

REGISTERED NUMBER: 07123364 (England and Wales)

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
FOR
BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
LIMITED**



**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
LIMITED**

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for the Year Ended 31 December 2018**

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**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
LIMITED**

**COMPANY INFORMATION
for the Year Ended 31 December 2018**

DIRECTORS:

R G E Williams
J R Taylor
J E Keyte
P Sherriff
M Grinonneau
J C Heath

REGISTERED OFFICE:

5 The Triangle
Wildwood Drive
Worcester
Worcestershire
WR5 2QX

REGISTERED NUMBER:

07123364 (England and Wales)

INDEPENDENT AUDITORS:

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
West Midlands
B3 2DT

**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
LIMITED**

**REPORT OF THE DIRECTORS
for the Year Ended 31 December 2018**

The directors present their report with the audited financial statements of the company for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of owning and managing its portfolio of properties in the Birmingham and Solihull area as part of the government sponsored Local Improvement Finance Trust (LIFT) initiative.

REVIEW OF BUSINESS

The company invests in primary healthcare infrastructure in the Birmingham and Solihull area and has a portfolio of three operational investment properties for which a full year of rental income was received.

There was an increase in the value of the company's investment properties during the year from £40,710,000 to £41,500,000, which is reflected in the value reported in the financial statements.

It is anticipated that future developments will be owned by related Fundcos and therefore no further properties will be added to the portfolio.

The level of operating activity is expected to increase in line with inflation in the year to 31 December 2019.

The principal risks and uncertainties of the business relate predominantly to tenant default on rental payments. As tenancies are predominantly with Community Health Partnerships Limited (a company owned by the Department of Health and Social Care), the risk of tenant default is considered to be low.

DIVIDENDS

The total distribution of dividends for the year ended 31 December 2018 was £367,266 (2017 - £262,587).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

R G E Williams
J R Taylor
J E Keyte
P Sherriff
M Grinonneau

Other changes in directors holding office are as follows:

R L Turnbull - resigned 31 October 2018
J C Heath - appointed 1 November 2018

Directors were not remunerated by Birmingham and Solihull LIFT (Fundco 3) Limited, but by their respective employing entities.

**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
LIMITED**

**REPORT OF THE DIRECTORS
for the Year Ended 31 December 2018**

FINANCIAL RISK MANAGEMENT

The company's financial risk management objective is broadly to seek to make neither a profit nor a loss from exposure to interest rate risk. Its policy is to finance working capital through retained earnings and to finance fixed assets through fixed rate borrowings for the term of the first lease of each of the assets.

The company's hedging strategy is to enter into financial instruments in the form of interest rate swaps and RPI revenue swaps in order to manage its exposure to interest rate and inflation rate risk as required. These financial instruments are held for the purposes of hedging through the entire term of the relevant loan or lease and are not intended to be traded, so that the company's exposure to price risk of financial instruments is minimal. Further as the counterparties to all financial instruments are its bankers and its parent company, the company is also exposed to minimal credit risk or liquidity risk in respect of these instruments.

The company's lease revenues and most of its costs were linked to inflation at the inception of the respective projects. The financing structures which include a portion of the lease income being subject to a RPI revenue swap and senior loan repayment profiles were structured such that the company would continue to meet its covenants in a low inflation environment, resulting in the company being largely but not wholly insensitive to inflation.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or profit.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 Section 1A, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

The directors 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.

**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
LIMITED**

**REPORT OF THE DIRECTORS
for the Year Ended 31 December 2018**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the Report of the Directors is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF:



.....
R G E Williams - Director

Date: 22 MAR 2019

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BIRMINGHAM AND SOLIHULL LIFT (FUNDCO 3)
LIMITED**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion Birmingham and Solihull LIFT (Fundco 3) Limited's 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report of the Directors and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the income statement, the statement of comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

CONCLUSIONS RELATING TO GOING CONCERN

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and in common with other companies it is difficult to evaluate all of the potential implications on a company's trade, customers, suppliers and the wider economy.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
LIMITED**

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
LIMITED**

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Report of the Directors; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Paul Nott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Date: 29 May 2019

**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
LIMITED**

**INCOME STATEMENT
for the Year Ended 31 December 2018**

	Notes	31.12.18 £	31.12.17 £
REVENUE		3,429,123	3,310,171
Administrative expenses		<u>(609,857)</u>	<u>(543,563)</u>
		2,819,266	2,766,608
Revaluation of investment property		790,000	860,000
Other income		<u>-</u>	<u>50,000</u>
OPERATING PROFIT	3	3,609,266	3,676,608
Interest receivable and similar income	5	<u>19,306</u>	<u>6,812</u>
		3,628,572	3,683,420
Interest payable and similar charges	6	<u>(2,049,222)</u>	<u>(2,034,244)</u>
PROFIT BEFORE TAXATION		1,579,350	1,649,176
Tax on profit	7	<u>(267,831)</u>	<u>(72,657)</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>1,311,519</u></u>	<u><u>1,576,519</u></u>

The notes form part of these financial statements

**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended 31 December 2018**

Notes	31.12.18 £	31.12.17 £
PROFIT FOR THE YEAR	1,311,519	1,576,519
OTHER COMPREHENSIVE INCOME		
Gains on hedging instruments	693,696	843,714
Income tax relating to other comprehensive income	<u>(117,928)</u>	<u>(145,132)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>575,768</u>	<u>698,582</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>1,887,287</u></u>	<u><u>2,275,101</u></u>

The notes form part of these financial statements


**BIRMINGHAM AND SOLIHULL LIFT (FUNDCO 3)
LIMITED (REGISTERED NUMBER: 07123364)**

**STATEMENT OF FINANCIAL POSITION
31 December 2018**

	Notes	31.12.18 £	31.12.17 £
FIXED ASSETS			
Investment property	9	41,500,000	40,710,000
CURRENT ASSETS			
Debtors	10	38,389	22,588
Cash at bank		<u>4,334,283</u>	<u>4,444,002</u>
		4,372,672	4,466,590
CREDITORS			
Amounts falling due within one year	11	<u>(1,143,801)</u>	<u>(1,401,641)</u>
NET CURRENT ASSETS		<u>3,228,871</u>	<u>3,064,949</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		44,728,871	43,774,949
CREDITORS			
Amounts falling due after more than one year	12	(40,354,232)	(41,306,090)
PROVISIONS FOR LIABILITIES	16	<u>(521,043)</u>	<u>(135,284)</u>
NET ASSETS		<u>3,853,596</u>	<u>2,333,575</u>
CAPITAL AND RESERVES			
Called up share capital	17	1	1
Revaluation reserve	18	10,701,358	10,045,658
Hedging reserve	18	(9,447,871)	(10,023,639)
Retained earnings	18	<u>2,600,108</u>	<u>2,311,555</u>
SHAREHOLDERS' FUNDS		<u>3,853,596</u>	<u>2,333,575</u>

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved and authorised for issue by the Board of Directors on 22 MAR 2019 and were signed on its behalf by:


.....
R G E Williams - Director

The notes form part of these financial statements

**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
LIMITED**

**STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 December 2018**

	Called up share capital £	Retained earnings £	Revaluation reserve £	Hedging reserve £	Total equity £
Balance at 1 January 2017	1	1,919,440	9,123,841	(10,722,221)	321,061
Changes in equity					
Profit for the year	-	1,576,519	-	-	1,576,519
Other comprehensive income	-	-	-	698,582	698,582
Total comprehensive income	-	1,576,519	-	698,582	2,275,101
Dividends	-	(262,587)	-	-	(262,587)
Transfer in respect of property valuation gains (net of deferred tax)	-	(921,817)	921,817	-	-
Balance at 31 December 2017	1	2,311,555	10,045,658	(10,023,639)	2,333,575
Changes in equity					
Profit for the year	-	1,311,519	-	-	1,311,519
Other comprehensive income	-	-	-	575,768	575,768
Total comprehensive income	-	1,311,519	-	575,768	1,887,287
Dividends	-	(367,266)	-	-	(367,266)
Transfer in respect of property valuation gains (net of deferred tax)	-	(655,700)	655,700	-	-
Balance at 31 December 2018	1	2,600,108	10,701,358	(9,447,871)	3,853,596

The notes form part of these financial statements

**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2018**

1. ACCOUNTING POLICIES

General information and basis of accounting

Birmingham and Solihull LIFT (Fundco 3) Limited is a company limited by shares and is incorporated in England and Wales. The address of the registered office is 5 The Triangle, Wildwood Drive, Worcester, Worcestershire, WR5 2QX. The nature of the company's operations and its principle activities were that of owning and managing its portfolio of properties in the Birmingham and Solihull area as part of the government sponsored Local Improvement Finance Trust (LIFT) initiative.

The company's financial statements have been prepared in compliance with FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" Section 1A and the Companies Act 2006.

The financial statements have been prepared under the historical cost convention and on a going concern basis as modified by the revaluation of land and buildings held as investment property and certain financial assets and liabilities measured at fair value.

The financial statements comprise the audited financial statements of the company up to 31 December each year, and are stated in pound sterling, the company's functional and presentational currency.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Exemptions

In accordance with the small companies regime, no cash flow statement is required to be presented as the company qualifies as a small entity as defined in the Companies Act 2006.

Revenue recognition

Revenue comprises rental income arising from operating leases on investment properties, to the extent that there is a right to receive consideration and is recorded at the fair value of consideration received or receivable excluding value added tax.

Rental income is accounted for on a straight line basis over the lease term. An annual inflationary adjustment to the operating lease rentals linked to the Retail Prices Index (RPI) is recognised on all operating leases from 1 April each year and is based on the published RPI index for the month of February in the year of review.

All revenue is attributable to one class of business and arose in the United Kingdom.

Investment property

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the income statement. Unrealised gains or losses (net of related deferred tax) are transferred from retained earnings to a separate revaluation reserve.

**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2018**

1. ACCOUNTING POLICIES - continued

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax is the amount of UK corporation tax payable in respect of the taxable profit for the year or prior years calculated using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Except for deferred tax relating to investment property, all other deferred tax is measured using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply to the reversal of the timing difference. Deferred tax relating to investment property that is measured at fair value is calculated using the tax rates and allowances that apply to the sale of the asset.

**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2018**

1. ACCOUNTING POLICIES - continued

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets and liabilities:

Basic financial assets and liabilities, including trade and other debtors/creditors, cash/bank balances and borrowings (Senior and Junior loans) are initially recognised at transaction price. Borrowings are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan and are amortised over the life of the loan to which it relates.

Derivatives, including interest rate and RPI swaps are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the income statement in interest received or interest payable as appropriate, unless they are included in a hedging arrangement.

(ii) Hedging arrangements:

The company applies hedge accounting for transactions entered into to manage the cash flow exposures of rental income receivable and borrowings.

RPI swaps are used to hedge the company's exposure to movements in inflation by fixing a portion of the rental income receivable which is inflation linked.

Interest rate swaps are used to hedge the company's exposure to movements in floating interest rates.

Changes in the fair value of derivatives designated as cash flow hedges, and which are effective, are recognised in other comprehensive income. Any ineffectiveness in the hedging relationship is recognised in the income statement.

The gain or loss recognised in other comprehensive income is reclassified to the income statement at the same time the underlying hedged cash flows are recognised, when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria or the hedging instrument is terminated.

Finance costs

Finance costs, which include interest on loans and debt issue costs, are recognised over the life of the debt on an effective interest rate basis. The unamortised portion of any deferred or accelerated finance costs are netted off or added to the relevant debt balance.

**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2018**

1. ACCOUNTING POLICIES - continued

Critical accounting judgements and estimates

In preparing the financial statements the directors are required to make a number of accounting judgements and make estimates and assumptions concerning the future. The following judgements and estimates are deemed significant in the context of these financial statements:

i) On adoption of FRS 102, the directors have elected not to apply paragraphs 34.12 to 34.16A of the standard in respect of service concession arrangements entered into before the date of transition, and hence continue to account for the arrangements using the same accounting policies as applied historically under UK GAAP. The company's assets under the LIFT contracts are therefore recognised as investment properties rather than financial assets.

ii) Investment properties are recognised at their fair value. The assessment of fair value requires the use of a range of assumptions, including future inflation rates and property yields. The valuations have been prepared by independent professional valuers, using appropriate industry guidelines.

iii) Derivative financial instruments are recognised at fair value. The assessment of fair value includes estimates of future market interest and inflation rates.

2. EMPLOYEES AND DIRECTORS

There were no staff costs for the year ended 31 December 2018 nor for the year ended 31 December 2017.

The average number of employees during the year was NIL (2017 - NIL).

	31.12.18	31.12.17
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	31.12.18	31.12.17
	£	£
Audit fees payable to the company's auditor	<u>5,648</u>	<u>5,537</u>

4. OTHER INCOME

	31.12.18	31.12.17
	£	£
Other income	<u>-</u>	<u>50,000</u>

The Company received the sum of £50,000 in the previous year as compensation for its time and costs incurred in facilitating the novation of its interest rate swap agreements.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	31.12.18	31.12.17
	£	£
Bank interest received	<u>19,306</u>	<u>6,812</u>

**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2018**

6. INTEREST PAYABLE AND SIMILAR CHARGES

	31.12.18	31.12.17
	£	£
Amortisation of finance costs	35,322	35,667
Mortgage interest	1,671,010	1,657,091
Junior loan interest	<u>342,890</u>	<u>341,486</u>
	<u>2,049,222</u>	<u>2,034,244</u>

Junior loan interest was payable on the loan stock provided by the parent company, Birmingham and Solihull Local Improvement Finance Trust Limited.

Mortgage interest includes payments made on the interest rate swap as described in note 15.

7. TAX ON PROFIT

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	31.12.18	31.12.17
	£	£
Deferred tax	<u>267,831</u>	<u>72,657</u>
Tax on profit	<u>267,831</u>	<u>72,657</u>

UK corporation tax has been charged at 19% (2017 - 19.25%).

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.18	31.12.17
	£	£
Profit before tax	<u>1,579,350</u>	<u>1,649,176</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.250%)	300,077	317,466
Effects of:		
Revaluation of investment properties	-	(235,507)
Remeasurement of deferred tax provision	<u>(32,246)</u>	<u>(9,302)</u>
Total tax charge	<u>267,831</u>	<u>72,657</u>

Tax effects relating to effects of other comprehensive income

	31.12.18	
	Gross	Tax
	£	£
Gains on hedging instruments	<u>693,696</u>	<u>(117,928)</u>
		<u>575,768</u>

**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2018**

7. TAX ON PROFIT - continued

	Gross £	31.12.17 Tax £	Net £
Gains/(losses) on hedging instruments	<u>843,714</u>	<u>(145,132)</u>	<u>698,582</u>

Factors that may affect future tax charges

The tax rate for the current year is lower than the previous year due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Based on the enacted changes to the main rate of corporation tax at the reporting date, current tax has been calculated at 19% (2017 - 19.25%). Closing balances on deferred tax assets and liabilities have been calculated using the substantively enacted tax rates above.

8. DIVIDENDS

	31.12.18 £	31.12.17 £
Ordinary share of £1		
Interim	<u>367,266</u>	<u>262,587</u>

During the year, dividends per share were distributed as follows:

Ordinary	15 June 2018	£286,967
Ordinary	14 December 2018	£80,299

During the previous year, dividends per share were distributed as follows:

Ordinary	21 March 2017	£262,587
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9. INVESTMENT PROPERTY

	Total £
FAIR VALUE	
At 1 January 2018	40,710,000
Revaluations	<u>790,000</u>
At 31 December 2018	<u>41,500,000</u>
NET BOOK VALUE	
At 31 December 2018	<u>41,500,000</u>
At 31 December 2017	<u>40,710,000</u>

**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2018**

9. INVESTMENT PROPERTY - continued

Fair value at 31 December 2018 is represented by:

	£
Valuation in 2011	2,089,678
Valuation in 2012	6,767,641
Valuation in 2013	85,000
Valuation in 2014	615,000
Valuation in 2015	1,410,000
Valuation in 2016	(120,000)
Valuation in 2017	860,000
Valuation in 2018	790,000
Cost	<u>29,002,681</u>
	<u><u>41,500,000</u></u>

Investment properties were revalued to fair value as at 31 December 2018, by independent valuers GVA Grimley Limited Chartered Surveyors with recent experience in the location and class of the investment properties being valued.

The valuations were carried out on a Market Value basis as defined by the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards 2017.

The investment properties are leased to tenants on Lease Plus Agreements (LPA), which are standard form leases used for projects within NHS LIFT schemes. Under the terms of the LPAs, the company has facilities management obligations to repair and maintain the buildings.

The LPAs give tenants the right to acquire the properties in various situations, including at the expiry of the LPA term or in the event the company wishes to dispose of its freehold interest.

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.18	31.12.17
	£	£
Trade debtors	8,833	1,862
Prepayments and accrued income	<u>29,556</u>	<u>20,726</u>
	<u><u>38,389</u></u>	<u><u>22,588</u></u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.18	31.12.17
	£	£
Bank loans and overdrafts (see note 13)	685,779	652,158
Trade creditors	45,852	26,443
Amounts owed to group undertakings	85,373	85,373
Taxation and social security	145,896	137,655
Other creditors	<u>180,901</u>	<u>500,012</u>
	<u><u>1,143,801</u></u>	<u><u>1,401,641</u></u>

Amounts owed to group undertakings includes £85,373 (2017 - £85,373) of accrued interest on the junior loan and is repayable within one year.

**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2018**

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.12.18 £	31.12.17 £
Bank loans (see note 13)	26,124,837	26,383,699
Amounts owed to group undertakings	2,846,418	2,845,718
Derivative financial instruments	<u>11,382,977</u>	<u>12,076,673</u>
	<u><u>40,354,232</u></u>	<u><u>41,306,090</u></u>

Amounts falling due in more than five years:

Repayable by instalments		
Bank loans - more than 5 years	<u><u>23,971,185</u></u>	<u><u>24,759,925</u></u>

Amounts owed to group undertakings represents junior loans which attract a fixed interest rate of 12% and are repayable in more than 5 years.

13. LOANS

An analysis of the maturity of loans is given below:

	31.12.18 £	31.12.17 £
Amounts falling due within one year or on demand:		
Bank loans	<u><u>685,779</u></u>	<u><u>652,158</u></u>

Amounts falling due between one and two years:

Bank loans - 1-2 years	<u><u>311,450</u></u>	<u><u>258,863</u></u>
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Amounts falling due between two and five years:

Bank loans - 2-5 years	<u><u>1,842,202</u></u>	<u><u>1,364,911</u></u>
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Amounts falling due in more than five years:

Repayable by instalments		
Bank loans - more than 5 years	<u><u>23,971,185</u></u>	<u><u>24,759,925</u></u>

Outstanding bank loans payable at the year end amounted to £27,281,156 (2017 - £27,541,719).

The loans are secured by fixed and floating charges over the company's investment properties and other assets. Interest rates payable on the principal amount of the loans are based on LIBOR plus a margin and are payable to the funders on a semi-annual basis.

**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2018**

14. LEASING AGREEMENTS

The company holds three primary healthcare properties as investment properties as disclosed in note 9 to the financial statements, which are let primarily to Community Health Partnerships Limited (a company owned by the Department of Health and Social Care). These non-cancellable leases have remaining terms of between 18 to 19 years. Rental income receivable under the leases is subject to annual inflationary increases linked to the RPI index.

Further details on purchase options and restrictions imposed on the above leasing arrangements is included in note 9 to the financial statements.

Minimum lease payments receivable under non-cancellable operating leases fall due as follows:

	31.12.18	31.12.17
	£	£
Within one year	3,445,423	3,324,656
Between one and five years	13,781,692	13,298,623
In more than five years	<u>45,027,941</u>	<u>46,774,477</u>
	<u><u>62,255,056</u></u>	<u><u>63,397,756</u></u>

**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2018**

15. FINANCIAL INSTRUMENTS

The company has the following financial instruments:

	Note	31.12.18 £	31.12.17 £
Financial assets that are debt instruments measured at amortised cost:			
Trade debtors	10	<u>8,833</u>	<u>1,862</u>
		<u>8,833</u>	<u>1,862</u>
Financial liabilities measured at fair value and designated in an effective hedging relationship:			
Derivative financial instruments	(a)	<u>(11,382,977)</u>	<u>(12,076,673)</u>
		<u>(11,382,977)</u>	<u>(12,076,673)</u>
Financial liabilities measured at amortised cost:			
Bank loans	11,12	(26,810,616)	(27,035,857)
Amounts owed to group undertakings	11,12	(2,931,791)	(2,931,091)
Trade creditors	11	(45,852)	(26,443)
Other creditors	11	<u>(11,600)</u>	<u>(12,000)</u>
		<u>(29,799,859)</u>	<u>(30,005,391)</u>

(a) Derivative financial instruments

Derivative instruments held by the company comprise interest rate and RPI swaps.

Interest rate swaps are held on all bank loans which convert the borrowings from rates linked to LIBOR to a fixed rate in the range of 3.8% to 4.2%. The fair value of the interest rate swaps is a liability of £9,378,542 (2017 - liability of £10,477,893).

RPI swaps convert a portion of the inflation linked lease revenue to a fixed inflation rate. The fair value of the RPI swaps is a liability of £2,004,435 (2017 - liability of £1,598,780).

These financial instruments are held for the purposes of hedging through the entire term of the relevant loan or lease and are not intended to be traded, so that the company's exposure to price risk of financial instruments is minimal.

Cash flows from interest rate swaps are settled each quarter on a net basis with the relevant loan repayments and will run until 2036 - 2037. Cash flows from the RPI swaps are settled bi-annually and will also run until 2036 - 2037. A hedging gain of £693,696 (2017 - £843,714) was recognised in other comprehensive income consisting of amounts reclassified to the income statement within mortgage interest payable of £941,643 (2017 - £1,016,408), and changes in the fair value of the interest rate swap of £157,708 gain (2017 - £496,103 loss), and amounts reclassified to the income statement within turnover of £5,371 (2017 - of £14,641) and changes in the fair value of RPI swaps of £400,284 loss (2017 - gain of £338,050).

**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2018**

16. PROVISIONS FOR LIABILITIES

	£
Balance at 1 January 2018	135,284
Charged to Income Statement during the year	267,831
Charged to Other Comprehensive Income during the year	<u>117,928</u>
Balance at 31 December 2018	<u><u>521,043</u></u>

The provision for deferred tax consists of the following deferred tax liabilities/(assets):

	31.12.18	31.12.17
	£	£
Accelerated capital allowances	274,206	128,805
Capitalised interest	397,851	397,851
Latent gains on investment properties	1,795,962	1,661,662
Derivative financial instruments	(1,935,106)	(2,053,034)
Unutilised losses	<u>(11,870)</u>	<u>-</u>
Total provision	<u><u>521,043</u></u>	<u><u>135,284</u></u>

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.18	31.12.17
			£	£
1	Ordinary	£1	<u>1</u>	<u>1</u>

18. RESERVES

	Retained earnings £	Revaluation reserve £	Hedging reserve £	Totals £
At 1 January 2018	2,311,555	10,045,658	(10,023,639)	2,333,574
Profit for the year	1,311,519			1,311,519
Dividends	(367,266)			(367,266)
Gains/(Losses) on hedging instruments	-	-	575,768	575,768
Transfer in respect of property valuation gains (net of deferred tax)	<u>(655,700)</u>	<u>655,700</u>	<u>-</u>	<u>-</u>
At 31 December 2018	<u><u>2,600,108</u></u>	<u><u>10,701,358</u></u>	<u><u>(9,447,871)</u></u>	<u><u>3,853,595</u></u>

The retained earnings reserve represents cumulative profits and losses net of transfers of investment property revaluations, dividends paid and other adjustments.

The revaluation reserve represents the cumulative effect of revaluations of investment properties which are revalued to fair value at each reporting date.

The hedging reserve represents the cumulative portion of gains and losses recorded on the company's interest rate and RPI swap hedging arrangements.

**BIRMINGHAM AND SOLIHULL LIFT (FUND CO 3)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2018**

19. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption under section 33 of FRS 102, not to disclose related party transactions with wholly owned subsidiaries within the group.

The company's investment properties are let primarily to Community Health Partnerships Limited (CHP). CHP is a joint venture partner with Birmingham and Solihull Local Improvement Finance Trust Limited, the parent company of Birmingham and Solihull LIFT (Fundco 3) Limited.

During the year the company invoiced CHP £4,074,804 (2017 - £3,931,284) for rent and disbursements. At the year end £8,833 (2017 - £1,862) was outstanding from CHP and is included within trade debtors.

The sales and purchases transactions with related parties are all stated inclusive of VAT.

20. ULTIMATE CONTROLLING PARTY

The parent company is Birmingham and Solihull Local Improvement Finance Trust Limited (BaS LIFT). BaS LIFT is jointly controlled by BaSS LIFT Holdings Limited and Community Health Partnerships Limited (a company owned by the Department of Health and Social Care). There is no ultimate controlling party.

The largest and smallest group of undertakings for which group financial statements are drawn up is that headed by BaS LIFT. Group financial statements are available from Companies House, Crown Way, Cardiff CF14 3UZ.