

Registered number: 06226719

**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2019**

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**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	D G Richardson (chairman) D J Harding R J Coates P A Would J A Lawreniuk (resigned 31 August 2019) R Maden (appointed 1 September 2019)
<b>Company secretary</b>	G B Bucur
<b>Registered number</b>	06226719
<b>Registered office</b>	120 Aldersgate Street London England EC1A 4JQ
<b>Independent auditor</b>	BDO LLP 55 Baker Street London United Kingdom W1U 7EU

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**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

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## **BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019**

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The directors present their report and the financial statements for the year ended 31 March 2019.

#### **Principal activity**

The principal activity of the Company during the year was the construction and facilities management of primary healthcare facilities in the Bradford and Airedale region.

The results for the year are included on page 7.

#### **Dividends**

The Company paid dividends of £8,000 during the year (2018: £nil).

#### **Directors**

The directors who served during the year were:

D G Richardson (chairman)  
D J Harding  
R J Coates  
P A Would  
J A Lawreniuk (resigned 31 August 2019)

Bradford and Airedale Community Solutions – Fundco 3 Limited has adopted Articles of Association, the provisions of which do not require the directors to retire by rotation or to retire at the first Annual General Meeting after their appointment.

#### **Going concern**

The Company has net liabilities of £1,074,000 (2018: £1,062,000) which includes the negative fair value of interest rate swaps of £4,261,000 (2018: £4,178,000) and positive fair value of RPI swaps of £1,763,000 (2018: £1,846,000) within liabilities and net current assets of £505,000 (2018: £424,000), including cash of £519,000 (2018: £488,000), at 31 March 2019.

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

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

#### **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.

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**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2019**

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**Directors' responsibilities statement**

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

**Disclosure of information to auditor**

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

- so far as 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Auditor**

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**Small companies note**

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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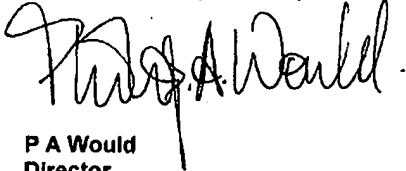
**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2019**

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This report was approved by the board and signed on its behalf.



**P A Would  
Director**

Date: 10/10/2019.

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**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

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**Opinion**

We have audited the financial statements of Bradford & Airedale Community Solutions - Fundco 3 Limited (the 'Company') for the year ended 31 March 2019, which comprise the statement of comprehensive income, the balance sheet, the statement of cash flows, the statement of changes in equity and the related notes, 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 Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 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.

**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.

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**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED (CONTINUED)**

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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.

**Opinion 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.



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**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED (CONTINUED)**

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**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 on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



Alexander Tapp (Senior Statutory auditor)

for and on behalf of  
**BDO LLP**

55 Baker Street  
London  
W1U 7EU

Date:

11 OCTOBER 2019

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

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**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2019**

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	Note	2019 £000	2018 £000
Turnover	3	362	372
Cost of sales		(176)	(200)
<b>Gross profit</b>		<u>186</u>	<u>172</u>
Administrative expenses		(51)	(73)
<b>Operating profit</b>		<u>135</u>	<u>99</u>
Interest receivable and similar income	7	843	848
Interest payable and expenses	8	(800)	(807)
<b>Profit before tax</b>		<u>178</u>	<u>140</u>
Tax on profit	9	(44)	(24)
<b>Profit for the financial year</b>		<u>134</u>	<u>116</u>
<b>Other comprehensive income for the year</b>			
Movement in cash flow hedge		(166)	776
Taxation in respect of items of other comprehensive income		28	(132)
<b>Other comprehensive income for the year</b>		<u>(138)</u>	<u>644</u>
<b>Total comprehensive income for the year</b>		<u>(4)</u>	<u>760</u>

The notes on pages 11 to 23 form part of these financial statements.

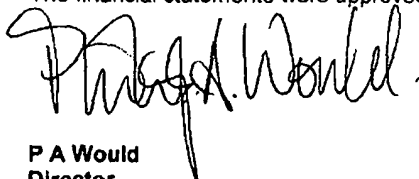
**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUND CO 3 LIMITED**  
**REGISTERED NUMBER: 06226719**

**BALANCE SHEET**  
**AS AT 31 MARCH 2019**

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Financial assets	10	12,229	12,347
		<u>12,229</u>	<u>12,347</u>
<b>Current assets</b>			
Debtors due within 1 year	11	83	36
Debtors due after more than one year	11	387	403
Cash at bank and in hand	12	519	488
		<u>989</u>	<u>927</u>
Creditors: amounts falling due within one year	13	(494)	(503)
<b>Net current assets</b>		<u>495</u>	<u>424</u>
<b>Total assets less current liabilities</b>		<u>12,724</u>	<u>12,771</u>
Creditors: amounts falling due after more than one year	14	(13,798)	(13,833)
<b>Net liabilities</b>		<u>(1,074)</u>	<u>(1,062)</u>
<b>Capital and reserves</b>			
Other reserves		(2,073)	(1,935)
Profit and loss account		999	873
		<u>(1,074)</u>	<u>(1,062)</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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



**P A Would**  
**Director**

Date: 10/10/2019

The notes on pages 11 to 23 form part of these financial statements.

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**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2019**

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	Other reserves £000	Profit and loss account £000	Total equity £000
<b>At 1 April 2017</b>	(2,579)	757	(1,822)
<b>Comprehensive income for the year</b>			
Profit for the year	-	116	116
Hedge effective portion of change in fair value of designated hedging	776	-	776
Taxation in respect of other comprehensive income	(132)	-	(132)
<b>Other comprehensive income for the year</b>	644	-	644
<b>Total comprehensive income for the year</b>	644	116	760
<b>At 1 April 2018</b>	(1,935)	873	(1,062)
<b>Comprehensive income for the year</b>			
Profit for the year	-	134	134
Taxation in respect of items of other comprehensive income	28	-	28
Hedge effective portion of change in fair value of designated hedging	(166)	-	(166)
<b>Other comprehensive income for the year</b>	(138)	-	(138)
<b>Total comprehensive income for the year</b>	(138)	134	(4)
Dividends paid	-	(8)	(8)
<b>At 31 March 2019</b>	(2,073)	999	(1,074)

The notes on pages 11 to 23 form part of these financial statements.

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**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

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**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2019**

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	<b>2019 £000</b>	<b>2018 £000</b>
<b>Cash flows from operating activities</b>		
Profit for the financial year	134	116
<b>Adjustments for:</b>		
Net interest receivable	(43)	(41)
Taxation charge	44	24
Turnover on mark up costs	(203)	(250)
(Increase)/decrease in debtors	(47)	6
(Decrease)/increase in creditors	(40)	12
<b>Net cash generated from operating activities</b>	<b>(155)</b>	<b>(133)</b>
<b>Cash flows from investing activities</b>		
Receipts on financial asset	1,164	1,059
<b>Net cash from investing activities</b>	<b>1,164</b>	<b>1,059</b>
<b>Cash flows from financing activities</b>		
Repayment of loans	(181)	(155)
Dividends paid	(8)	-
Interest paid	(789)	(741)
<b>Net cash used in financing activities</b>	<b>(978)</b>	<b>(896)</b>
<b>Net increase in cash and cash equivalents</b>	<b>31</b>	<b>30</b>
Cash and cash equivalents at beginning of year	488	458
<b>Cash and cash equivalents at the end of year</b>	<b>519</b>	<b>488</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	519	488
	<b>519</b>	<b>488</b>

The notes on pages 11 to 23 form part of these financial statements.

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## BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUND CO 3 LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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#### 1. Accounting policies

##### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

##### 1.2 Going concern

The Company has net liabilities of £1,074,000 (2018: £1,062,000) which includes the negative fair value of interest rate swaps of £4,261,000 (2018: £4,178,000) and positive fair value of RPI swaps of £1,763,000 (2018: £1,846,000) within liabilities and net current assets of £505,000 (2018: £424,000), including cash of £519,000 (2018: £488,000), at 31 March 2019.

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

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

##### 1.3 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and 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.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

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

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

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

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## BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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#### 1. Accounting policies (continued)

##### 1.4 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

##### 1.5 Revenue

###### a. Public to private concession arrangements

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

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

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

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

###### b. Financial asset model

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

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

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

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

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

###### c. Other revenue items

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

##### 1.6 Financial asset

The financial asset is stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest 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.

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**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

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**1. Accounting policies (continued)**

**1.7 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

**1.8 Financial liabilities and equity**

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

**1.9 Hedge accounting**

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

**1.10 Finance costs**

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

**1.11 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 profit or loss on a straight line basis over the term of the loan.



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**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUND CO 3 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

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**2. Judgments in applying accounting policies and key sources of estimation uncertainty**

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:

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

**a. Key sources of estimation uncertainty**

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

**Financial asset interest rate** – The financial asset interest income is based on the WACC of the project and is applied to the carrying value of the financial asset on a quarterly basis. The interest rate used in 2019 is 7.03% (2018: 7.03%) per annum.

**Service Margin** – After the property is constructed, the company provides property management services. The remuneration for these services is recognised at cost plus an estimated mark up for profit on property management services. The service margin rate used in 2019 is 15.40% (2018: 14.72%) per annum. It is the policy of the directors that the service margin is reviewed annually on 1 April each year to generate a new service margin rate, which is to be applied in the proceeding financial year.

**b. Critical judgements**

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

**3. Turnover**

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

	2019 £000	2018 £000
Rental income (third party)	20	20
Service margin	203	250
Cost recoveries	139	101
	<u>362</u>	<u>371</u>

**4. Operating profit**

The audit fee for the Company amounted to £2,928 (2018: £2,827). This has been borne by the parent company.

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**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

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**5. Directors' remuneration**

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

**6. Employees**

The Company has no employees other than the directors, who did not receive any remuneration (2018 - £NIL).

**7. Interest receivable**

	2019 £000	2018 £000
Financial asset interest receivable	843	848
	<u>843</u>	<u>848</u>

**8. Interest payable and similar expenses**

	2019 £000	2018 £000
Interest payable on bank loans	650	653
Interest payable on subordinated loan	146	146
Bank interest payable	4	8
	<u>800</u>	<u>807</u>

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**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

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**9. Taxation**

	2019 £000	2018 £000
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	1	26
Adjustment in respect of prior periods	43	(2)
<b>Total deferred tax</b>	44	24
<b>Taxation on profit on ordinary activities</b>	44	24

**Factors affecting tax charge for the year**

The tax assessed for the year is the same as (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	178	140
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	33	27
<b>Effects of:</b>		
Expenses not deductible for tax purposes	15	2
Adjust closing deferred tax to average rate of 19%	(4)	1
Adjust opening deferred tax to average rate of 19%	(1)	(4)
Adjustments to tax charge in respect of previous periods – deferred tax	1	(2)
<b>Total tax charge for the year</b>	44	24

**Factors that may affect future tax charges**

The change in the corporation tax rate to 17% from 1 April 2020 is not anticipated to materially affect the future tax charge

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**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**10. Financial assets**

	<b>2019 £000</b>	<b>2018 £000</b>
Balance at 1 April	12,347	12,374
<b>Income recognised in the profit or loss</b>		
Service remuneration	203	250
Interest income	843	848
	<u>13,393</u>	<u>13,472</u>
<b>Other movements</b>		
Cash expenditure	(66)	(66)
Cash received	(1,098)	(1,059)
	<u>12,229</u>	<u>12,347</u>

**11. Debtors**

	<b>2019 £000</b>	<b>2018 £000</b>
<b>Due after more than one year</b>		
Financial asset	12,229	12,347
Deferred tax asset	387	403
	<u>12,616</u>	<u>12,750</u>
<b>Due within one year</b>		
Trade debtors	50	12
Prepayments and accrued income	33	24
	<u>12,699</u>	<u>12,786</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**12. Cash and cash equivalents**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	519	488
	<u>519</u>	<u>488</u>

**13. Creditors: Amounts falling due within one year**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Bank loans (note 15)	192	177
Subordinated loan to related party (note 15)	8	4
Trade creditors	9	21
Amounts owed to parent undertakings	124	90
Other taxation and social security	53	42
Accruals and deferred income	108	169
	<u>494</u>	<u>503</u>

**14. Creditors: Amounts falling due after more than one year**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Bank loans (note 15)	9,846	10,038
Subordinated loan to related party (note 15)	1,155	1,162
Accruals and deferred income	299	301
Cash flow hedge	2,498	2,332
	<u>13,798</u>	<u>13,833</u>

Deferred income is a pharmacy lease premium received in advance. This amount is being released in equal amounts to the profit and loss account over the 25 year term of the lease.

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**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

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**15. Loans**

Analysis of the maturity of loans is given below:

	2019 £000	2018 £000
<b>Amounts falling due within one year</b>		
Bank loans	192	177
Subordinate loan owed to parent undertaking	8	4
	<u>200</u>	<u>181</u>
<b>Amounts falling due 1-2 years</b>		
Bank loans	217	192
Subordinate loan owed to parent undertaking	-	5
	<u>217</u>	<u>197</u>
<b>Amounts falling due 2-5 years</b>		
Bank loans	1,015	805
	<u>1,015</u>	<u>805</u>
<b>Amounts falling due after more than 5 years</b>		
Bank loans	8,614	9,041
Subordinate loan owed to parent undertaking	1,155	1,157
	<u>9,769</u>	<u>10,198</u>
	<u>11,201</u>	<u>11,381</u>

Senior debt is a variable rate loan payable in 2035. Interest of £149,000 (2018: £120,000) has been charged by the bank.

Interest charges on amounts drawn are based on floating LIBOR. The Company has entered into an interest rate swap agreements whereby it pays a fixed rate of 5.005% and 5.32% per annum in respect of amounts drawn under the facilities. The Company was charged interest of £452,000 (2018: £494,000) in relation to these agreements.

The swaps expire on 31 July 2034 & 31 January 2035.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**15. Loans (continued)**

The residual value facility is a variable rate loan repayable in 2035. Interest of £48,000 (2018: £39,000) has been charged by the bank.

The loans are secured by a fixed and floating charge against the assets of the company.

Issue costs of the debt totalling £91,000 have been offset against the bank loans and will be amortised over the duration of the facilities.

The subordinated loan is an unsecured variable rate loan repayable in 2035 with an interest rate of 12.5%. Interest of £146,000 (2018: £146,000) has been charged in the year.

**16. Financial instruments**

	2019 £000	2018 £000
<b>Financial assets</b>		
Financial assets measured at amortised cost	12,831	12,870
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(11,464)	(11,566)
Derivative financial instruments designated as hedges of variable interest rate and RPI risk	(2,498)	(2,332)
	<u>(13,962)</u>	<u>(13,898)</u>

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

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

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

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

In 2010, the company borrowed funds from its bankers under two term loans of £8,410,000 and £2,522,000 which are repayable in 2034 & 2035 respectively.

To hedge the potential volatility in future interest cash flows arising from movements in LIBOR, the Company has entered into floating to fixed interest rate swaps with a nominal value equal to that initial borrowings, the same term as the loans and interest re-pricing dates identical to those of the variable rate loans. These result in the Company paying between 5.005% and 5.32% per annum and receiving LIBOR (though cash flows are settled on a net basis).

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**NOTES TO THE FINANCIAL STATEMENTS  
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**16. Financial instruments (continued)**

The derivatives are accounted for as a hedge of variable rate interest rate risks, in accordance with FRS 102 and had a negative fair value of £4,261,000 (2018: £4,178,000) as at the year-end date. The cash flows arising from the interest rate swaps will continue until their maturity in 2035, coincidental with the repayment of the term loans. The change in fair value in the period was a decrease of £83,000 (2018: increase £706,000) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

In 2010, the Company entered into one LPA agreement having fixed contractual term which caused the turnover to increase with RPI on a yearly basis.

To hedge the potential volatility in future revenue cash flows arising from movements in RPI, the Company has entered into RPI swaps with a nominal value below that of the LPA contract but having the same term as the contract and RPI re-pricing dates identical to those of the LPA contract. These result in the Company paying 4.72% per annum and receiving actual RPI and effectively fixing the inflation on a determined portion of the LPA contract.

The derivatives are accounted for as a hedge of variable rate RPI rate risks, in accordance with FRS 102 and had a positive fair value of £1,763,000 (2018: £1,846,000 positive) at the year-end date. The cash flows arising from the interest rate swaps will continue until their maturity in 2035, coincidental with the LPA contractual terms. The change in fair value in the year was a decrease of £83,000 (2018: increase of £69,000) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

**17. Deferred taxation**

	2019 £000	2018 £000
At beginning of year	403	559
Charged to profit or loss	(44)	(24)
Charged to other comprehensive income	28	(132)
<b>At end of year</b>	<b>387</b>	<b>403</b>



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**NOTES TO THE FINANCIAL STATEMENTS  
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**17. Deferred taxation (continued)**

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
Fixed assets timing differences	(577)	(566)
UK property business losses	103	103
Non trade loan relationship deficit losses	386	415
Short term timing differences	51	55
Cash flow hedge reserve	424	396
	<u>387</u>	<u>403</u>

**18. Share capital**

	2019 £000	2018 £000
<b>Allotted, called up and fully paid</b>		
1 (2018 - 1) Ordinary shares share of £1.00	0.001	0.001

**19. Ultimate parent company and controlling party**

The Company's immediate parent undertaking is Bradford & Airedale Community Solutions – Holdco 3 Limited, a company registered in England and Wales. The parent undertaking is wholly owned by Bradford & Airedale Community Solutions Limited, a company registered in England and Wales.

Bradford & Airedale Estate Partnership Limited (formerly Bradford & Airedale Community Solutions Limited) is owned by Bradford & Airedale (LIFT) Investments Limited (60%) and by Community Health Partnerships Limited (40%), both of which are registered in England and Wales.

Bradford & Airedale (Lift) Investments Limited is a Joint Venture between Community Solutions Investment Partners Limited, Equitix Limited and Equitix Healthcare Limited, all registered in England and Wales.

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

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**BRADFORD & AIREDALE COMMUNITY SOLUTIONS - FUNDCO 3 LIMITED**

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**20. Related party transactions**

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

The following company, together with undertakings within their individual groups of companies, are considered to be related parties to the company during the year.

- Community Health Partnerships Limited

Services provided during the year amounted to £1,115,000 (2018: £1,102,000) were paid to Community Health Partnerships Limited.

At the Balance Sheet amounts of £37,000 (2018: £20,000) were due to Community Health Partnerships Limited.