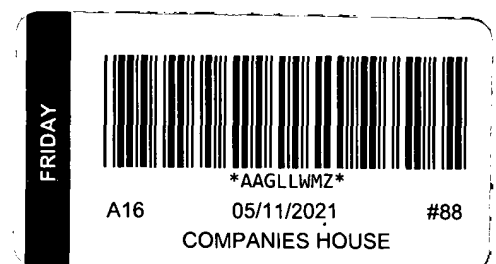


Company Registration No. 06226719 (England and Wales)

BRADFORD & AIREDALE FUNDCO 3 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021



BRADFORD & AIREDALE FUNDCO 3 LIMITED

COMPANY INFORMATION

Directors	D Richardson	
	R Coates	
	R Maden	
	A Thakrar	(Appointed 1 April 2021)
	C Walker	(Appointed 1 April 2021)
	K O'Brien	(Appointed 4 November 2020)
Secretary	J Fowler	
Company number	06226719	
Registered office	Office 4.10	
	1 Aire Street	
	Leeds	
	England	
	LS1 4PR	
Auditor	UHY Hacker Young	
	Quadrant House	
	4 Thomas More Square	
	London	
	E1W 1YW	

BRADFORD & AIREDALE FUNDCO 3 LIMITED

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BRADFORD & AIREDALE FUNDCO 3 LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present their annual report and financial statements for the year ended 31 March 2021.

Principal activities

The principal activity of the company continued to be that of construction and facilities management of primary healthcare facilities in the Bradford and Airedale region.

Results and dividends

The results for the year are set out on page 8.

The company paid dividends of £nil during the year (2020: £88,000).

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

D Richardson	
D Harding	(Resigned 31 March 2021)
P Would	(Resigned 31 March 2021)
R Coates	
R Maden	
A Thakrar	(Appointed 1 April 2021)
C Walker	(Appointed 1 April 2021)
K O'Brien	(Appointed 4 November 2020)

Bradford & Airedale Fundco 3 Limited has adopted articles of association, the provision of which do not require the directors to retire by rotation or to retire at the first annual general meeting after their appointment.

Qualifying third party indemnity provisions

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

Auditor

The auditor, UHY Hacker Young, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

BRADFORD & AIREDALE FUNDCO 3 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

BRADFORD & AIREDALE FUNDCO 3 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

COVID-19 & Going concern

The company has net liabilities of £198,000 (2020: £738,000) which includes the negative fair value of interest rate swaps of £3,774,000 (2020:£4,753,000) and positive fair value of RPI Swaps of £1,937,000 (2019: £2,253,000), net current assets of £13,108,000 (2020: £13,365,000), including cash of £551,000 (£535,000) at the year end.

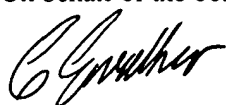
The directors have reviewed the future liquidity requirements and have considered the cash flow forecasts of the company. Based on this review and the future business prospects of the company, despite the current economic conditions the directors believe the company will be able to meet its liabilities as they fall due.

In the annual review of the company's going concern, the directors have considered the long term impact of the Coronavirus, COVID-19, pandemic. Recent Government Procurement Policy Note sets out information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the current COVID-19 outbreak confirming that the suppliers will continue to be paid as normal. The company has entered into long-term contracts with its customer and suppliers, and after careful review of these contracts the directors are confident that the company can operate as normal for the next twelve months. The directors have committed to carrying out regular reviews of the company's cash flows to monitor the ongoing situation.

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, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

On behalf of the board



.....
C Walker
Director

Date: 24 September 2021.....

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BRADFORD & AIREDALE FUND CO 3 LIMITED

Opinion

We have audited the financial statements of Bradford & Airedale Fundco 3 Limited (the 'company') for the year ended 31 March 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2021 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the acts by the company, which were contrary to applicable laws and regulations including fraud, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inflated revenue and profit.

Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, review of correspondence with and reports to the NHS trusts in the Bradford & Airedale area, including correspondence with legal advisors, enquiries of management and review of the financial model and related audit reports in so far as they relate to the financial statements, and testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

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

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Marc Waterman (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young

25/09/2021
.....

Chartered Accountants
Statutory Auditor

BRADFORD & AIREDALE FUNDCO 3 LIMITED**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 MARCH 2021**

		2021	2020
	Notes	£'000	as restated £'000
Turnover	3	553	399
Cost of sales		(200)	(176)
Gross profit		<u>353</u>	<u>223</u>
Administrative expenses		(92)	(109)
Operating profit		<u>261</u>	<u>114</u>
Interest receivable and similar income	7	853	856
Interest payable and similar expenses	8	(774)	(786)
Profit before taxation		<u>340</u>	<u>184</u>
Tax on profit	9	(336)	(98)
Profit for the financial year		<u>4</u>	<u>86</u>
Other comprehensive income			
Cash flow hedges gain/(loss) arising in the year		662	(2)
Tax relating to other comprehensive income		(126)	51
Total comprehensive income for the year		<u><u>540</u></u>	<u><u>135</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

BRADFORD & AIREDALE FUNDCO 3 LIMITED**BALANCE SHEET****AS AT 31 MARCH 2021**

		2021		2020 as restated	
	Notes	£'000	£'000	£'000	£'000
Current assets					
Debtors falling due after more than one year	12	12,436		12,791	
Debtors falling due within one year	12	121		39	
Cash at bank and in hand		551		535	
		<u>13,108</u>		<u>13,365</u>	
Creditors: amounts falling due within one year	13	<u>(823)</u>		<u>(826)</u>	
Net current assets			12,285		12,539
Creditors: amounts falling due after more than one year	14		(12,361)		(13,277)
Provisions for liabilities					
Deferred tax liability	16	<u>122</u>	(122)	-	-
Net liabilities			<u>(198)</u>		<u>(738)</u>
Capital and reserves					
Hedging reserve			(1,488)		(2,024)
Profit and loss reserves			<u>1,290</u>		<u>1,286</u>
Total equity			<u>(198)</u>		<u>(738)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 24 September 2021 and are signed on its behalf by:



C Walker
Director

Company Registration No. 06226719

BRADFORD & AIREDALE FUNDCO 3 LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Notes	Hedging reserve £'000	Profit and loss reserves £'000	Total £'000
As restated for the period ended 31 March 2020:				
Balance at 1 April 2019		(2,073)	1,000	(1,073)
Adjustments to prior periods		-	288	288
As restated		(2,073)	1,288	(785)
Year ended 31 March 2020:				
Profit for the year		-	86	86
Other comprehensive income:				
Cash flow hedges gains		(2)	-	(2)
Tax relating to other comprehensive income		51	-	51
Total comprehensive income for the year		49	86	135
Dividends	10	-	(88)	(88)
Balance at 31 March 2020		(2,024)	1,286	(738)
Year ended 31 March 2021:				
Profit for the year		-	4	4
Other comprehensive income:				
Cash flow hedges gains		662	-	662
Tax relating to other comprehensive income		(126)	-	(126)
Total comprehensive income for the year		536	4	540
Balance at 31 March 2021		(1,488)	1,290	(198)

BRADFORD & AIREDALE FUNDCO 3 LIMITED**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 MARCH 2021**

		2021		2020	
	Notes	£'000	£'000	as restated £'000	£'000
Cash flows from operating activities					
Cash generated from operations	20		154		234
Interest paid			(774)		(786)
			<u> </u>		<u> </u>
Net cash outflow from operating activities			(620)		(552)
Investing activities					
Interest received		853		856	
		<u> </u>		<u> </u>	
Net cash generated from investing activities			853		856
Financing activities					
Repayment of borrowings		-		(8)	
Repayment of bank loans		(217)		(192)	
Dividends paid		-		(88)	
		<u> </u>		<u> </u>	
Net cash used in financing activities			(217)		(288)
			<u> </u>		<u> </u>
Net increase in cash and cash equivalents			16		16
Cash and cash equivalents at beginning of year			535		519
			<u> </u>		<u> </u>
Cash and cash equivalents at end of year			551		535
			<u> </u>		<u> </u>

BRADFORD & AIREDALE FUNDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

Company information

Bradford & Airedale Fundco 3 Limited is a private company limited by shares incorporated in England and Wales. The registered office is Office 4.10, 1 Aire Street, Leeds, England, LS1 4PR.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies.

1.2 Going concern

The company has net liabilities of £198,000 (2020: £738,000) which includes the negative fair value of interest rate swaps of £3,774,000 (2020:£4,753,000) and positive fair value of RPI Swaps of £1,937,000 (2019: £2,253,000), net current assets of £13,108,000 (2020: £13,365,000), including cash of £551,000 (£535,000) at the year end.

The directors have reviewed the future liquidity requirements and have considered the cash flow forecasts of the company. 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.

In the annual review of the company's going concern, the directors have considered the long term impact of the Coronavirus, COVID-19, pandemic. Recent Government Procurement Policy Note sets out information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the current COVID-19 outbreak confirming that the suppliers will continue to be paid as normal. The company has entered into long-term contracts with its customer and suppliers, and after careful review of these contracts the directors are confident that the company can operate as normal for the next twelve months. The directors have committed to carrying out regular reviews of the company's cash flows to monitor the ongoing situation.

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, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

BRADFORD & AIREDALE FUNDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.3 Turnover

a) Public to private concession arrangements

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

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

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

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

1.4 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

BRADFORD & AIREDALE FUNDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

BRADFORD & AIREDALE FUNDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.7 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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Any gain or loss previously recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. This occurs when the hedging instrument expires or no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

1.8 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

BRADFORD & AIREDALE FUNDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. 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

1.9 Finance costs

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

1.10 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.

BRADFORD & AIREDALE FUNDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

2 Judgements and key sources of estimation uncertainty

The estimates and judgements that have a significant risk of causing a material adjustments 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. The 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 2021 is 7.03% (2020: 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 2021 is 10.66% (2020: 12.88%) 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 and other revenue

	2021 £'000	2020 £'000
Turnover analysed by class of business		
Cost recoveries	44	57
Service margin	284	244
Rental income (third party)	71	71
Other income	134	7
Lease premium - amortisation	20	20
	<hr/>	<hr/>
	553	399
	<hr/>	<hr/>

BRADFORD & AIREDALE FUNDCO 3 LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2021**

3 Turnover and other revenue (Continued)

	2021	2020
	£'000	£'000
Other significant revenue		
Interest income	853	856
	<u> </u>	<u> </u>

4 Auditor's remuneration

The audit fee has been borne by the parent company.

5 Employees

The company had no employees during the current or the prior year.

6 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 the company.

7 Interest receivable and similar income

	2021	2020
	£'000	£'000
Interest income		
Other interest income	853	856
	<u> </u>	<u> </u>

8 Interest payable and similar expenses

	2021	2020
	£'000	£'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	630	641
Interest payable to group undertakings	144	145
	<u> </u>	<u> </u>
	<u>774</u>	<u>786</u>

BRADFORD & AIREDALE FUNDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

9 Taxation

	2021 £'000	2020 £'000
Deferred tax		
Origination and reversal of timing differences	336	98

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £'000	2020 £'000
Profit before taxation	340	184
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	65	35
Tax effect of expenses that are not deductible in determining taxable profit	3	16
Effect of change in corporation tax rate	-	(46)
Group relief	270	52
Other permanent differences	125	-
Fixed asset differences	(1)	(10)
Deferred tax (charged)/credited to equity	(126)	51
Taxation charge for the year	336	98

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2021 £'000	2020 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	126	(51)

10 Dividends

	2021 Per share £	2020 Per share £	2021 Total £'000	2020 Total £'000
Dividend proposed and paid	-	88,452.00	-	88

BRADFORD & AIREDALE FUNDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

10 Dividends **(Continued)**

Total dividends

Final paid

-

88

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11 Financial instruments

2021

2020

£'000

£'000

Carrying amount of financial liabilities

Measured at fair value through profit or loss

- Other financial liabilities

1,837

2,499

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BRADFORD & AIREDALE FUNDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

11 Financial instruments

(Continued)

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 comprises 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 both of which are repayable in 2034 and 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 cash basis).

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 £3,774,000 (2020: £4,753,000) 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 year was an decrease of £979,000 (2020: decrease £492,000), 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 terms 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. The 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 £1,937,000 (2020: £2,253,000) 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 £316,000 (2020: increase £490,000) with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

12 Debtors

	2021	2020
Amounts falling due within one year:	£'000	£'000
Trade debtors	121	39
	<u> </u>	<u> </u>

BRADFORD & AIREDALE FUNDCO 3 LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2021**

12 Debtors		(Continued)	
		2021	2020
		£'000	£'000
Amounts falling due after more than one year:			
Financial assets		12,436	12,451
Deferred tax asset (note 16)		-	340
		<u>12,436</u>	<u>12,791</u>
Total debtors		<u>12,557</u>	<u>12,830</u>
13 Creditors: amounts falling due within one year			
	Notes	2021	2020
		£'000	£'000
Bank loans	15	260	223
Amounts owed to group undertakings		153	166
Taxation and social security		53	54
Accruals and deferred income		357	383
		<u>823</u>	<u>826</u>
14 Creditors: amounts falling due after more than one year			
	Notes	2021	2020
		£'000	£'000
Bank loans and overdrafts	15	9,369	9,623
Other borrowings	15	1,155	1,155
Derivative financial instruments		1,837	2,499
		<u>12,361</u>	<u>13,277</u>

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

BRADFORD & AIREDALE FUND CO 3 LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021****15 Loans and overdrafts**

	2021 £'000	2020 £'000
Bank loans	9,629	9,846
Other loans	1,155	1,155
	<u>10,784</u>	<u>11,001</u>
Payable within one year	260	223
Payable after one year	<u>10,524</u>	<u>10,778</u>

Bank borrowings relate to a Senior Debt facility granted by Royal Bank of Scotland Plc. The senior debt is a variable rate loan payable in 2035. Interest of £106,000 (2020: £146,000) 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 agreement 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 £481,000 (2020: £440,000) in relation to these agreements.

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

The residual value facility is a variable rate loan repayable in 2035. Interest of £38,000 (2020: £49,000) 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 loan.

The other loans relate to an unsecured variable rate loan repayable in 2035. Interest of £144,000 (2020: £145,000) has been charged in the year. The interest rate on the loan is 12.5%.

BRADFORD & AIREDALE FUNDCO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2021 £'000	Liabilities 2020 £'000	Assets 2021 £'000	Assets 2020 £'000
Balances:				
Fixed asset timing differences	666	-	-	(654)
UK property business losses	-	-	-	114
Non trade loan relationship deficit losses	-	-	-	351
Short term timing differences	(398)	-	-	54
Cash flow hedge reserve	-	-	-	475
Losses and other deductions	(146)	-	-	-
	<u>122</u>	<u>-</u>	<u>-</u>	<u>340</u>
Movements in the year:				2021 £'000
Asset at 1 April 2020				(340)
Charge to profit or loss				336
Charge to other comprehensive income				126
				<u>122</u>
Liability at 31 March 2021				<u>122</u>

17 Share capital

	2021 £'000	2020 £'000
Ordinary share capital		
Alloted, called up and fully paid		
1 (2019-1) Ordinary share of £1.00	1	1

BRADFORD & AIREDALE FUND CO 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

18 Related party transactions

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

The 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 £1,196,000 (2020: £1,216,000).

At the balance sheet date amounts of £9,000 (2020:£12,000) were due from Community Health Partnerships Limited.

19 Ultimate controlling party

The company's immediate parent undertaking is Bradford & Airedale Holdco 3 Limited a company registered in England and Wales.

The parent undertaking is wholly owned by Bradford & Airedale Estates Partnership Limited, a company registered in England and Wales.

Bradford & Airedale Estates Partnership 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 are 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.

BRADFORD & AIREDALE FUNDCO 3 LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021****20 Cash generated from operations**

	2021	2020
	£'000	£'000
Profit for the year after tax	4	86
Adjustments for:		
Taxation charged	336	98
Finance costs	774	786
Investment income	(853)	(856)
Movements in working capital:		
(Increase)/decrease in debtors	(67)	110
(Decrease)/increase in creditors	(40)	10
Cash generated from operations	<u>154</u>	<u>234</u>

21 Analysis of changes in net debt

	1 April 2020	Cash flows	31 March 2021
	£'000	£'000	£'000
Cash at bank and in hand	535	16	551
Borrowings excluding overdrafts	(11,001)	217	(10,784)
	<u>(10,466)</u>	<u>233</u>	<u>(10,233)</u>

22 Prior period adjustment**Reconciliation of changes in equity**

	1 April 2019	31 March 2020
	£'000	£'000
Adjustments to prior year		
Service Income	-	308
Equity as previously reported	(1,074)	(1,046)
Equity as adjusted	<u>(1,074)</u>	<u>(738)</u>
Analysis of the effect upon equity		
Profit and loss reserves	<u>-</u>	<u>308</u>

BRADFORD & AIREDALE FUNDCO 3 LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021****22 Prior period adjustment****(Continued)****Reconciliation of changes in profit for the previous financial period**

	2020 £'000
Adjustments to prior year	
Service Income	20
Profit as previously reported	66
	<hr/>
Profit as adjusted	86
	<hr/>

Notes to reconciliation

An error was identified in respect of the calculation of the service concession arrangement residual value, and, consequently, the margin for calculating the service remuneration. On adoption of FRS 102 in 2014, the Directors adopted a policy of reducing the estimated residual value(s) by the service margin so as to adopt a prudent position in respect of revenues, and profits, recognised during the concession period. However, this resulted in a material understatement of the fair value of revenues generated to date. As such, the Directors' best estimate of the residual values has been fully reflected in the financial statements, which has resulted in a higher margin being calculated and, consequently, additional service remuneration, and additional finance asset interest, being recognised. An adjustment has been processed to correct the historic position.