

Registered number: 05150835

COMMUNITY VENTURES (LEEDS) LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020



COMMUNITY VENTURES (LEEDS) LIMITED
COMPANY INFORMATION

Directors	B Chana R Coates A R J Thakrar C E Walker
Company secretary	V Jagger-Strangeway
Registered number	05150835
Registered office	Unit 4340 Park Approach Thorpe Park Leeds West Yorkshire LS15 8GB
Auditors	BDO LLP 55 Baker Street London W14 7EU
Bankers	The Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2YB

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COMMUNITY VENTURES (LEEDS) LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020

The directors present their report and the audited consolidated financial statements for the year ended 30 September 2020.

The group comprises Community Ventures (Leeds) Limited (the "Parent Company"), Community Ventures Midco (No. 1) Limited and Community Ventures Company (No. 1) Limited (together the "Group").

Principal activity

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

Group structure

The Company has a wholly owned subsidiary, Community Ventures Midco (No.1) Limited which holds 100% of the shares 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 LIFT initiative. The Company provides management 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 £1,474,359 (2019: £1,792,226).

The Company profit of £1,119,633 (2019: £1,002,189) is in line with expectations. During the year, a dividend of £1,191,521 (2019: £1,239,822) was approved by the board and paid.

Directors

The directors who served throughout the year and up to the date of approval of these financial statements were:

B Chana
R Coates
D Harding (resigned 1/3/21)
A R J Thakrar (appointed 1/3/21)
C E Walker (appointed 1/3/21)
P Would (resigned 1/3/21)

Qualifying third party indemnity provisions

The directors of the Company have qualifying third party indemnity provisions put in place through other companies of which they are also directors.

COMMUNITY VENTURES (LEEDS) LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Disclosure of information to the auditors

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 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 relevant audit information in connection with preparing their report and to establish that the auditor of the Company and of the Group 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 28 April 2021 and signed on its behalf by:



A R J Thakrar
Director

COMMUNITY VENTURES (LEEDS) LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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 period. 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 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 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 and Company'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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities.

COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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 ("LPA's"). In addition it has delivered minor capital works programmes and estate management/consultancy services (Partnering Services) for its NHS Partners.

During 2018 the board of the Company 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 Group opportunity for further investment and development. Some of the key activities identified in the business plan going forward are:

- delivering minor capital works programmes for NHS partners;
- delivering capital projects to provide Primary Care/Community Hubs;
- extension of management and Partnering Services agreements to Local NHS FTs/Trusts;
- working closely with LCHT to support their Development Programme.

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 of the Group during the year, the financial position at the end of the year and their aspects for the future to be satisfactory.

Principal risks and uncertainties

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

- the delay in the approval of schemes due to the NHS structural changes and formation of new organisations;
- the existing estate of Community Ventures Company (No. 1) Limited is properly managed and maintained so that realisation of the residual value funds the 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;
- 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 15, 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.

COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Key performance indicators

The directors monitor the Group's performance against the projected results across the life of the operational projects. 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 28 April 2021 and signed on its behalf by:



A R J Thakrar
Director

COMMUNITY VENTURES (LEEDS) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMMUNITY VENTURES (LEEDS) LIMITED FOR THE YEAR ENDED 30 SEPTEMBER 2020

Opinion

We have audited the financial statements of Community Ventures (Leeds) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 30 September 2020 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 Company's affairs as at 30 September 2020 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 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 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.

COMMUNITY VENTURES (LEEDS) LIMITED

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

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Consolidated Strategic Report or the 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

COMMUNITY VENTURES (LEEDS) LIMITED

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

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Responsibilities of Directors (continued)

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

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.

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.



Alexander Tapp (Senior Statutory Auditor)

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

29 April 2021

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

COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020

		2020	2019
	Notes	£	£
TURNOVER	2	5,978,751	5,588,957
Cost of sales		<u>(3,869,355)</u>	<u>(3,589,870)</u>
GROSS PROFIT		2,109,396	1,999,087
Administrative expenses		<u>(423,719)</u>	<u>(411,158)</u>
OPERATING PROFIT	4	1,685,677	1,587,929
Interest receivable	5	5,692,689	5,775,435
Interest payable and similar charges	6	<u>(5,255,131)</u>	<u>(5,428,384)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,123,235	1,934,980
Tax on profit on ordinary activities	7	<u>(648,876)</u>	<u>(142,754)</u>
Profit for the financial year		1,474,359	1,792,226
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,474,359</u>	<u>1,792,226</u>

All amounts relate to continuing operations.

The notes on pages 15 to 27 form part of these financial statements.

COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

			2020	2019
	Notes	£	£	£
NON-CURRENT ASSETS				
Financial asset	9		89,194,715	90,711,557
CURRENT ASSETS				
Debtors: amounts falling due within one year	10	537,746		454,160
Cash in bank and in hand	11	3,182,040		3,194,005
TOTAL CURRENT ASSETS		3,719,786		3,648,165
CREDITORS: amounts falling due within one year	13	(4,008,295)		(3,569,812)
NET CURRENT ASSETS			(288,509)	78,353
TOTAL ASSETS LESS CURRENT LIABILITIES			88,906,206	90,789,910
CREDITORS: amounts falling due after more than one year	14		(78,879,553)	(81,694,972)
Provision for deferred taxation			(791,630)	(142,754)
NET ASSETS			9,235,023	8,952,184
CAPITAL AND RESERVES				
Called up share capital	15		1,000	1,000
Profit and loss account			9,234,023	8,951,184
SHAREHOLDERS' FUNDS			9,235,023	8,952,184

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 April 2021 by:



A R J Thakrar
Director

The notes on pages 15 to 27 form part of these financial statements.

COMMUNITY VENTURES (LEEDS) LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

			2020		2019
	Notes	£	£	£	£
NON-CURRENT ASSETS					
Investments	8		1,000		1,000
CURRENT ASSETS					
Debtors: amounts falling due within one year	10	99,956		112,145	
Cash in bank and in hand		508,796		369,709	
TOTAL CURRENT ASSETS		608,752		481,854	
CREDITORS: amounts falling due within one year	13	(338,187)		(139,401)	
NET CURRENT ASSETS			270,565		342,453
TOTAL ASSETS LESS CURRENT LIABILITIES			271,565		343,453
CAPITAL AND RESERVES					
Called up share capital	15		1,000		1,000
Profit and loss account			270,565		342,453
SHAREHOLDERS' FUNDS			271,565		343,453

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 April 2021 by:



A R J Thakrar
Director

The notes on pages 15 to 27 form part of these financial statements.

COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Share Capital £	Profit and loss account £	Total £
Balance as at 1 October 2019	1,000	8,951,184	8,952,184
Comprehensive income for the year			
Profit for the year	-	1,474,359	1,474,359
Transactions with owners			
Dividends paid	-	(1,191,520)	(1,191,520)
Balance as at 30 September 2020	1,000	9,234,023	9,235,023

	Share Capital £	Profit and loss account £	Total £
Balance as at 1 October 2018	1,000	8,398,780	8,399,780
Comprehensive income for the year			
Profit for the year	-	1,792,226	1,792,226
Transactions with owners			
Dividends paid	-	(1,239,822)	(1,239,822)
Balance as at 30 September 2019	1,000	8,951,184	8,952,184

The notes on pages 15 to 27 form part of these financial statements.

COMMUNITY VENTURES (LEEDS) LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Share Capital £	Profit and loss account £	Total £
Balance as at 1 October 2019	1,000	342,453	343,453
Comprehensive income for the year			
Profit for the year	-	1,119,633	1,119,633
Transactions with owners			
Dividends paid	-	(1,191,521)	(1,191,521)
Balance as at 30 September 2020	1,000	270,565	271,565

	Share Capital £	Profit and loss account £	Total £
Balance as at 1 October 2018	1,000	580,086	581,086
Comprehensive income for the year			
Profit for the year	-	1,002,189	1,002,189
Transactions with owners			
Dividends paid	-	(1,239,822)	(1,239,822)
Balance as at 30 September 2019	1,000	342,453	343,453

The notes on pages 15 to 27 form part of these financial statements.

COMMUNITY VENTURES (LEEDS) LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020	2019
	£	£
Cash flows from operating activities		
Profit for the financial year	1,474,359	1,792,226
Adjustments for:		
Amortisation of financial assets	1,516,842	1,266,902
Net interest receivable	(465,734)	(375,437)
Taxation expense	648,876	142,754
(Increase) / decrease in trade and other debtors	(83,586)	21,307
Increase in trade creditors	51,012	40,560
Net cash generated from operating activities	3,141,769	2,888,312
Cash flows from investing activities		
Interest received	5,692,689	5,775,435
Interest paid	(5,226,955)	(5,399,998)
Dividends paid	(1,191,520)	(1,239,822)
Net cash used in operating activities	(725,786)	(864,385)
Cash flows from financing activities		
Repayment of subordinated loan during the year	(227,679)	(216,948)
Repayment of senior debt loan during the year	(2,200,269)	(1,945,293)
Net cash used in financing activities	(2,427,948)	(2,162,241)
Net (decrease) in cash and cash equivalents	(11,965)	(138,314)
Cash and cash equivalents at beginning of year	3,194,005	3,332,319
Cash and cash equivalents at end of year	3,182,040	3,194,005
Cash and cash equivalents comprise:		
Cash at bank and in hand	3,182,040	3,194,005

The notes on pages 15 to 27 form part of these financial statements.

COMMUNITY VENTURES (LEEDS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. ACCOUNTING POLICIES

General information

Community Ventures (Leeds) Limited (the "Company") is a company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is 4340 Park Approach, Thorpe Park, Leeds, West Yorkshire, LS15 8GB.

Principal activities

The principal activity of the Company is to invest in property, property development and property maintenance.

Basis of preparation

The financial statements have been prepared under the historical cost convention, 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" ("FRS 102").

The functional and presentational currency is pound sterling and rounded to the nearest pound.

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 the 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 generated and is projected to continue to be generated to allow the Company and the Group to meet its liabilities as they fall due. Accordingly the directors believe it is appropriate to prepare the financial statements on a going concern basis. This financial statements do not include any adjustments that would result from this basis of preparation being inappropriate.

The Directors have considered the potential impact to the business from the effects of the current pandemic (Covid-19) and have put in place plans to mitigate the currently known, and potential risks to business continuity. As income is guaranteed through the 25 year Lease Plus Agreements, and the content of the Cabinet Office Policy Note PPN 02/20 indicates that public bodies will continue to pay their suppliers, the directors do not believe that there is any material risk to income or cashflows. On this basis, the directors anticipate that the company will continue to be able to meet its business obligations as they fall due over the coming twelve months. The directors therefore consider it appropriate to continue to prepare the financial statements on a going concern basis.

Basis of consolidation

The group financial statements consolidate the results of Community Ventures (Leeds) Limited (the "Company"), Community Ventures Midco (No. 1) Limited and Community Ventures Company (No. 1) Limited (together, the "Group"). 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 Company's statement of comprehensive income has not been included in these financial statements. The profit of the Company for the financial year ended 30 September 2020 is £1,119,633 (2019: £1,002,189).

COMMUNITY VENTURES (LEEDS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. ACCOUNTING POLICIES (CONTINUED)

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.

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 the financial asset

In accordance with FRS102 section 34.16A all borrowing costs in relation to financial assets are expensed as incurred. Interest income is recognised on the financial asset in order to bring the 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.

Investments

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

Financial asset

FRS102 section 34 – Service Concession Arrangements specifies that if both elements of the control test are met, the agreement should be accounted for as a service concession arrangement. As the grantor controls the services provided by the Group via the Lease Plus Agreement ("LPA") and 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 the fair value of the consideration receivable under the LPA. 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.

COMMUNITY VENTURES (LEEDS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. ACCOUNTING POLICIES (CONTINUED)

Financial asset continued

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.

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.

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.

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.

Borrowing costs

Finance costs accrued during construction of the finance 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.

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 substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

COMMUNITY VENTURES (LEEDS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. ACCOUNTING POLICIES (CONTINUED)

Dividend policy

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.

Cash and cash equivalents

Cash flows comprise increases or decreases in cash. Cash is represented by cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. No investments, however liquid, are included as cash.

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 during the year was 6.45% (2019: 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 2020 is 31.96% (2019: 31.92%).

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:

	2020	2019
Group	£	£
Lease rental and pass through income	5,527,195	5,256,827
Strategic partnering services	451,556	332,130
	<u>5,978,751</u>	<u>5,588,957</u>

All turnover arose within the United Kingdom.

COMMUNITY VENTURES (LEEDS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

3. DIRECTORS' REMUNERATION

No director received any remuneration from the Company during the year. The Company and the Group has no directly employed personnel. The Group paid amounts to third parties for services to directors as follows:

	2020 £	2019 £
Group		
Amounts paid to third parties in consideration for services of directors	<u>78,610</u>	<u>76,489</u>

4. OPERATING PROFIT

The Group operating profit is stated after charging/(crediting):

	2020 £	2019 £
Auditor's remuneration:		
Audit services	14,950	14,500
Non-audit services	7,264	7,053
Release of deferred pharmacy premiums	(25,243)	(25,243)

The Group has no employees (2019: nil).

5. INTEREST RECEIVABLE

	2020 £	2019 £
Group		
Interest receivable on financial asset	5,682,122	5,765,641
Bank interest receivable	<u>10,567</u>	<u>9,794</u>
	<u>5,692,689</u>	<u>5,775,435</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2020 £	2019 £
Group		
Interest payable on bank loans and overdrafts	4,759,639	4,880,386
Interest payable on other loans – subordinated debt	467,316	519,612
Amortisation of finance costs	<u>28,176</u>	<u>28,386</u>
	<u>5,255,131</u>	<u>5,428,384</u>

COMMUNITY VENTURES (LEEDS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

7. TAXATION

	2020	2019
	£	£
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	<u>648,876</u>	<u>142,754</u>
Total deferred tax (see note 12)	<u>648,876</u>	<u>142,754</u>
Total tax on profit on ordinary activities	<u><u>648,876</u></u>	<u><u>142,754</u></u>

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% (2019: 19%). The differences are explained below:

	2020	2019
	£	£
Profit on ordinary activities before tax	<u><u>2,123,236</u></u>	<u><u>1,934,980</u></u>
Profit on ordinary activities multiplied by standard rate of corporation Tax in the UK of 19% (2019: 19%)	<u>403,415</u>	<u>367,646</u>
Effects of:		
Fixed asset differences	(56,839)	(47,473)
Expenses not allowable for tax	2,214,450	2,163,323
Income not taxable	(1,926,032)	(1,920,291)
Adjust opening deferred tax to average rate of 19%	-	(42,552)
Adjust closing deferred tax to average rate of 19%	-	(16,795)
Deferred tax not recognised	-	(361,104)
Adjustments to tax charge in respect of previous periods	(2,606)	-
Remeasurement of deferred tax for changes in tax rate	<u>16,488</u>	<u>-</u>
Current tax charge for the year (see note above)	<u><u>648,876</u></u>	<u><u>142,754</u></u>

COMMUNITY VENTURES (LEEDS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

8. INVESTMENTS

The Company had the following interest 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 LIFT initiative.

	Shares in Group undertakings £
Cost and net book value	
As at 1 October 2019 and 30 September 2020	1,000

The Company has the following investments in subsidiary 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 £	Profit for the year £
Community Ventures Midco (No.1) Limited	1,000	-
Community Ventures Company (No.1) Limited	8,964,457	1,061,246

9. FINANCIAL ASSET

	2020 £	2019 £
Balance at 1 October	90,711,557	91,978,459
Income recognised in the income statement		
service remuneration	4,454,886	4,341,152
interest income	5,682,122	5,765,641
Other movements		
cash received	(11,653,850)	(11,373,695)
Balance at 30 September	89,194,715	90,711,557

COMMUNITY VENTURES (LEEDS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

10. DEBTORS

Group

	2020	2019
	£	£
Amounts falling due within one year		
Trade debtors	513,417	452,430
Prepayments and accrued income	24,329	1,730
	<u>537,746</u>	<u>454,160</u>

Company

	2020	2019
	£	£
Amounts falling due within one year		
Trade debtors	94,920	89,554
Amounts owed by Group undertakings	-	6,186
VAT receivable	-	14,675
Prepayments and accrued income	5,036	1,730
	<u>99,956</u>	<u>112,145</u>

11. CASH AT BANK AND IN HAND

Included within the Group cash at bank and in hand figure is a maintenance reserve account of £592,454 (2019: £572,484) and debt service reserve accounts of £1,707,046 (2019: £1,696,919). These accounts are reserved for specific purposes as defined in the credit agreement.

12. DEFERRED TAX

Group

	2020	2019
	£	£
At beginning of year	142,754	-
Charged during the year	648,876	142,754
	<u>791,630</u>	<u>142,754</u>
At end of the year	<u>791,630</u>	<u>142,754</u>

COMMUNITY VENTURES (LEEDS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

12. DEFERRED TAX continued

The deferred tax liability / (asset) asset is made up as follows:

	2020 £	2019 £
Timing difference between capital allowances and depreciation	2,225,655	1,885,167
Other timing differences	(61,151)	(59,005)
Losses	<u>(1,372,874)</u>	<u>(1,683,408)</u>
	<u>791,630</u>	<u>142,754</u>

The above net deferred tax asset in the prior year was not provided for as the timing and recoverability of this asset is uncertain.

13. CREDITORS: Amounts falling due within one year

Group

	2020 £	2019 £
Bank loans	2,444,714	2,165,501
Other loans – subordinated debt	465,932	345,944
Trade creditors	362,883	383,204
Accruals and deferred income	419,345	372,859
VAT payable	315,421	302,304
	<u>4,008,295</u>	<u>3,569,812</u>

Company

	2020 £	2019 £
Trade creditors	91,967	111,135
Vat payable	149,771	
Accruals and deferred income	96,449	28,266
	<u>338,187</u>	<u>139,401</u>

COMMUNITY VENTURES (LEEDS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

Group	2020	2019
	£	£
Bank loans	75,328,975	77,771,483
Other loans – subordinated debt	3,250,424	3,598,091
Accruals and deferred income	300,154	325,398
	<u>78,879,553</u>	<u>81,694,972</u>

Included within the above are amounts falling due as follows:

	2020	2019
	£	£
Between one and two years		
Bank loans	2,668,596	2,443,056
Other loans – subordinated debt	258,498	347,677

	2020	2019
	£	£
Between two and five years		
Bank loans	9,259,063	8,679,127
Other loans – subordinated debt	847,003	883,028

Over five years		
Bank loans	63,401,316	66,649,300
Other loans – subordinated debt	2,140,715	2,367,386

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

	2020	2019
	£	£
Repayable by instalments	<u>65,542,031</u>	<u>69,012,487</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 (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

15. SHARE CAPITAL

Company

	2020	2019
	£	£
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.

16. FINANCIAL INSTRUMENTS

The Group's financial statements may be analysed as follows:

	2020	2019
	£	£
Financial assets		
Financial asset	89,194,715	90,711,557
Cash at bank and in hand	3,182,040	3,194,005
Trade debtors	513,417	452,430
Accrued income	20,239	-
	<u>92,910,411</u>	<u>94,357,992</u>

	2020	2019
	£	£
Financial liabilities		
Bank loans and overdrafts	77,773,689	79,936,983
Trade creditors	362,883	383,204
Accruals	311,225	311,205
Other loans	3,716,356	3,944,035
	<u>82,164,153</u>	<u>84,575,427</u>

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

	2020	2019
	£	£
Financial assets		
Cash at bank and in hand	508,796	369,709
Trade debtors	94,920	89,554
Other debtors	-	6,186
Accrued income	2,961	-
	<u>606,677</u>	<u>465,449</u>

COMMUNITY VENTURES (LEEDS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

16. FINANCIAL INSTRUMENTS continued

	2020	2019
	£	£
Financial liabilities		
Trade creditors	91,967	111,135
Other creditors	50,000	-
Accruals	28,266	28,266
	170,233	139,401

17. DIVIDENDS

Company	2020	2019
	£	£
Dividends paid on equity capital	1,191,521	1,239,822
Dividend per share	1,192	1,240

18. RELATED PARTY TRANSACTIONS

Group and Company

During the year directors' fees of £70,463 (2019: £46,030) were payable to Equitix Healthcare 2 Limited, a related party of shareholder Equitix Fund II LP, in respect of directors fees. No recharge fees were outstanding at the year end (2019: £nil).

Dividends of £714,912 (2019: £743,893) were payable to Equitix Fund II LP.

During the year £15,722 (2019: £15,344) was payable to Community Health Partnerships, an investor in the Company, in respect of directors fees. Dividends of £437,288 (2019: £455,015) were payable. Recharge fees of £nil (2019: £32,456) were receivable. The amount outstanding at the year end was £nil (2019: £nil).

During the year £15,532 (2019: £15,344) was payable to Leeds City Council, an investor in the Company, in respect of directors fees. £nil of this (2019: £7,776) was outstanding at the year end. Dividends of £39,321 (2019: £40,914) were payable. Recharge fees of £nil (2019: £nil) were receivable. No recharge fees were outstanding at the year end (2019: £nil).

Group only

During the year £1,837,584 (2019: £1,768,392) was receivable from Leeds City Council, an investor in the Company in respect of professional services, including lease plus rentals. The amount outstanding at the year end was £191,835 (2019: £180,608). During the year interest of £15,835 (2019: £16,734) was payable, in respect of the subordinated debt loan. The balance outstanding on the loan at the year end was £123,233 (2019: £130,747).

COMMUNITY VENTURES (LEEDS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

18. RELATED PARTY TRANSACTIONS (CONTINUED)

During the year interest of £287,906 (2019: £304,251) 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 £2,240,603 (2019: £2,377,210).

During the year interest of £176,102 (2019: £186,100) 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 £1,370,501 (2019: £1,436,078). During the year £10,628,180 (2019: £10,292,381) was receivable from Community Health Partnerships in respect of professional services including lease plus rentals. The amount outstanding at the year end was £186,700 (2019: £38,230).

19. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The directors of the Company are of the opinion that there is no ultimate controlling party as the Company is a joint venture with no ultimate parent undertaking.

20. SUBSEQUENT EVENTS

A dividend of £658,000 was declared and paid on 24 December 2020.