			
Amounts falling due after more than one year	12	<u>(35,279)</u>	<u>(35,797)</u>
Net liabilities		<u><u>(6,866)</u></u>	<u><u>(6,770)</u></u>
Capital and reserves			
Called up share capital	15	1	1
Profit and loss account		208	338
Cash flow hedge reserve	16	<u>(7,075)</u>	<u>(7,109)</u>
Shareholders' deficit		<u><u>(6,866)</u></u>	<u><u>(6,770)</u></u>

The financial statements of Grt Nottingham LIFT Project Company (No. 2) Limited, registered number 04928314, were approved by the Board of Directors and authorised for issue on 28 July 2016.

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


.....
J L Crouch
Director

28 July 2016

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Statement of Changes in Equity For the year ended 31 March 2016

	Issued share capital £'000	Cash-flow hedge reserve £'000	Profit and loss account £'000	Total 2016 £'000
1 April 2015	1	(7,109)	338	(6,770)
Comprehensive income for the year				
Profit for the year	-	-	42	42
Hedge effective portion of change in fair value of designated hedging	-	258	-	257
Taxation in respect of other comprehensive income	-	(224)	-	(224)
Other comprehensive income for the year	-	34	-	34
Total comprehensive income for the year	-	34	42	76
Contributions by and distributions to owners				
Dividends	-	-	(172)	(172)
Total contributions by and distributions to owners	-	-	(172)	(172)
31 March 2016	1	(7,075)	208	(6,866)
	Issued share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total 2015 £'000
1 April 2014	1	(5,085)	335	(4,749)
Comprehensive income for the year				
Profit for the year	-	-	3	3
Hedge effective portion of change in fair value of designated hedging	-	(2,530)	-	(2,530)
Taxation in respect of other comprehensive loss	-	506	-	506
Other comprehensive loss for the year	-	(2,024)	-	(2,024)
Total comprehensive loss for the year	-	(2,024)	3	(2,021)
Contributions by and distributions to owners				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
31 March 2015	1	(7,109)	338	(6,770)

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Statement of Cash Flows For the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Profit for the financial year		42	3
Adjustments for:			
Interest receivable	5	(1,774)	(1,847)
Interest paid	6	1,942	1,959
Turnover on mark-up on costs	9	(746)	(477)
Taxation expense		69	49
Decrease/(increase) in trade and other debtors		321	(184)
(Increase) in trade creditors		(191)	(353)
Net cash used in operating activities		(337)	(850)
Cash flows from investing activities			
Interest received		4	2
Receipts on finance asset	9	2,680	2,654
Net cash from investing activities		2,684	2,656
Cash flows from financing activities			
Repayment of loans		(261)	(206)
Interest paid		(1,907)	(1,957)
Dividends	7	(172)	-
Net cash flows used in financing activities		(2,340)	(2,163)
Net increase/(decrease) in cash & cash equivalents		7	(357)
Cash and cash equivalents at beginning of year		2,113	2,470
Cash and cash equivalents at beginning of year		2,120	2,113
Cash and cash equivalents comprise:			
Cash at bank and in hand	10	2,120	2,113
		2,120	2,113

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Principal Accounting Policies For the year ended 31 March 2016

Grt Nottingham LIFT Project Company (No. 2) Limited is incorporated in England and Wales. The registered office is 14 – 17 Kent House, London, W1W 8AJ.

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

Basis of preparation

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

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

Going concern

The company has net liabilities of £6,866,000 (2015: £6,770,000), which includes the negative fair value of the interest rate swaps of £9,977,000 (2015: £9,476,000) and positive fair value of RPI swaps of £1,349,000 (2015: £590,000) within liabilities, and net current assets of £3,304,000 (2015: £3,748,000), including cash of £2,120,000 (2015: £2,113,000), at 31 March 2016.

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

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Principal Accounting Policies (continued) For the year ended 31 March 2016

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 at the reporting date 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 to 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.

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Principal Accounting Policies (continued) **For the year ended 31 March 2016**

Financial instruments (continued)

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

Financial liabilities and equity

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

Hedge Accounting

The company has entered into variable to fixed rate interest swaps and RPI swaps to manage its exposure to interest rate cash flow risk on its variable rate debt and inflation rate risk, respectively. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in the profit or loss 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 2016 is 7.21% (2015: 7.21%) per annum.

Service Margin – After the property is constructed, the company provides property management services. The remuneration for these services is recognised at cost plus an estimated mark up for profit on property management services. The service margin rate used in 2016 is 38.41% (2015: 34.18%) per annum. It is the policy of the directors that the service margin is reviewed annually on 1 April each year to generate a new service margin rate, which is to be applied in the proceeding financial year.

b. Critical judgements

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

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Principal Accounting Policies (continued) For the year ended 31 March 2016

Dividends

Equity dividends are recognised when they become legally payable. There is no requirement to pay dividends unless approved by the shareholders by way of written resolution where there is sufficient cash to meet current liabilities, and without detriment to senior debt covenants, if applicable.

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Notes to the Financial Statements For the year ended 31 March 2016

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

Turnover in the year is analysed as follows:

	2016 £'000	2015 £'000
Cost recoveries	326	318
Service margin	746	477
Rental income (third party)	61	60
Other income	-	6
	<u>1,133</u>	<u>861</u>

2. Audit costs

Auditor's remuneration of £2,500 (2015: £2,500) is borne by Community Solutions Partnership Services Limited for the current and prior financial years.

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

	2016 £'000	2015 £'000
Bank interest receivable	4	2
Financial asset interest receivable	<u>1,770</u>	<u>1,845</u>
	<u>1,774</u>	<u>1,847</u>

6. Interest payable and similar charges

	2016 £'000	2015 £'000
Bank interest payable	1,596	1,605
Loan note interest payable	<u>346</u>	<u>354</u>
	<u>1,942</u>	<u>1,959</u>

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Notes to the Financial Statements For the year ended 31 March 2016

7. Dividends

	2016 £'000	2015 £'000
Dividends paid – £172 per share (2015: £nil per share)	172	-
	<u>172</u>	<u>-</u>

8. Tax on profit on ordinary activities

	2016 £'000	2015 £'000
a) Analysis of tax on ordinary activities		
UK corporation tax payable at 20% (2015: 21%)	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	69	49
Total deferred tax	<u>69</u>	<u>49</u>
Tax on profit on ordinary activities	<u>69</u>	<u>49</u>

Taxation in respect of other comprehensive income

Cash flow hedge reserve	224	(506)
Total taxation in respect of other comprehensive income	<u>224</u>	<u>(506)</u>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (20%) (2015: 21%). The differences are explained below:

	£'000	£'000
b) Factors affecting the tax charge for the year		
Profit on ordinary activities before tax	<u>111</u>	<u>52</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (20%) (2015: 21%)	22	11
Effects of:		
Expenses not deductible for tax purposes	22	41
Adjustment for change in tax rates	25	(3)
Current tax charge for the year	<u>69</u>	<u>49</u>

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

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Notes to the Financial Statements For the year ended 31 March 2016

9. Financial assets

	2016 £'000	2015 £'000
Balance at 1 April	25,279	25,584
Income recognised in the income statement		
- service remuneration	746	477
- interest income	1,770	1,845
	<u>2,516</u>	<u>2,322</u>
Other movements		
- cash (received)/expenditure	(6)	27
- cash received	(2,680)	(2,654)
	<u>(2,686)</u>	<u>(2,627)</u>
Balance at 31 March	<u>25,109</u>	<u>25,279</u>

10. Debtors

	2016 £'000	* As restated 2015 £'000
Due within one year		
Trade debtors	9	15
Other debtors	2	-
Amounts owed by group undertakings	40	392
Prepayments and accrued income	47	10
	<u>98</u>	<u>417</u>
Due after more than one year		
Deferred tax (note 14)	1,774	2,067
	<u>1,774</u>	<u>2,067</u>

* For details of the prior year restatement – see note 19

11. Cash at bank and in hand

Included in cash at bank and in hand is cash of £2,120,000 (2015: £2,113,000) which is restricted for use in pre-described circumstances by the bank.

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Notes to the Financial Statements For the year ended 31 March 2016

12. Creditors

	2016 £'000	* As restated 2015 £'000
Amounts falling due within one year		
Bank loans (note 13)	241	222
Trade creditors	68	75
Amounts owed to related parties	74	175
Amounts owed to group undertakings	21	17
Other taxation and social security	77	121
Other creditors	-	10
Accruals and deferred income	207	229
	<u>688</u>	<u>849</u>
Amounts falling due after more than one year		
Bank loans (note 13)	23,522	23,738
Amounts owed to related parties	2,737	2,763
Accruals and deferred income	392	410
Cash flow hedge – Interest rate/RPI SWAP (note 16)	8,628	8,886
	<u>35,297</u>	<u>35,797</u>

* For details of the prior year restatement – see note 19

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Notes to the Financial Statements For the year ended 31 March 2016

13. Loans

(a) Bank loans

	2016 £'000	2015 £'000
The bank loans are repayable as follows		
Within one year	241	222
Between one and two years	286	241
Between two and five years	1,314	1,081
After more than five years	21,922	22,416
	<u>23,763</u>	<u>23,960</u>

Bank borrowings relate to a Senior Debt Facility granted by Royal Bank of Scotland Plc.

The amounts drawn under the Senior Debt Facility are repayable on an agreed repayment profile commencing on 31 March 2012 and ending on 30 November 2036, together with bullet instalment totalling £6,400,000 payable on 31 December 2036.

The company has entered into an interest rate swap agreement whereby it pays a fixed rate of 4.53% per annum in respect of amounts drawn under the Amortising Senior Debt Facility, and receives LIBOR. The company has also entered into an interest rate swap agreement whereby it pays a fixed rate of 4.82% per annum in respect of amounts drawn under the Bullet Senior Debt Facility, and receives LIBOR. The company paid interest of £950,000 (2015: £967,000) in relation to these agreements. The swaps expire on 31 December 2036.

The Senior Facility is secured by fixed and floating charges on the assets of the company.

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

(b) Subordinated loan due to parent undertaking

	2016 £'000	2015 £'000
The loans are repayable as follows		
Within one year	14	24
Between one and two years	-	28
Between two and five years	103	109
After more than five years	2,635	2,626
	<u>2,752</u>	<u>2,787</u>

The loan notes carry a coupon of 12.5%, and are repayable in pre-determined semi-annual instalments commencing on 30 June 2013 and ending on 31 March 2037. The loans are unsecured.

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Notes to the Financial Statements For the year ended 31 March 2016

14. Deferred tax

	2016 £'000	2015 £'000
Deferred tax		
Balance at beginning of year	(2,067)	(1,610)
Charge to profit for the financial year	69	49
Charge to other comprehensive income/(loss)	224	(506)
Balance at end of year	<u>(1,774)</u>	<u>(2,067)</u>

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

	£'000	£'000
Accelerated capital allowances	882	889
UK property business losses	(95)	(105)
Non-trade loan relationship losses	(934)	(988)
Provisions	(74)	(86)
Cash flow hedge reserve	<u>(1,553)</u>	<u>(1,777)</u>
	<u>(1,774)</u>	<u>(2,067)</u>

15. Called up share capital

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

16. Financial instruments

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

	2016 £'000	* As restated 2015 £'000
Financial assets		
Financial assets measured at amortised cost	27,325	27,809
	<u>27,325</u>	<u>27,809</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(26,851)	(27,198)
Derivative financial instruments designated as hedges of variable interest rate/RPI risk	(8,628)	(8,886)
	<u>(35,479)</u>	<u>(36,084)</u>

* For details of the prior year restatement – see note 19

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.

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Notes to the Financial Statements For the year ended 31 March 2016

16. Financial instruments (continued)

Financial assets measured at amortised cost comprise the financial asset, cash at bank and in hand, amounts owed by related parties, trade debtors, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, amounts owed to related parties, trade creditors, other creditors and accruals.

Historically, the company borrowed funds from its bankers under two term loans of £21,900,000 and £6,400,000, which are repayable in 2036.

To hedge the potential volatility in future interest cash flows arising from movements in LIBOR, the company has entered into floating to fixed interest rate swaps with a nominal value equal to that initial borrowings, the same term as the loans and interest re-pricing dates identical to those of the variable rate loans. These result in the company paying 4.53%, and 4.82% per annum, for the Amortising and Bullet loans, respectively, and receiving LIBOR (though cash flows are settled on a net basis). The company pays LIBOR, plus margins of 1.75% and 2.0%, respectively, effectively fixing the total interest cost on loans and interest rates swaps at 6.28% and 6.82% per annum.

The derivatives are accounted for as a hedge of variable rate interest rate risks, in accordance with FRS 102 and had a negative fair value of £9,977,000 (2015: £9,476,000) at the reporting date. The cash flows arising from the interest rate swaps will continue until their maturity in 2036, coincidental with the repayment of the term loans. The change in fair value in the period was a decrease of £501,000 (2015: £4,692,000), with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

In 2010, the company entered into two LPA agreements having fixed contractual terms which cause their revenue 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 LPA contracts and RPI re-pricing dates identical to those of the LPA contract. These result in the company 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 positive fair value of £1,349,000 (2015: £590,000) at the reporting date. The cash flows arising from the interest rate swap will continue until their maturity in March 2035, coincidental with the LPA contractual terms. The change in fair value in the period was an increase of £759,000 (2015: £2,162,000), with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

17. Ultimate parent company and controlling party

The company is a wholly owned subsidiary of Grt Nottingham LIFT Midco (No. 2) Limited, which is in turn a wholly owned subsidiary of Grt Nottingham LIFT Company Limited, both of which are registered in England and Wales. Grt Nottingham LIFT Company Limited is owned by Primary Plus Holdings Limited (60%), Nottingham City Council (4%) and Community Health Partnerships Limited (36%), which are all registered in England and Wales.

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

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Notes to the Financial Statements For the year ended 31 March 2016

18. 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 £'000	Amount owed (to)/by related parties at 31 March 2016 £'000
Nottingham City Council	Shareholder in Grt Nottingham LIFT Company Limited	Provision of services	1,871	40
		Interest	(39)	(308)
Primary Plus Holdings Limited	Shareholder in Grt Nottingham LIFT Company Limited	Interest	(207)	(1,651)
Community Health Partnerships Limited	Shareholder in Grt Nottingham LIFT Company Limited	Provision of services	1,080	(60)
		Interest	(100)	(792)

Name of party	Relationship	Nature of transaction	Transaction amount £'000	Amount owed (to)/by related parties at 31 March 2015 £'000
Nottingham City Council	Shareholder in Grt Nottingham LIFT Company Limited	Provision of services	2,255	392
		Interest	(40)	(312)
Primary Plus Holdings Limited	Shareholder in Grt Nottingham LIFT Company Limited	Interest	(212)	(1,672)
Community Health Partnerships Limited	Shareholder in Grt Nottingham LIFT Company Limited	Provision of services	1,262	(151)
		Interest	(102)	(803)

GRT NOTTINGHAM LIFT PROJECT COMPANY (NO. 2) LIMITED

Notes to the Financial Statements For the year ended 31 March 2016

19. Prior year adjustment

In the prior year, the positive fair value of the RPI swap was reanalysed from debtors due after more than one year to creditors due after more than one year, and netted off with interest rate swap, as both are classified as cash flow swaps for the same purpose and are with the same counterparty, being Royal Bank of Scotland.

This adjustment has had no impact on comprehensive income or net liabilities.