

Registered number: 05150835

COMMUNITY VENTURES (LEEDS) LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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COMMUNITY VENTURES (LEEDS) LIMITED

COMPANY INFORMATION

Directors	D Harding B Chana P Would R Coates S Jones
Company secretary	V Jagger-Strangeway
Company number	05150835
Registered office	Unit 4340 Park Approach Thorpe Park Leeds LS15 8GB
Auditors	BDO LLP 55 Baker Street London W14 7EU
Bankers	The Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2YB

**COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS**

CONTENTS

	Page
Directors' report	1
Consolidated strategic report	2
Statement of directors' responsibilities	3
Independent auditor's report	4 – 6
Consolidated statement of comprehensive income	7
Consolidated statement of financial position	8
Company statement of financial position	9
Consolidated and company statement of changes in equity	10 - 11
Consolidated cash flow statement	12
Notes to the financial statements	13 – 25

**COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS**

The directors present their report and the audited consolidated financial statements for the year ended 30 September 2017.

The group comprises Community Ventures (Leeds) Limited, Community Ventures Midco (No.1) Limited and Community Ventures Company (No. 1) Limited.

Principal activity

The principal activity of the group is to invest in property, property development and property maintenance. It acquires land, designs, constructs and maintains facilities for rent in Leeds as part of the government sponsored Local Improvement Finance Trust (LIFT) initiative.

The company has a wholly owned subsidiary - Community Ventures Midco (No. 1) Ltd - which holds a 100% shareholding in Community Ventures Company (No. 1) Limited. Community Ventures Company (No. 1) Limited holds the group's 11 serviced community healthcare assets, procured in three tranches between 2004 and 2009 through the Department of Health Local Improvement Finance Trust (LIFT) initiative. Community Ventures (Leeds) Limited provides these services to Community Ventures Company (No. 1) Limited through a management agreement.

Results and dividends

The results for the year are set out in the attached consolidated statement of comprehensive income.

The group profit for the year, after taxation is £1,720,117 (2016: £1,579,537).

The company profit of £1,253,117 (2016: £5,347,322) is in line with expectations. During the year a dividend of £1,315,169 (2016: £5,440,000) was approved by the board and paid.

Directors

The directors who served during the year were:

D Harding
S Jones
P Would
B Chana
Richard Coates

Qualifying third party indemnity provisions

The directors of Community Ventures (Leeds) Limited have qualifying third party indemnity provisions put in place through other companies of which they are also directors.

Disclosure of information to auditor

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

- so far as that director is aware, there is no relevant audit information of which the company's and the group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's and the group's auditor in connection with preparing their report and to establish that the company's and group's auditor is aware of that information.

Auditor

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

This report was approved by the board on 27 March 2018 and signed on its behalf by:


D Harding
Director

**COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS**

CONSOLIDATED STRATEGIC REPORT

Business review and future developments

During the year the group has delivered against its contractual obligations within the Strategic Partnering Agreement (SPA) and Lease Plus Agreements (LPAs). In addition it has delivered minor capital works programmes and estate management/consultancy services (Partnering Services) for its NHS Partners.

The Community Ventures (Leeds) Limited board during 2017 approved a refreshed business plan that takes into consideration national and local changes within the NHS. The board considers that these changes still offer the companies opportunity for further investment and development. Some of the key activities identified in the business plan going forward are:

- o Delivering minor capital works programmes for NHS partners
- o Delivering capital projects to provide Primary Care/Community Hubs
- o Extension of management and Partnering Services agreements to Local NHS FTs/Trusts
- o Future opportunities with Leeds City Council LD Facility
- o The development of a West Yorkshire CAMHS facility

These business/development opportunities are in addition to the delivery of estate and asset maintenance to the 11 operational facilities.

The directors consider the performance of the company and the group during the year, the financial position at the end of the year and their prospects for the future to be satisfactory.

Principal risks and uncertainties

The directors consider the principal risks and uncertainties to be as follows:

- o The delay in the approval of schemes due to the NHS structural changes and formation of new organisations
- o The existing estate of Community Ventures Company (No.1) Limited is properly managed and maintained so that realisation of the residual property value funds final repayment of the senior loan capital and payments of a shareholder dividend. This uncertainty is mitigated through regular operational reporting at board level and the senior debt providers' requirement for regular lifecycle reviews which ensure the assets are properly maintained, while regular asset valuations provide warning of any diminution in value.
- o The group is protected against interest rate risk because its' subsidiary has entered into fixed rate loans.

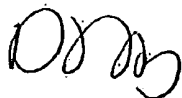
Going concern

As detailed in the notes to the financial statements on page 13, the directors have considered the appropriateness of the going concern basis of preparation for the financial statements. The group's business is modelled on long term bank loans and lease plus agreements and the results are consistent with expectations for the current phase in the life of these agreements.

Key performance indicators

The directors monitor the group's performance against the projected results across the life of the project. The key indicators that the group is performing as planned are results in line with the operational model.

This report was approved by the board on 27 March 2018 and signed on its behalf by:



D Harding
Director

**COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report, the Consolidated Strategic 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 group and the company and of the profit or loss of the group for that period.

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

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

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

**COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS**

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF COMMUNITY VENTURES (LEEDS) LIMITED

Opinion

We have audited the financial statements of Community Ventures (Leeds) Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 30 September 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent 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.

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.

**COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS**

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF COMMUNITY VENTURES (LEEDS) LIMITED

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 this regard.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Consolidated Strategic report and Director's report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

Responsibilities of Directors

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, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

**COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS**

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF COMMUNITY VENTURES (LEEDS) LIMITED

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 at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

BDO LLP

Paul Bailey (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street
London
United Kingdom
W1U 7EU

28 March 2018

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

**COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

		2017	2016
	Note	£	£
TURNOVER	2	5,047,641	5,042,670
Cost of sales		<u>(3,240,726)</u>	<u>(3,079,028)</u>
GROSS PROFIT		1,806,915	1,963,642
Administrative expenses		<u>(296,266)</u>	<u>(557,589)</u>
OPERATING PROFIT	4	1,510,649	1,406,053
Interest receivable	5	5,909,118	5,965,547
Interest payable and other charges	5	<u>(5,699,650)</u>	<u>(5,792,063)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,720,117	1,579,537
Tax on profit on ordinary activities	6	<u>-</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR		1,720,117	1,579,537
Other comprehensive income for the year		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,720,117</u>	<u>1,579,537</u>

All the group's operations relate to continuing activities.

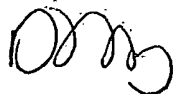
The notes on pages 13 to 25 form part of these financial statements.

COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
REGISTERED NUMBER: 05150835

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017**

		2017		2016	
	Note	£	£	£	£
NON-CURRENT ASSETS					
Financial Assets	8		93,170,480		94,165,288
CURRENT ASSETS					
Debtors: amounts falling due within one year	9	293,512		257,765	
Cash at bank and in hand	10	<u>3,070,996</u>		<u>3,110,199</u>	
TOTAL CURRENT ASSETS		3,364,508		3,367,964	
CREDITORS: amounts falling due within one year	12	<u>(3,306,055)</u>		<u>(2,523,189)</u>	
NET CURRENT ASSETS			<u>58,453</u>		<u>844,775</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			93,228,933		95,010,063
CREDITORS: amounts falling due after more than one year	13		<u>(86,276,072)</u>		<u>(88,462,150)</u>
NET ASSETS			<u>6,952,861</u>		<u>6,547,913</u>
CAPITAL AND RESERVES					
Called up share capital	14		1,000		1,000
Profit and loss account			<u>6,951,861</u>		<u>6,546,913</u>
SHAREHOLDERS' FUNDS			<u>6,952,861</u>		<u>6,547,913</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 March 2018 by:



D Harding
Director

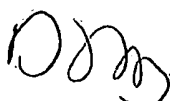
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**COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
REGISTERED NUMBER: 05150835**

**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017**

	Note	£	2017 £	£	2016 £
NON-CURRENT ASSETS					
Fixed asset investments	7		1,000		1,000
CURRENT ASSETS					
Debtors	9	113,217		35,032	
Cash at bank and in hand		<u>297,143</u>		<u>461,409</u>	
		410,360		496,441	
CREDITORS: amounts falling due within one year	12	<u>(126,072)</u>		<u>(150,101)</u>	
NET CURRENT ASSETS			<u>284,288</u>		<u>346,340</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>285,288</u>		<u>347,340</u>
CAPITAL AND RESERVES					
Called up share capital	14		1,000		1,000
Profit and loss account			<u>284,288</u>		<u>346,340</u>
SHAREHOLDERS' FUNDS			<u>285,288</u>		<u>347,340</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 March 2018 by:



D Harding
Director

The notes on pages 13 to 25 form part of these financial statements.

COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
REGISTERED NUMBER: 05150835

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 SEPTEMBER 2017**

	Share Capital	Retained Earnings	Total 2017
1 October 2016	1,000	6,546,913	6,547,913
Comprehensive income for the year			
Profit for the year	-	1,720,117	1,720,117
Total comprehensive income	-	1,720,117	1,720,117
Contributions by and distributions to owners	-	(1,315,169)	(1,315,169)
Total contributions by and distributions to owners	-	(1,315,169)	(1,315,169)
30 September 2017	1,000	6,951,861	6,952,861

	Share Capital	Retained Earnings	Total 2016
1 October 2015	1,000	10,407,376	10,408,376
Comprehensive income for the year			
Profit for the year	-	1,579,537	1,579,537
Total comprehensive income	-	1,579,537	1,579,537
Contributions by and distributions to owners	-	(5,440,000)	(5,440,000)
Total contributions by and distributions to owners	-	(5,440,000)	(5,440,000)
30 September 2016	1,000	6,546,913	6,547,913

The notes on pages 13 to 25 form part of these financial statements.

COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
REGISTERED NUMBER: 05150835

**COMPANY STATEMENT OF CHANGES IN EQUITY
AS AT 30 SEPTEMBER 2017**

	Share Capital	Retained Earnings	Total 2017
1 October 2016	1,000	346,340	347,340
Comprehensive income for the year			
Profit for the year	-	1,253,117	1,253,117
Total comprehensive income	-	1,253,117	1,253,117
Contributions by and distributions to owners	-	(1,315,169)	(1,315,169)
Total contributions by and distributions to owners	-	(1,315,169)	(1,315,169)
30 September 2017	1,000	284,288	285,288

	Share Capital	Retained Earnings	Total 2016
1 October 2015	1,000	439,018	440,018
Comprehensive income for the year			
Profit for the year	-	5,347,322	5,347,322
Total comprehensive income	-	5,347,322	5,347,322
Contributions by and distributions to owners	-	(5,440,000)	(5,440,000)
Total contributions by and distributions to owners	-	(5,440,000)	(5,440,000)
30 September 2016	1,000	346,340	347,340

The notes on pages 13 to 25 form part of these financial statements.

COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
REGISTERED NUMBER: 05150835

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2017

Cash flows from operating activities	2017	2016
	£	£
Profit for the financial year	1,720,117	1,579,537
Adjustments for:		
Amortisation of financial assets	994,807	651,159
Net interest receivable	(238,041)	(202,057)
Taxation expense	-	-
Increase (decrease) in trade and other debtors	(48,422)	(27,311)
Increase / (decrease) in trade creditors	154,184	(233,559)
Net cash generated from operating activities	2,582,645	1,767,769
Cash flows from investing activities		
Interest received	5,909,118	5,965,547
Interest paid	(5,671,077)	(5,763,491)
Dividends paid	(1,315,169)	(5,440,000)
Net cash generated used in / (from) operating activities	(1,077,128)	(5,237,944)
Cash flows from financing activities		
Repayment of subordinated loan in the year	(110,691)	(132,685)
Repayment of senior debt loan in the year	(1,434,029)	(1,322,133)
Net cash used in financing activities	(1,544,720)	(1,454,818)
Net (decrease)/increase in cash and cash equivalents	(39,203)	(4,924,993)
Cash and cash equivalents at beginning of year	3,110,199	8,035,192
Cash and cash equivalents at end of year	3,070,996	3,110,199
Cash and cash equivalents comprise:		
Cash at bank and in hand	3,070,996	3,110,199
	3,070,996	3,110,199

The notes on pages 13 to 25 form part of these financial statements.

COMMUNITY VENTURES (LEEDS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below, and in accordance with applicable accounting standards including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS102').

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

Going concern

The financial statements are prepared on a going concern basis. The directors have prepared projected cash flow information for the period ending 12 months from the date of approval of these financial statements. On the basis of this cash flow information, the directors consider that the company and group will continue to operate within the long term facility currently agreed. In particular during the operational phase of the project, sufficient cash flow has been and is projected to continue to be generated to allow the company and group to meet its liabilities as they fall due for payment.

Accordingly the directors believe it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from this basis of preparation being inappropriate.

1.2 Basis of consolidation

The group financial statements consolidate the financial statements of Community Ventures (Leeds) Limited, Community Ventures Midco (No.1) Limited and Community Ventures Company (No.1) Limited. All intra group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

As permitted by section 408 of the Companies Act 2006, the parent company's statement of comprehensive income has not been included in these financial statements. The profit of the parent company for the financial year is £1,253,117 (2016: £5,347,322).

1.3 Turnover

Turnover represents income receivable in respect of management services provided to local community health and social care providers along with rental and other income under the LIFT contracts.

The LIFT contract income includes rental income and service charge income in accordance with the 25 year lease agreements which includes rental income, recharges for certain property costs, pharmacy rental and service charge, and client variations. Turnover is recognised in the period to which it relates.

COMMUNITY VENTURES (LEEDS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. ACCOUNTING POLICIES (continued)

Turnover arising from mark-up applied to direct costs, lifecycle and overheads

Turnover arising from mark-up applied to direct costs, lifecycle and overheads is calculated to bring the Financial Asset balance down to the value of property disposal proceeds at the end of the concession.

Interest income on Financial Asset

In accordance with FRS102 section 34.16A all borrowing costs are expensed as incurred. Interest income is recognised on the financial asset in order to bring net financing charges close to nil over the concession period.

Pharmacy premiums received in advance at financial close have been deferred in the statement of financial position and are being released to income in the profit or loss over the life of the related leases.

1.4 Investments

Investments held as fixed assets in the company's statement of financial position are shown at cost less provision for impairment.

1.5 Financial Asset

FRS102 section 34 – Service Concession Arrangements specifies that if both elements of the control test are met, then the arrangement should be accounted for as a service concession arrangement. As the grantor controls the services provided by the group via the LPA, and the grantor controls the significant residual interest in the assets at the end of the term, FRS102 section 34 requires that the operator does not recognise the infrastructure asset as property, plant and equipment because the contractual service arrangement does not convey the right to control the use of the public service assets to the operator.

As the group has an unconditional contractual right to receive a fixed or determinable amount of cash (via the LPA) a financial asset is recognised.

In accordance with FRS102 Section 34, the financial asset is recognised initially at fair value of the consideration receivable under the Lease Plus Agreement. The financial asset is subsequently recognised at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

It is recognised that the income related to the sale of the project assets at the end of the 25 year concessions does not neatly fit the definition, as it is not an unconditional right to receive cash (as the authority has an option to purchase the asset at a discount to market value, but may not exercise that option), however, the Directors consider that this treatment most accurately reflects the commercial reality of the transaction, since both cash flows are tied up in the LPA, and the group relies upon income from both the LPA and the sale of the assets at the end of the concession to service shareholder returns and the senior debt loan repayment.

1.6 Financial instruments

The group 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.

COMMUNITY VENTURES (LEEDS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. ACCOUNTING POLICIES (continued)

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

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

1.7 Financial liabilities and equity

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

1.8 Borrowing cost

Finance costs

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

1.9 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.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are not discounted.

1.10 Cash and cash equivalents

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

COMMUNITY VENTURES (LEEDS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. ACCOUNTING POLICIES (continued)

1.11 Accounting estimates and judgements

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:

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 model, which form the basis for the rent charged to the lessees.

Financial asset interest rate – the financial asset interest income is based on the WACC of the project and is applied to the carrying value of the financial asset on a quarterly basis. The interest rate used in 2017 is 6.45% (2016: 6.45%).

Service margin – following completion of construction of the asset, the group provides property management services. The remuneration for these services is recognised at cost plus an estimated mark up for profit on property management services. The service margin rate used in 2017 is 29.35% (2016: 33.8%).

Critical judgements

Concession arrangements – the concession arrangements undertaken by the group are considered to fall within the scope of section 34 of FRS102 "Service Concession Arrangements" as described in the financial asset 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.

2. TURNOVER

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

	2017 £	2016 £
Group		
Lease rental and pass through income	4,615,981	4,628,131
Strategic partnering services	431,660	414,539
	<u>5,047,641</u>	<u>5,042,670</u>

All turnover arose within the United Kingdom.

COMMUNITY VENTURES (LEEDS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. DIRECTORS' REMUNERATION

No Director, including the chairman, received any remuneration from the company during the year. The company and the group has no directly employed personnel. During the prior year the chairman, M Batty, received fees for his services totalling £5,932. In addition, the group paid amounts to third parties for services to directors as follows:

	2017 £	2016 £
Group		
Amounts paid to third parties in consideration for services of Directors	71,993	71,572
	<u>71,993</u>	<u>71,572</u>

4. OPERATING PROFIT

Group	2017 £	2016 £
The group operating profit is stated after charging/(crediting):		
Auditor's remuneration:		
- Audit services	12,669	12,360
- Non-audit services	4,773	4,750
Release of deferred pharmacy premiums	<u>(25,243)</u>	<u>(25,243)</u>

The group has no employees (2016: nil).

5. INTEREST PAYABLE AND OTHER CHARGES

Group	2017 £	2016 £
On bank loans and overdrafts	5,073,537	5,154,333
On other loans – subordinated debt	597,540	609,158
Amortisation of finance costs	<u>28,573</u>	<u>28,572</u>
	<u>5,699,650</u>	<u>5,792,063</u>

INTEREST RECEIVABLE

Group	2017 £	2016 £
Interest receivable on financial asset	5,906,723	5,958,949
Bank interest receivable	<u>2,395</u>	<u>6,598</u>
	<u>5,909,118</u>	<u>5,965,547</u>

COMMUNITY VENTURES (LEEDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

6. TAXATION

Group

	2017 £	2016 £
Analysis of tax charge in the year		
Current tax (see note below)	-	-
UK corporation tax charge on profit for the year	-	-
Deferred tax		
Charge for the year	-	-
Total deferred tax (see note 11)	-	-
Tax on profit on ordinary activities	-	-

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.5% (2016: 20.5%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>1,720,117</u>	<u>1,579,537</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2016: 20%)	335,423	315,907
Effects of:		
Fixed asset differences	193,987	130,232
Capital allowances in excess of depreciation	(323,248)	-
Other short term timing differences	(4,922)	(5,049)
Utilisation of losses and other deductions	(201,240)	(441,090)
Current tax charge for the year (see note above)	<u>-</u>	<u>-</u>

COMMUNITY VENTURES (LEEDS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

7. FIXED ASSET INVESTMENTS

Company

The company had the following interests in subsidiary undertakings. All subsidiaries are registered in England and Wales, have the same registered office as the company and provide property development and property maintenance in Leeds as part of the Local Improvement Finance Trust (LIFT) Initiative.

**Shares in
group
undertakings
£**

Cost and net book value

At 1 October 2016 and 30 September 2017

1,000

Investments are held in the following undertakings:

Name	Class of shares	Holding
Community Ventures Midco (No 1) Limited	Ordinary	100%

Community Ventures Midco (No.1) Limited has the following investments in subsidiary undertakings:

Name	Class of shares	Holding
Community Ventures Company (No 1) Limited	Ordinary	100%

Name	Net assets / (liabilities) £	Profit for year £
Community Ventures Midco (No 1) Limited	1,000	-
Community Ventures Company (No 1) Limited	6,668,573	1,322,169

8. FINANCIAL ASSET

	2017 £	2016 £
Balance at 1 October	94,165,288	94,816,446
Income recognised in the income statement		
- service remuneration	3,770,815	3,825,716
- interest income	5,906,723	5,958,949
Other movements		
- cash received	(10,672,346)	(10,435,823)
Balance at 30 September	<u>93,170,480</u>	<u>94,165,288</u>

COMMUNITY VENTURES (LEEDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

9. DEBTORS

Group	2017	2016
	£	£
Amounts falling due within one year		
Trade debtors	291,497	211,127
Other debtor	-	12,675
Prepayments and accrued income	2,015	33,963
	<u>293,512</u>	<u>257,765</u>
 Company	 2017	 2016
	£	£
Amounts falling due within one year		
Trade debtors	99,708	594
Amounts owed by group undertakings	4,937	509
Other debtor	-	12,675
VAT receivable	8,572	-
Prepayments and accrued income	-	21,254
	<u>113,217</u>	<u>35,032</u>

10. CASH AT BANK AND IN HAND

Included within the group cash at bank and in hand figure is a maintenance reserve account of £468,323 (2016: £462,833) and debt service reserve accounts of £1,682,494 (2016: £1,680,246). These accounts are reserved for specific purposes as defined in the credit agreement.

11. DEFERRED TAX ASSET

Group	2017	2016
	£	£
At beginning of year	-	-
Released during year	-	-
At end of year	<u>-</u>	<u>-</u>
The deferred tax asset is made up as follows:		
	2017	2016
	£	£
Timing difference between capital allowances and depreciation	1,539,770	1,291,318
Other timing differences	(67,588)	(71,880)
Losses	(2,313,151)	(2,488,592)
	<u>(840,969)</u>	<u>(1,269,154)</u>

COMMUNITY VENTURES (LEEDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

11. DEFERRED TAX ASSET (continued)

The above net deferred tax asset has not been provided for as the timing and recoverability of this asset is uncertain.

The majority of the unprovided deferred tax asset relates to unprovided trade losses of £7,014,326 (2016: £7,014,326).

12. CREDITORS: Amounts falling due within one year

Group	2017 £	2016 £
Bank loans	1,598,726	1,388,910
Other loans – subordinated debt	614,033	170,760
Trade creditors	381,050	229,132
Accruals and deferred income	409,789	463,391
VAT payable	302,457	270,996
	3,306,055	2,523,189

Company	2017 £	2016 £
Trade creditors	106,572	576
Accruals and deferred income	19,500	25,601
VAT payable	-	123,924
	126,072	150,101

COMMUNITY VENTURES (LEEDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

13. CREDITORS: Amounts falling due after more than one year

Group	2017 £	2016 £
Bank loans	81,853,795	83,460,665
Other loans – subordinated debt	4,049,944	4,603,908
Accruals and deferred income	372,333	397,577
	<u>86,276,072</u>	<u>88,462,150</u>

Included within the above are amounts falling due as follows:

	2017 £	2016 £
Between one and two years		
Bank loans	1,900,124	1,598,726
Other loans – subordinated debt	<u>222,160</u>	<u>553,964</u>
Between two and five years		
Bank loans	7,244,092	6,487,746
Other loans – subordinated debt	<u>839,688</u>	<u>803,351</u>
Over five years		
Bank loans	72,709,579	75,374,193
Other loans – subordinated debt	<u>2,988,096</u>	<u>3,246,593</u>

Creditors include amounts not wholly repayable within 5 years as follows:

	2017 £	2016 £
Repayable by instalments	<u>75,697,675</u>	<u>78,620,786</u>

The fixed rate bank loans are repayable over 26 years, repayable by bi-annual instalments commencing March 2006 and bear an interest rate between 5.62% and 6.32%. The subordinated loans are repayable over 22 years commencing September 2006 and bear an interest rate between 12.5% and 13.3%.

Bank loans are secured by way of a legal mortgage over all the fixed assets together with an assignment to the security trustee of all rights, titles, benefits and interest whether present or future, proprietary, contractual or otherwise of the group.

COMMUNITY VENTURES (LEEDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

14. SHARE CAPITAL

Company	2017 £	2016 £
Allotted, called up and fully paid		
200- Ordinary shares - A shares of £1 each	200	200
200- Ordinary shares - B shares of £1 each	200	200
600- Ordinary shares - C shares of £1 each	600	600
	<u>1,000</u>	<u>1,000</u>

A, B and C shares rank pari passu in all respects.

15. FINANCIAL INSTRUMENTS

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

	2017 £	2016 £
Financial assets		
Financial asset	93,170,480	94,165,288
Cash at bank and in hand	3,070,996	3,110,199
Trade debtors	291,497	211,127
Accrued income	-	5,119
	<u>96,532,973</u>	<u>97,491,733</u>
	2017 £	2016 £
Financial liabilities		
Bank loans and overdrafts	83,452,521	84,849,575
Trade creditors	381,050	229,132
Accruals	332,283	379,783
Other loans	4,663,997	4,774,668
	<u>88,829,951</u>	<u>90,233,158</u>

COMMUNITY VENTURES (LEEDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

15. FINANCIAL INSTRUMENTS (continued)

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

	2017 £	2016 £
Financial assets		
Cash at bank and in hand	297,143	461,409
Trade debtors	99,708	594
Other debtors	4,937	13,184
	<u>401,788</u>	<u>475,187</u>
	2017 £	2016 £
Financial liabilities		
Trade creditors	106,572	576
Accruals	19,500	25,601
	<u>126,072</u>	<u>26,177</u>

16. DIVIDENDS

Company	2017 £	2016 £
Dividends paid on equity capital	1,315,169	5,440,000
Dividend per share	<u>1,315</u>	<u>5,440</u>

COMMUNITY VENTURES (LEEDS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

17. RELATED PARTY TRANSACTIONS

Group and Company

During the year directors' fees of £21,940 (2016: £105,793) were payable to Equitix Healthcare 2 Limited, a related party of shareholder Equitix Fund II LP, in respect of directors fees. Recharge fees of £330 (2016: £nil) were payable.

Dividends of £789,101 (2016: £204,000) were payable to Equitix Fund II LP.

During the year £14,398 (2016: £28,000) was payable to Community Health Partnerships, an investor in Community Ventures (Leeds) Limited, in respect of directors fees. Dividends of £482,667 (2016: £124,780) were payable. Recharge fees of £25,395 (2016: £218,579) were receivable. The amount outstanding at the year end was £9,973 (2016: £nil).

During the year £14,402 (2016: £21,540) was payable to Leeds City Council, an investor in Community Ventures (Leeds) Limited, in respect of directors fees. Dividends of £43,401 (2016: £11,220) were payable. Recharge fees of £24,775 (2016: £nil) were receivable. The amount outstanding at the year end for was £29,730.

During the year, chair fees of £nil (2016: £5,932) were payable to M Batty, a director.

Group only

During the year £1,666,260 (2016: £1,661,855) was receivable from Leeds City Council, an investor in Community Ventures (Leeds) Limited in respect of professional services, including lease plus rentals. The amount outstanding at the year end was £34,032 (2016: £6,851). During the year interest of £19,719 (2016: £20,102) was payable, in respect of the subordinated debt loan. The balance outstanding on the loan at the year end was £153,911 (2016: £157,564).

During the year interest of £358,524 (2016: £365,495) was payable to Equitix Healthcare 2 Limited, a related party of shareholder Equitix Fund II LP, in respect of the subordinated debt loan. The balance outstanding on the loan at the year end was £2,798,387 (2016: £2,864,801).

During the year interest of £219,297 (2016: £223,561) was payable to Community Health Partnerships, a shareholder, in respect of the subordinated debt loan. The balance outstanding on the loan at the year end was £1,711,679 (2016: £1,752,303). During the year £9,623,471 (2016: £9,398,053) was receivable from Community Health Partnerships in respect of professional services including lease plus rentals. The amount outstanding at the year end was £113,853 (2016: £90,948).

18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is a joint venture with no ultimate parent company.