PRIMARIA (LEEDS) LIMITED

DIRECTOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Registered Number: 05150847

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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DIRECTORS AND ADVISORS

Directors
S Jones
D Harding
R Knight

Registered Office
10 - 11 Charterhouse Square
London
EC1M 6EH

Auditor
KPMG LLP
Chartered Accountants
London
E14 5GL

DIRECTORS' REPORT

The Directors submit their report and the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of Primaria (Leeds) Limited ("the Company") is to act as the holding company for Community Ventures (Leeds) Limited, which delivers investment and services in primary health and social care facilities under a Strategic Partnering Agreement in the Leeds area.

RESULTS, BUSINESS REVIEW AND DIVIDENDS

The profit for the year is shown on page 6 in the statement of comprehensive income. During the year a dividend of £597k was paid (2017: £618k).

The Company's performance reflects the position under the various intercompany agreements that were in place during the year.

FUTURE DEVELOPMENTS

The Directors of the Company are not aware of any circumstances by which the principal activity of the Company would alter or cease.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors' Report has been prepared in accordance with the special provisions relating to small companies under s415a of the Companies Act 2006. As such, the Company is exempt from preparing a strategic report and from including financial risk management disclosures in the Directors' Report.

The Directors have considered a number of potential outcomes arising from the UK's exit from the European Union in 2019 and believe that the Company has sufficient reserves and business controls to address any financial impact of these outcomes for the foreseeable future and has decided not to make a specific provision in the accounts. Due to the availability-based nature of our portfolios and focus on contracted cashflows, this means there will be little to no impact on income/cashflows from Brexit. Due to the inflation linkage of asset returns, it is likely that the majority of project distributions should be correlated with inflation.

The Company are taking advantage of the exemption in Section 414b of the Companies Act to not prepare a Strategic Report.

GOING CONCERN

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance show that the Company should be able to operate within the level of its current resources. The Directors of the Company have had regard in this assessment to the support available from other Group companies and their ability to provide this support. As a consequence, the Directors believe the Company is well placed to manage its risks successfully despite the current economic uncertainties and the economic outlook. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the period of at least 12 months from the date of the financial statements, taking into account both the profit in the year and the net assets position at the year end. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

DIRECTORS

The Directors who served throughout the year, are shown on page 1.

DIRECTORS' REPORT (CONTINUED)

AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

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

By order of the Board

D Harding
27 September 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Opinion

We have audited the financial statements of Primaria (Leeds) Limited ("the company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the General Partner, such as valuation of investments, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the qualifying partnership's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the qualifying partnership's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a qualifying partnership and this is particularly the case in relation to Brexit.

Going concern

The General Partner has prepared the financial statements on the going concern basis as they do not intend to liquidate the qualifying partnership or to cease its operations, and as they have concluded that the qualifying partnership's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the General Partners' conclusions, we considered the inherent risks to the qualifying partnership's business model, including the impact of Brexit, and analysed how those risks might affect the qualifying partnership's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the qualifying partnership will continue in operation.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon. Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Henry Todd (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
27 September 2019

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Revenue	2	-	-
Cost of sales		-	-
Gross Profit		-	-
Administrative expenses		(45)	(44)
Other operating income		45	44
Interest income	7	333	352
Income from joint ventures	8	597	618
Profit from operations	5	930	970
Finance costs	7	(333)	(352)
Profit before tax		597	618
Tax	9	-	-
Profit after tax		597	618

The notes on pages 10 to 22 form an integral part of these Financial Statements.

All of the above relates to continuing activities.

The Company has no recognised gains or losses other than reported above and therefore no separate statement of other comprehensive income has been presented.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Assets			
Non current assets			
Investments in joint ventures	10	1	1
Loans to joint ventures	11	2,477	2,764
		2,478	2,765
Current assets			
Loans to joint ventures	11	-	34
Other receivables	11	75	76
		75	110
Total assets		2,553	2,875
Liabilities			
Current liabilities			
Other payables	12	(75)	(76)
Borrowings	13	-	(34)
		(75)	(110)
Net current assets		-	-
Non current liabilities			
Borrowings	13	(2,477)	(2,764)
		(2,477)	(2,764)
Total liabilities		(2,552)	(2,874)
Net assets		1	1
Equity			
Share capital	13	1	1
Retained profit		-	-
Shareholder's funds		1	1

The notes of pages 10 to 22 form part of these financial statements.

The financial statements of Primaria (Leeds) Limited, registered number 05150847, were approved by the Board of Directors on 27 September 2019 and were signed on its behalf by:

D Harding
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £'000	Retained loss £'000	Total £'000
Balance as at 1 January 2017	1	-	1
Profit for the year	-	618	618
Dividend paid	-	(618)	(618)
Balance as at 31 December 2017	1	-	1
Balance as at 1 January 2018	1	-	1
Profit for the year	-	597	597
Dividend paid	-	(597)	(597)
Balance as at 31 December 2018	1	-	1

The notes of pages 10 to 22 form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Profit for the year		597	618
Adjustments for:			
Investment income	7	(333)	(352)
Finance expense	7	333	352
Income from shares in joint ventures	8	(597)	(618)
Increase in other receivables	11	1	(39)
Increase in other payables	12	(1)	39
Cash generated from operations		-	-
Interest received		398	417
Interest paid		(398)	(417)
Net cash flows from operating activities		-	-
Investing activities			
Repayment of loans to joint ventures	11	321	33
Dividends receivable from joint ventures		596	618
Net cash inflow from investing activities		917	651
Financing activities			
Repayment of loans from parent company	13	(321)	(33)
Dividends paid to group companies		(597)	(618)
Net cash outflow from financing activities		(918)	(651)
Net increase in cash and cash equivalents		(1)	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		-	-

The notes of pages 10 to 22 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2018

1 GENERAL INFORMATION

Primaria Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. .The nature of the Company's operations and its principal activities are set out in the Strategic Report and Directors' Report on pages 2 and 3 respectively. These financial statements are presented in pounds sterling, being the currency of the primary economic environment in which the Company operates. Monetary amounts are rounded to the nearest £'000.

2 ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union (collectively IFRSs). A summary of the principal accounting policies, all of which have been applied consistently throughout the current and prior year are set out below.

The Company has considered the need to prepare consolidated financial statements under IFRS. Primaria Limited meets the definition of an Investment Entity under International Financial Reporting Standard (IFRS) 10 and is required to account for its investments at fair value through profit and loss and only consolidates those entities within the Group that provide investment activity services. All subsidiaries of the Company are classified as investments under IFRS 10 and, accordingly, the Company has not produced consolidated accounts under IFRS.

These financial statements, for the year ended 31 December 2018, have been prepared in accordance with the amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements incorporating accounting for Investment Entities.

The Company applies the Investment Entities standards (Amendments to IFRS 10, IFRS 12 and IAS 27).

The Investment Entities Standard introduced an exception to the principle that all subsidiaries should be consolidated. The amendments define an Investment Entity and require a parent entity that is an Investment Entity to measure its subsidiaries at fair value through profit or loss, in accordance with IFRS 9 Financial Instruments: Recognition and Measurement and IFRS 13 Fair Value Measurement instead of consolidating those subsidiaries. The Company meets the definition of an Investment Entity on the basis of the following criteria:

(i) the Company obtains funds from multiple investors for the purpose of providing those investors with investment management servi
(ii) the Company commits to its ultimate investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
(iii) the Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

To determine if the Company meets the definition of an Investment Entity, further consideration is given to the following characteristics of an investment entity that are demonstrated by the Company.

(i) it has more than one investor;
(ii) it has ultimate investors that are not related parties;
(iii) it has ownership interests in the form of equity or similar interest; and
(iv) it holds investments for a limited period only i.e. it has an exit strategy for its investments.

Investments

IFRS 10 requires the Company to measure its interests in subsidiary investments at fair value in accordance with IFRS 13. The investments are valued at fair value with gains or losses on measurement of investments accounted for through profit or loss (see note 10).

b) Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company have adequate resources to continue in operational existence for the next 12 months. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 3.

c) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. It is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. In relation to the fair value exercise, interest revenue is adjusted to remove any double counting of cash flows.

Notes to the financial statements for the year ended 31 December 2018

2 ACCOUNTING POLICIES (CONTINUED)

c) Revenue (continued)

Income from participating interests is recognised when the shareholders' rights to receive payment have been established.

Other income associated with the provision of services is accrued on a time basis over the period to which the delivery of the service is set, net of VAT and other sales related tax.

d) Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

e) Accruals and provisions

Accruals and provisions are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

f) Taxation

The tax expense represents the sum of tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affect neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable difference arising on investments, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of a deferred tax asset is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and the rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same taxable company, and the Company intends to settle its current tax assets and liabilities on a net basis.

g) Financial Instruments

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of an instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IFRS 9 'Financial Instruments'.

Effective interest method

[illegible] the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Notes to the financial statements for the year ended 31 December 2018

2 ACCOUNTING POLICIES (CONTINUED)

e) Financial Instruments (continued)

Financial assets

Financial assets, are classified in the following categories: fair value through profit and loss and amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(i) Investments at fair value through profit or loss

Investments at fair value through profit or loss are designated upon initial recognition as financial assets at fair value through profit or loss. The Company's policy is to fair value both the equity and subordinated debt investments in the PFI and PPP investments on a consolidated basis, using the same discount rate for all cash flows. This is a method that is consistent with the approach used throughout the PFI and PPP industry. Subsequent to initial recognition, the investments are measured on a combined basis at fair value with changes recognised within operating income statement. Both elements are exposed to the same primary risk, being performance risk. This performance risk is taken into consideration when determining the discount rate applied to the forecast cash flows. In determining fair value observable market transactions are considered and fair value is measured using assumptions that market participants would use when pricing the asset including assumptions regarding risk. The debt and equity are considered to have the same risk characteristics. As such the debt and equity form a single class of financial instrument for the purposes of disclosure. The Company measures its investment as a single class of financial asset at fair value in accordance with IFRS 13.

Investments in subsidiaries

The Company is required under Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27) to measure its investments in subsidiaries at fair value through profit or loss, except where the subsidiary provides investment related services or activities. The Company measures its investments in PPP assets that are subsidiaries at fair value in accordance with IFRS 9 'Financial Instruments' and IFRS 13 Fair Value Measurement.

Primeria Limited holds a proportion of the issued share capital of several subsidiaries. The fair value of investments is determined by valuing the underlying portfolio investee companies and intermediate holding companies. Investments are designated as "financial assets at fair value through profit and loss" as these assets are managed on a fair value basis for capital gain. The investments are initially recognised at fair value and are subsequently re-measured at fair value, which is determined by the Directors. Recognised gains and losses and unrealised gains and losses arising from the revaluation of investments at the period end are taken directly to the Statement of Comprehensive Income.

The current portfolio of investments held by the Company are valued using discounted cash flow analysis based on financial models that form part of the project documents. Future forecast shareholder cash flows are discounted at a rate which allows for influences of individual project attributes and general economic conditions to reflect a value as at the Statement of Financial Position date; these values are then compared against recent, similar market transactions as a gauge of estimations and uncertainties.

Investments in joint ventures and associates

The Company meets the definition in IAS 28 Investments in Associates and Joint Ventures of a venture capital organisation or similar entity and upon initial recognition has designated its investment in joint ventures at fair value through profit or loss. The Company therefore measures its interest in joint ventures at fair value through profit or loss in accordance with IFRS 9 and IFRS 13 Fair Value Measurement, with changes in fair value recognised in profit or loss in the period of the charge.

(ii) Loans and receivables

Trade receivables, loans and other receivables that are non derivative financial assets and that have fixed or determinable payments that are not quoted in an active market are classified as 'measured at amortised cost'. Loans and other receivables are measured at amortised cost using the effective interest method, less any impairment. They are include in current assets, except where maturities are in greater than 12 months after the balance sheet date which are classified as non current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' on the Statement of Financial Position.

Impairment of financial assets

Financial Assets are assessed for impairment under the expected credit loss model ("ECL"). Assessment for impairment is based on a three-stage approach based on changes in credit risk since initial recognition, with each stage representing a change in the credit risk of Financial Assets. If a significant increase in credit risk is identified, the financial instrument is moved from stage one to stage two but is not yet deemed to be credit impaired; financial instruments that are deemed to be credit impaired are moved to stage three. The expected credit loss for stage one financial instruments is equal to the portion of lifetime expected credit losses that result from default events within the next twelve months. The expected credit loss for stage two and three financial instruments is equal to expected credit losses on a lifetime basis. ECLs are recognised in the Statement of Comprehensive Income. Amounts receivable from Financial Assets are written off, when the Partnership concludes that there is no longer any realistic prospect of recovery of part or all of the receivable. Amounts receivable from Financial Assets are reviewed regularly and write off will be prompted by insolvency, adverse changes in operations and similar events associated with the Financial Asset.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Notes to the financial statements for the year ended 31 December 2018

2 ACCOUNTING POLICIES (CONTINUED)

g) Financial Instruments (continued)

(ii) Loans and receivables (continued)

Fair value estimation
The fair value of financial instruments that are not traded in an active market is derived the following ways:

(i) Investments at fair value through profit or loss
Fair value is calculated by discounting future cash flows, from investments in both equity and subordinated loans (interest and repayments), at an appropriate discount rate. In determining the discount rate, regard has been given to risk free rates and risk premia that are specific to the individual concessions and recent market transactions. The discount rate that has been applied to the financial assets at 31 December 2018 were in a range between 6.0% and 9.6% (2017: 6.0% to 9.7%).

(ii) Loans and receivables
Loans and borrowings are held at amortised cost. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Financial liabilities and equity
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities, including borrowings, are classified as 'other financial liabilities' and are initially measured at fair value. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities
A financial liability should be removed from the Statement of Financial Position when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in the Statement of Comprehensive Income.

h) Financial risk management
The Company has loans from Equitix Capital Eurobond Ltd, the Company's immediate parent, with a fixed interest rates and a small proportion of the loans at fixed interest rates plus LIBOR. This loan, including accrued interest, is repayable when the Company has sufficient surplus cash. The value of the loan shown on the balance sheet represents the value of the loan as at the balance sheet date. The carrying value of these assets approximates their fair value. The Company does not have any other borrowings, loans or overdrafts that expose the Company to financial risks.

i) Assessable risks
Credit risk
The Company is not exposed to significant credit risk as the Company derives interest from subsidiaries which are PFI concessions with government departments, local authorities and other public sector clients. Credit risk is generated through the overall performance risk of the projects, deterioration of which might impact their ability to service equity payments. This risk is mitigated through the PFI contract structure, whereby deductions are passed down to the facilities management and construction sub contractors.

Liquidity risk
The Company adopts a prudent approach to liquidity management and maintains sufficient cash reserves to meet its obligations.

Foreign exchange risk
The Company does not currently have any exposure to foreign currency exchange risk, nor does it have any immediate plans to geographically deviate its focus.

j) Share capital
Ordinary shares are classified as equity.

k) Cash and cash equivalents
Cash and cash equivalents comprises cash balances, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Notes to the financial statements for the year ended 31 December 2018

2 Accounting policies (continued)

l) Expenses

All expenses are accounted for on an accruals basis. Finance costs and all other expenses are charged through the Statement of Comprehensive Income.

3 CRITICAL ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

a) Investments at fair value through profit or loss

By virtue of the Company's status as an Investment Entity under IFRS 10, investments in subsidiaries and joint ventures are designated upon initial recognition and subsequently to be accounted for at fair value through profit or loss.

The fair values of unlisted investments, which are not traded in an active market, are determined using valuation techniques. As disclosed in note 2 to the financial statements, the Directors principally use discounted cash flow analysis to make their best estimation of the fair value. The estimate of fair value may vary from the price achieved in an actual sale as potential acquirers may use different valuation criteria for their own strategic reasons.

The principal drivers of internally prepared valuations are therefore:
i) expected future net cash flows; and
ii) the discount rate to be applied.

The fair value estimation takes into account the future distributions to be received by the Company from its investments.

Future distributions involve a degree of uncertainty in terms of their amount and timing. Cash flows in the underlying investments are exposed to risks in relation to deductions that may be made by the relevant Government Authority in relation to performance conditions and inflation.

A portion of the fair value of investments shown on the Statement of Financial Position is attributed to the future disposal proceeds of project assets. The value ascribed to these assets has been independently verified by a recognised industry expert, and is based upon the current asset use continuing at the point of realisation and beyond.

b) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the Statement of Financial Position date. The fair value of financial instruments that are not traded in active markets is derived in one of the following ways:

i) Financial assets at fair value through profit and loss
Financial assets are recognised initially at fair value. Subsequent to initial recognition, the financial assets are measured at fair value using the discounted cash flow methodology. In determining the discount rate, regard is had to risk free rates and risk premia that are specific to the individual concession.

ii) Loans, receivables, and payables
The carrying value less impairment provision of trade receivables and payables are assumed to approximate to their fair values.

iii) Borrowings
Intercompany loans are held at amortised cost.

Notes to the financial statements for the year ended 31 December 2018

4 INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") - ADOPTION OF NEW AND REVISED STANDARDS

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

- IFRS 16 Leases (January 2019)
- Annual Improvements to IFRS Standards 2014-2016 Cycle

The Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. This includes the adoption of IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15") and IFRS 9 'Financial Instruments' ("IFRS 9").

Given the nature of the business activities in which the Company operates, IFRS 15 does not have a material impact on the Company.

The requirements of IFRS 9 represent a significant change from IAS 39. The key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

The financial assets and liabilities of the Company are now classified as amortised cost or fair value through profit or loss. Classification is based on the characteristics of the financial asset. All disclosures have been updated where applicable to reflect the requirements of IFRS 9.

Impairment of financial asset
IFRS 9 replaces the "incurred loss" model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model also applies to certain loan commitments and financial guarantee contracts, but not to equity investments.

The new impairment model applies to debt instruments and financial guarantee contracts issued that are not measured at FVTPL. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The Company has determined that the application of IFRS 9's impairment requirements had no material impact on the allowance for impairment.

Notes to the financial statements for the year ended 31 December 2018

5 OPERATING PROFIT

The operating profit of the Company is attributable to the principal activity of the Company, all of which was carried out in the United Kingdom.

The audit fee for Primaria (Leeds) Limited of £780 (2017: £780) has been borne by Equitix Fund II LP, who will not seek compensation from the Company. There were no non-audit services (2017: none)

6 DIRECTORS' REMUNERATION

No staff were directly employed by the Company (2017: none).

No Directors received any remuneration for services to the Company during the year (2017: £nil). The Company is managed by secondees from other Equitix companies. No recharge for services rendered has been made during the year (2017: £nil).

7 INVESTMENT REVENUE AND FINANCE COSTS

Recognised in the income statement	2018 £'000	2017 £'000
Interest income on loans to joint ventures	333	352
Total investment revenue	333	352
Interest expense on loans from immediate parent company	(333)	(352)
Total finance cost	(333)	(352)
Net expense recognised in the income statement	-	-

8 INCOME FROM SHARES IN JOINT VENTURES

During the year the Company received dividend payments from Community Ventures Partnership Limited of £597k (2017: £618k).

9 TAX ON PROFIT FROM ORDINARY ACTIVITIES

	2018	2017
Taxation is based on the profit for the year and comprises:	£'000	£'000
UK corporation tax at a rate of 19% (2017: 19.25%)		
- Current year	-	-

Factors affecting the tax charge for the current year

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2018 £'000	2017 £'000
Profit from ordinary activities before tax	597	618
Profit from ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%.)	(115)	(119)
Income not subject to taxation	115	119
Total current tax credit for the year	-	-

At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate (for all profits except ring fence profits) at 19% for the years starting the 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate (for all profits except ring fence profits) for the year starting 1 April 2020, setting the rate at 17%.

Notes to the financial statements for the year ended 31 December 2018

10 INVESTMENTS

	Interest in group undertakings £'000
Cost at 1 January 2018	1
Additions	-
Cost and net book value at 31 December 2018	1

A list of joint ventures of the Company can be found on page 22 of these financial statements.

Investments are generally restricted on their ability to transfer funds to the Company under the terms of the senior funding arrangement for that investment. Significant restrictions include:

- Historic and projected debt service and loan life cover ratios exceed a given threshold;
- Required cash reserve account levels are met;
- Senior lenders have agreed the current financial model that forecasts the economic performance of the company;
- Project performance is in compliance with the terms of its senior funding arrangements; and
- Senior lenders have approved the annual budget for the Company.

11 OTHER RECEIVABLES

	2018 £'000	2017 £'000
Loans to joint ventures	2,477	2,798
Other receivables	75	76
Other receivables	2,552	2,874
Included on the balance sheet as follows:		
Current	75	110
Non-current	2,477	2,764
	2,552	2,874

Loans to join ventures represents the loan to Community Ventures (Leeds) Limited which is repayable in 2035. Interest accrues at 12.5% on this loan. During the year £322k of the loan was repaid (2017: £33k).

The carrying amount of these assets approximates their fair value. The results of the analysis were concluded as immaterial.

Notes to the financial statements for the year ended 31 December 2018

12 OTHER PAYABLES

	2018 £'000	2017 £'000
Other payables	(75)	(76)
	(75)	(76)
Included on the balance sheet as follows:		
Current	(75)	(76)
	(75)	(76)

The carrying amount of these liabilities approximates to their fair value.

13 BORROWINGS

	2018 £'000	2017 £'000
Borrowings	(2,477)	(2,798)
	(2,477)	(2,798)
Included on the balance sheet as follows:		
Current	-	(34)
Non-current	(2,477)	(2,764)
	(2,477)	(2,798)

The carrying amount of these liabilities approximates to their fair value.

Borrowings represent loans from the parent company, Equitix Healthcare 2 Ltd, for the purpose of acquiring the investment in Community Ventures Leeds Ltd. The loans are repayable in 2035 and bear interest at a rate of 12.50%.

During the year £33k of the loan from Equitix Healthcare 2 Limited was repaid (2017: £33k).

14 SHARE CAPITAL

		Authorised
	2018 Number	2018 £'000
Ordinary shares of £1 each at 1 January 2018 and 31 December 2018	600	1

		Issued and unpaid
	2018 Number	2018 £'000
Ordinary shares of £1 each at 1 January 2018 and 31 December 2018	600	1

14 SHARE CAPITAL (continued)

		Authorised
	2017 Number	2017 £'000
Ordinary shares of £1 each at 1 January 2017 and 31 December 2017	600	1

		Issued and unpaid
	2017 Number	2017 £'000
Ordinary shares of £1 each at 1 January 2017 and 31 December 2017	600	1

15 FINANCIAL INSTRUMENTS

Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company borrowings as disclosed in note 13, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 14. The Company is not subject to any externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

		Carrying value
Categories of financial instruments	2018	2017
Financial assets	£'000	£'000
Loans and receivables at amortised cost		
Loans to joint ventures	2,477	2,798
Other receivables	75	76
Financial liabilities at amortised cost		
Borrowings	2,477	2,798
Other payables	75	76

Notes to the financial statements for the year ended 31 December 2018

15 FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT

Risk management objectives

The Directors provide advice to the Company on all risks faced and manage the financial risks relating to the operations of the Company through internal risk reports which analyse the exposures faced by degree and magnitude of risk consequences. These risks include market risk, credit risk and liquidity risk.

The Company does not enter into financial derivative contracts. The Company follows the policies approved by the board of directors. The Company does not enter into or trade financial instruments including derivative financial instruments, for speculative purposes.

Market risk

The Company's activities expose it primarily to the financial risks of interest rates.

Interest rate risk management

The Company has limited exposure to interest rate risk as the underlying borrowings are fixed rate loans. Therefore the Company is not exposed to cash flow risk due to changes in interest rates over variable rate borrowings. The fixed rate borrowings are carried at amortised cost and hence not exposed to fair value movements due to changes in interest rates.

Interest rate sensitivity analysis

The Company has no exposure to interest rate risk because the loan held with Equitix Healthcare 2 Ltd has a fixed interest rate of 12.50%.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. For cash and cash equivalents the Company only transacts with entities that are rated the equivalent to investment grade and above. Other financial assets consist of amounts receivable from related parties.

The Company only transacts with creditworthy PFI / PPP concession companies that have a cash flow derived from projects in agreement with government or semi-government authorities.

Performance risk management

Performance risk management refers to the risk that the underlying project companies will not perform in line with expectations, and as such the Company will not receive forecast cash flows as expected. To mitigate this risk, the projects are closely managed by the asset management team and risks of non-performance are passed on to service providers and subcontractors by the PFI contract structure, leaving the PFI investment insulated from issues of non-performance.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

Fair value of financial instruments

The fair value of financial assets and liabilities is determined as follows:

The fair value of non-derivative financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

The fair value of other non-derivative financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Notes to the financial statements for the year ended 31 December 2018

15 FINANCIAL INSTRUMENTS (continued)

Except where detailed below, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values:

Financial assets	**2018**	**2017**
	£'000	**£'000**
Investments	**1**	**1**
Loans and other receivables	**2,552**	**2,874**

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up on undiscounted cash flows of financial liabilities based on the earliest date the Company could be required to satisfy borrowing repayments. The table includes principal repayment and assumed interest cash flows:

Liabilities

	Less than 1 year	**1-2 years**	**3-5 years**	**5+ years**	**Total**
2018	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Loans from related parties	**-**	**-**	**-**	**2,477**	**2,477**
Other payables	**75**	**-**	**-**	**-**	**75**
	75	**-**	**-**	**2,477**	**2,552**

	Less than 1 year	**1-2 years**	**3-5 years**	**5+ years**	**Total**
2017	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Loans from related parties	**34**	**-**	**-**	**2,764**	**2,798**
Other payables	**76**	**-**	**-**	**-**	**76**
	110	**-**	**-**	**2,764**	**2,874**

Loans from related parties comprise inter-company loan agreements entered into between the Company and Equitix Healthcare 2 Ltd. The carrying value of the loan notes represents the current fair value.

The following table details the Company's expected maturity for its non-derivative financial assets. The table below has been drawn based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

Assets

	Less than 1 year	**1-2 years**	**3-5 years**	**5+ years**	**Total**
2018	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Loans to joint ventures	**-**	**-**	**-**	**2,477**	**2,477**
Other receivables	**75**	**-**	**-**	**-**	**75**
	75	**-**	**-**	**2,477**	**2,552**

	Less than 1 year	**1-2 years**	**3-5 years**	**5+ years**	**Total**
2017	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Loans to joint ventures	**34**	**-**	**-**	**2,764**	**2,798**
Other receivables	**76**	**-**	**-**	**-**	**76**
	110	**-**	**-**	**2,764**	**2,874**

Notes to the financial statements for the year ended 31 December 2018

15 FINANCIAL INSTRUMENTS (continued)

Gearing ratio The gearing ratio at the year end is as follows:	**2018** **£'000**	**2017** **£'000**
Debt	**2,477**	**2,798**
Cash and cash equivalents	**-**	**-**
Net debt	**2,477**	**2,798**
Equity	**1**	**1**
Net debt to equity ratio	**100%**	**100%**

Debt is defined as long- and short-term borrowings (excluding derivatives) as detailed in note 13.

Equity includes all capital and reserves of the Company that are managed as capital.

16 RELATED PARTY TRANSACTIONS

The following transactions took place between the Company, its parent and its joint ventures during the year:

Profit and loss account transactions	2018 £'000		2017 £'000	
Related party	**Dividend/ Interest Income**	**Dividend/ Interest Expense**	**Dividend/ Interest Income**	**Dividend/ Interest Expense**
Community Ventures Company (No 1) Limited	**930**	**-**	**970**	**-**
Equitix Healthcare 2 Limited	**-**	**(930)**	**-**	**(970)**
	930	**(930)**	**970**	**(970)**

Balance Sheet	2018 £'000		2017 £'000	
Related party	**Amounts owed by related parties**	**Amounts owed to related parties**	**Amounts owed by related parties**	**Amounts owed to related parties**
Community Ventures Company (No 1) Limited	**2,477**	**-**	**2,798**	**-**
Equitix Healthcare 2 Limited	**-**	**(2,477)**	**-**	**(2,798)**
	2,477	**(2,477)**	**2,798**	**(2,798)**

17 ULTIMATE PARENT

The Company's immediate parent company is Equitix Healthcare 2 Limited, a company incorporated in the United Kingdom. The Company's ultimate parent and controlling entity is Equitix Fund II LP, a limited partnership registered in England and Wales. The Company's results are not consolidated as the Company and its parent entities meet the criteria of Investmenr Entities under IFRS 10. Copies of Equitix Healthcare 2 limited accounts can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

18 JOINT VENTURES AS AT 31 DECEMBER 2018

Company name	Percentage of shares held	Number and class of shares held	Principal activity	Country of incorporation	Registered Address
Community Ventures (Leeds) Ltd	60% ordinary share capital	600 ordinary £1 shares	LIFT company for the Leeds region	UK	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB
Community Ventures Midco (No 1) Ltd	60% ordinary share capital	600 ordinary £1 shares *	Parent company to Community Ventures Company (No 1) Ltd	UK	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB
Community Ventures Company (No 1) Ltd	60% ordinary share capital	600 ordinary £1 shares *	Provides health and social facilities in the Leeds region	UK	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB

* Designates investments that are held indirectly.