Community Health Partnerships Limited

Annual report and financial statements
Registered number 04220587
For the year ended 31 March 2016

Contents

Contact Details

Registered Office	Skipton House 80 London Road London SE1 6LH
Directors	Mr John Bacon CB (Chairman) Mr Nigel Beer (Non-Executive Director) Dr Susanna Davidson Mr Mark Day Sir Anthony Everington (Non-Executive Director) Dr Donald Macgregor (Non-Executive Director) Mr Benjamin Masterson (Non-Executive Director) Dr Sarah Raper Mrs Bernadette Conroy (Non-Executive Director)
Bankers	Barclays Bank PLC UK Banking 1 Churchill Place London E14 5HP
Auditors	Deloitte LLP 2 New Street Square London EC4A 3BZ
Lawyers	Capsticks Solicitors LLP 1 St George's Rd Wimbledon London SW19 4DR
Registered Number	04220587

Strategic Report

The Directors present their strategic report on the Company for the year ended 31 March 2016.

Review of the business

Community Health Partnerships Limited is a Company wholly owned by the Secretary of State for Health. Incorporated in 2001 with the objective of generating, developing and delivering investment in the NHS Local Improvement Finance Trust (LIFT) Programme, the Company's responsibilities have grown in response to the Department of Health's developing requirements. Now operating primarily to support the National Health Service (NHS) in England, the Company's purpose is to provide a high quality service to commissioners and local partners across England with the aim of delivering transformational change, efficiency savings, increased service integration, and driving optimal use of the NHS Estate.

The Company is headquartered in London and operates through a matrix structure that has Executive Board Directors that lead on functional areas. The London office is located at Skipton House with a further four regional offices in Manchester, Birmingham, Leeds and Petersfield serving the North, Midlands and South Regions respectively.

Results and Performance

The results of the Company for the year, as set out on pages 14 to 53, show a profit on ordinary activities before tax of £1.455m (2015: Loss of £13.223m). The shareholders' funds of the Company total £461.869m (2015: £297.968m). The Directors do not propose the payment of a dividend for the financial year (2015: £ nil).

The Company continues to operate within the Department of Health Group with income for the year 2016 £367.387m (2015: £327.623m). The Company invests equity and subordinated debt in LIFT companies and the projects undertaken by the LIFT companies, often structured via special purpose companies. During the financial year, the Company's investment portfolio decreased from £98.9m to £98.4m.

The Company has, and continues to; face considerable challenges in recovering rent and other charges from both tenants and commissioners. Given the clear obligation of debtors to pay and the NHS funding model in place this manifests itself as a cash management rather than an income and expenditure risk with the Company ending the year with borrowings of £210.4m (2015: £210.4m) against a Department of Health Flexible Loan Facility. Wider, non-financial, determinants of performance continue to indicate encouraging results as the Company continues to adapt to its new responsibilities.

Business environment

As for many of our customers and partners across the NHS and wider public sector, 2016 was a year of continued challenges as health economies adapt to new structural arrangements and ever increasing financial pressures. Improvements to the quality of

Strategic Report *(continued)*

Business environment *(continued)*

data now held and the continued maturing of systems has enabled greater clarity and more efficient business operations when dealing with our customers but the challenges from legacy data remain and delays in payment result in increased costs from working capital requirements. The continuing evolution of the health system and Community Health Partnerships Ltd in responding to its needs is summarised in the section below on Future Developments.

Strategy

The Company's success in 2015/16 was dependent upon the effective delivery of five strategic priorities:

Strategic Estate Planning (SEP) – provide a quality and valued SEP service to the NHS that contributes to the five year forward view.	Working with key partners across England to lead and support a strategic approach to the planning, use and disposal of the primary healthcare and community estate and to ensure the delivery of savings.
Strategic Asset Management - Provide the best quality, well used and cost effective Primary and Community Health Care estate	Strategically manage the CHP estate, delivering best value for commissioners and tenants and delivers high quality infrastructure for the NHS.
Commercial Solutions (Public Private Partnerships (PPP)) – Ensure the shareholders interest in the LIFT PPP is effectively managed and continue to invest in the Primary Health Care and Community Estate across England.	CHP continued create new investment opportunities in the NHS and community estate to deliver better health outcomes.
Delivering recurrent operational savings for the NHS by 2018.	Contribute to NHS efficiency targets and assist local commissioners and partners in realising savings that can be reinvested to the benefit of better patient care and community well being.
Corporate efficiency - Maintain and support a high performing service delivery focused organization that delivers excellent service to the NHS and partners.	CHP consistently work together to exceed customer expectations by; investing in relationships, communicating openly and honestly, developing innovative ideas and solutions and always delivering an excellent service.

Strategic Report *(continued)*

Key performance indicators (KPIs)

CHP's response to the challenges over the past 12 months has been one of focus, effective change management and systems development driven by a significant and ongoing commitment by the Board, Executive and Staff team to effectively and efficiently deliver our objectives and provide a high quality of service for our customers across the NHS and wider public sector.

As well as monitoring key financial metrics the Board monitors the progress of the Company by reference to a range of output based measures and these are summarised in the Company's 2016 Performance Review which can be found on the Company's website (http://www.communityhealthpartnerships.co.uk/).

The Company has two key finance KPIs to measure the performance of the business during the year; profit before tax and cash. The operating budget for the year ended 31 March 2016 showed budgeted profit before tax of £2.7m with the actual result being a £1.5m profit. Whilst the cash position was not as strong as planned cash management has been effective with the flexible loan facility being used to ensure that adequate cash was available to maintain operations and meet all financial obligations
A business plan and associated operational plan has been agreed for 2016 with key indicators being presented to the Board throughout the year by way of a performance 'dashboard'

In addition to financial KPIs, the achievement of Company's strategic objectives are measured and monitored via a matrices of performance indicators covering all operational areas of the business. The Company 2016 performance includes;

Strategic Priority One: Strategic Estate Planning
KPI – Establish Local Estates strategies that will contribute to the recurrent savings programme by generating system efficiencies.
Performance – the target was fully achieved with 88 local estate strategies now in place.

Strategic Priority Two: Estate Management
KPI – Total expenditure vs Budget, Health and Safety Management.
Performance – The portfolio of CHP buildings as Head Tenant ensuring both statutory and financial obligations were met, and property expenditure was delivered in accordance with budget.

Strategic Priority Three: Commercial Solutions (PPP)
KPI: Shareholders forums are attended by all 18 private sector partners.
Performance – CHP ensured all 18 private sector partners attend the shareholder forums to ensure continued investment in the health care estate.

Strategic Priority Four: Contribute to NHS estate efficiency savings
KPI – Total expenditure vs Budget, efficiency targets set at 4% of controllable expenditure.
Performance – Results indicate efficiency savings met where identified and controllable.

Key performance indicators (KPIs) *(continued)*

Strategic Priority Five: Corporate Efficiency
KPI: the company operates in line with the corporate budget and recruits, develops and retains a fir for purpose team.
Performance – CHP has recruited effectively throughout the year and has delivered a successful OD programme.

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies have been subject to Board approval and ongoing review by management, risk management framework and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Company and the Board. These activities are reviewed by the Audit Committee, Funding and Investment Assurance Committee, Remuneration Committee and Property and Asset Committee operating under delegated authority from the Board. The Board has agreed that full compliance with the requirements of the Financial Reporting Council's Combined Code on Corporate Governance, annexed to the Listing Rules of the Financial Services Authority, would be excessive for a company of this nature.

The Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial and other risks and that controls operate effectively. The Company operates a corporate risk register, which is formally reported to the Board and Audit Committee, and reviewed by the Management Team on regular basis. Additionally each function operates individual risk registers, which are reviewed at monthly team meetings and are owned by the relevant executive director. The appointment of KPMG to provide the Company's internal audit function has strengthened risk management by providing independent advice and review of the management systems deployed. The principal risks and mitigations are summarised below:

Financial Risks
Going Concern – There are considerable challenges surrounding income on head tenant operations and this includes the risk that CHP fails to generate sufficient recurrent income to retain business functions and continue trading as a going concern and is mitigated against by the existence of the Secretary of State Indemnity which ensures that funds will be made available to ensure the Company can continue to trade now and in the future. The company also operates effective budgeting and cash flow management and through established relationships with and regular reporting to the Department of Health has continued to meet its financial obligations as they fall due without requesting additional working capital loan funding from the Department. The extensive work to improve and control the cash collection process has resulted in a stronger cash position with improved debtor balances and billing that is both accurate and timely. Support is also in place from both NHS England and the Department of Health regarding the collection of cash from Commissioners.
As at 31 March 2016, the Company had borrowings of £10m in the form of an unsecured loan. The Company receives interest income from its investment portfolio and on its cash balances. The interest payments on its investments in subordinated

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

debt are generally based on fixed interest rates whilst the Company generally receives a floating rate of interest on its cash balances. The Company does not hold any derivative financial instruments to manage interest rate risk. Furthermore, no other interest rate hedging is considered necessary. The company also benefited from a working capital loan facility put in place by the Department for Health to enable the Company to meet its financial obligations following the transfer of the Head tenant function in relation to the LIFT estate. As at 31 March 2016 the balance in relation to this loan was £210.4m (2015: £210.4m).
The Company is exposed to counterparty credit risk in respect of the payments of interest and capital on subordinated debt advanced to LIFT companies. A small proportions of this is currently subject to 'lock-up' by lenders who require under leases to be regularised but this results in a delay to payment rather than loss on income. Currently there is £4.69m (2015: £2.53m) of cash tied up by 'lock up'. These risks are managed through the Company's representation on the Boards of the LIFT Companies; the regular monitoring of information provided by the LIFT Companies; and through the scrutiny provided by the Funding and Investment Assurance Committee and the Company's Commercial function.
Separate from its investment activities the Company also provides procurement support and advisory services primarily for public sector entities and consequently has low counterparty credit risk in respect of these activities.
The Company monitors on a regular basis all anticipated commitments to fund additional investments, to ensure that these are matched by available funds. Additional funding is obtained from the Company's shareholder, as and when necessary, through the issue of new shares or debt funding The Company's transactions are all denominated in Sterling and hence it does not have an exposure to foreign currencies.
Other Risks
Significant changes in policy and legislation – mitigated by Department of Health shareholder representation on the Board and engagement in policy development.
Disaster recovery and Information Technology failure – mitigated by performance managing the service contract and continual revision of policies and procedures.
Potential poor performance of individual LIFT companies – mitigated by directorships on LIFT Company Boards and monitoring of key performance information.

By order of the board
J Bacon CB
Chairman

Directors' report

The directors present their Annual report and audited financial statements for the year ended 31 March 2016.

Directors

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

Mr John Bacon CB	
Mr Nigel Beer	
Dr Susanna Davidson	
Mr Mark Day	
Sir Anthony Everington	
Mr Antek Lejk	(resigned 29th January 2016)
Dr Donald Macgregor	
Mr Benjamin Masterson	
Mr Neil McElduff	(resigned 30th April 2015)
Dr Sarah Raper	
Mrs Bernadette Conroy	

Political and charitable contributions

The company made no political contributions during the year to 31 March 2016.
During the year the company made a charitable donation of £250 to The Movember Foundation appeal and £250 to Alzheimer's Society.

Future developments

Our Business Plan can be found on the company website at the following location www.communityhealthpartnetships.co.uk and describes how, over the next year we will draw on our collective skills and experiences, continue to listen and respond to customers' needs to deliver ambitious targets on improving the efficiency and enabling the transformation of the estate.

In our role as head tenant for the NHS LIFT Estate, we will continue to ensure that all users and tenants of LIFT buildings have access to a modern, safe, efficient, high quality and well maintained estate, which improves the experience of patients, staff and other service users and that the buildings are used to their maximum potential.

Following the work delivered by our Strategic Estate Planning service we will continue to develop our Infrastructure Pipeline Delivery working with local health economies to identify and assist in the development and implementation of innovative estates solutions delivering improved patient outcomes and system wide savings.

We will continue to strengthen our links across the NHS and central government, maximising the opportunities for further investment in the community estate presented by programmes such as the Primary Care Development Fund and the development of a new Public Private Partnership (PPP) model.

Directors’ Report *(continued)*

The management of the financial risks of the company is discussed in the Strategic Report on pages 7 and 8 and also in note 23 of the notes to the financial statements.

There are no known post balance date events that have occurred that would have a material impact on the financial statements (note 28 of the notes to the financial statements).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors’ report confirm that, so far as they are each aware, there is no relevant audit information of which the company’s auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company’s auditor is aware of that information.

Auditor

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

By order of the board

Skipton House
80 London Road
London SE1 6LH

John Bacon CB
Chairman

Date

Directors' Responsibilities Statement in respect of the directors' report and the financial statements

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Community Health Partnerships Limited for the year ended 31 March 2016, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Cash Flow Statement and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor's Report *(continued)*

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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.

Paul Thomson ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, UK

Statement of Comprehensive Income
for the year ended 31 March 2016

	Note	**2016 £000**	2015 £000
Continuing operations			
Revenue	1,3	**347,779**	309,523
Cost of sales		**(188,250)**	(169,762)
Gross profit		**159,529**	139,761
Other operating income	4	**1,381**	401
Administrative expenses		**(11,379)**	(6,904)
Operating profit/(loss)	1,5,6	**149,531**	133,258
Financial income	8	**18,227**	17,699
Financial expenses	8	**(166,303)**	(164,180)
Net financing income /(expense)		**(148,076)**	(146,481)
Profit/(loss) before tax		**1,455**	(13,223)
Taxation	9	**(307)**	1,756
Profit/(loss) from continuing operations		**1,148**	(11,467)
Profit/(loss) for the year		**1,148**	(11,467)
Other comprehensive income			
Items that will not be recycled to profit or loss:			
Revaluation of property, plant and equipment	10	**189,404**	294,635
Impairment loss taken to revaluation reserve	10	**(372)**	(8,393)
Deferred Tax provision	14	**(26,279)**	(57,248)
		162,753	228,994
Total comprehensive income for the year		**163,901**	217,527

Statement of Financial Position
as at 31 March 2016

	Note	**2016 £000**	2015 £000
Non-current assets			
Property, plant and equipment	10	**2,229,207**	2,030,041
Investments in associates	11	**98,359**	98,931
Investments in subsidiaries	12	**-**	-
Deferred tax assets	14	**900**	900
Trade and other receivables	15	**17,566**	17,828
		2,346,032	2,147,700
Current assets			
Trade and other receivables	15	**216,633**	222,540
Cash and cash equivalents	16	**51,609**	29,976
		268,242	252,516
Total assets		**2,614,274**	2,400,216
Current liabilities			
Other interest-bearing loans and borrowings	17	**(210,400)**	(210,400)
Trade and other payables	18	**(55,389)**	(38,638)
Provisions	20	**(1,803)**	(4,544)
Other financial liabilities	21	**(35,082)**	(33,305)
		(302,674)	(286,887)
Non-current liabilities			
Other interest-bearing loans and borrowings	17	**(10,000)**	(10,000)
Other payables	18	**(4,110)**	(5,491)
Provisions	20	**(1,023)**	(1,023)
Other financial liabilities	21	**(1,734,712)**	(1,725,240)
Deferred tax liabilities	14	**(99,886)**	(73,607)
		(1,849,731)	(1,815,361)
Total liabilities		**(2,152,405)**	(2,102,248)
Net assets	1	**461,869**	297,968

Statement of Financial Position *(continued)*
as at 31 March 2016

Equity			
Share capital	22	**56,500**	56,500
Revaluation Reserve		**451,787**	294,429
Merger Reserve		**(58,718)**	(58,718)
Retained earnings		**12,300**	5,757
Total equity		**461,869**	297,968

These financial statements were approved by the board of directors on and were signed on its behalf by:

Dr Susanna Davidson
Director
Company registered number: 04220587

Statement of Changes in Equity
as at 31 March 2016

	Share capital £000	Revaluation reserve £000	Merger Reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2015	56,500	294,429	(58,718)	5,757	297,968
Total comprehensive income for the year	-	-	-	-	-
Profit or loss for the year	-	-	-	1,148	1,148
Net gain on revaluation of property, plant and equipment	-	189,404	-	-	189,404
Impairment loss taken to revaluation reserve	-	(372)	-	-	(372)
Deferred Tax Provision	-	(26,279)	-	-	(26,279)
Transfer between Revaluation Reserve and Retained Earnings in relation to Depreciation of Revalued Assets	-	(5,395)	-	5,395	-
Total comprehensive income for the period	-	157,358	-	6,543	163,901
Transactions with owners, recorded directly in equity					
Issue of shares	-	-	-	-	-
Transferred from Other NHS Bodies	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-
Balance at 31 March 2016	**56,500**	**451,787**	**(58,718)**	**12,300**	**461,869**

Statement of Changes in Equity *(continued)*
as at 31 March 2015

	Share capital £000	Revaluation reserve £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2014	49,500	65,435	(58,718)	17,224	73,441
Total comprehensive income for the year					
Profit or loss for the year	-	-	-	(11,467)	(11,467)
Net gain on revaluation of property, plant and equipment	-	294,635	-	-	294,635
Impairment loss taken to revaluation reserve	-	(8,393)	-	-	(8,393)
Deferred Tax Provision	-	(57,248)	-	-	(57,248)
Total comprehensive income for the period	-	228,994	-	(11,467)	217,527
Transactions with owners, recorded directly in equity					
Issue of shares	7,000	-	-	-	7,000
Total contributions by and distributions to owners	7,000	-	-	-	7,000
Balance at 31 March 2015	**56,500**	**294,429**	**(58,718)**	**5,757**	**297,968**

Cash Flow Statement

for year ended 31 March 2016

	Note	**2016** **£000**	2015 £000
Cash flows from operating activities			
Profit/(Loss) for the year		**1,148**	(11,467)
Adjustments for:			
Depreciation and impairment		**29,008**	32,339
Loss on de-recognition of fixed assets		**6,717**	-
Financial income	8	**(18,227)**	(17,699)
Financial expense	8	**166,303**	164,180
Taxation	9	**307**	(1,756)
		185,256	165,597
Decrease/(increase) in trade and other receivables		**5,991**	(62,200)
Increase/(decrease) in trade and other payables		**14,847**	(52,668)
Provisions Utilised	20	**(2,670)**	(1,397)
(Decrease)/increase in provisions and employee benefits	20	**(71)**	1,947
		203,353	51,279
Interest paid		**(844)**	(1,141)
Tax paid		**-**	(404)
Net cash from operating activities		**202,509**	49,734
Cash flows from investing activities			
Interest received	8	**10,688**	9,185
Dividends received	8	**6,671**	6,229
Purchase of new investments in respect of LIFT	11	**-**	(233)
Repayment of subordinated debt in respect of LIFT	11	**1,047**	1,112
Net cash from investing activities		**18,406**	16,293
Cash flows from financing activities			
Proceeds from the issue of share capital	22	**-**	7,000
Proceeds from new loan	17	**-**	79,900
Capital Element of Payments in Respect of Finance Leases and On-SOFP PFI and LIFT		**(34,610)**	(31,982)
Receipt from finance lease debtor		**231**	235
Payment of finance lease liabilities		**(164,903)**	(163,019)
Net cash used in financing activities		**(199,282)**	(107,866)
Net increase/(decrease) in cash and cash equivalents		**21,633**	(41,839)
Cash and cash equivalents at 1 April		**29,976**	71,815
Cash and cash equivalents at 31 March	16	**51,609**	29,976

Notes to the financial statements

1.0 Accounting policies

Community Health Partnerships Limited (the "Company") is a company incorporated and domiciled in the UK.

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

As at 31 March 2016 the company remained a wholly-owned subsidiary of the Department for Health and in accordance with Section 401 of the Companies Act 2006, is not required to produce, and has not published, consolidated financial statements. This includes the exemption from preparing consolidated accounts in relation to the Company's shareholding in 49 LIFT companies. The company regards all aspects of its business as one segment for the purposes of segmental reporting and presents its results to reflect this position.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: property, plant and equipment. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

1.2 Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 4 to 8. The financial position of the company, its cash flows, liquidity position and borrowing facilities are also described in the annual report.

The company has considerable financial resources underpinned by a deed of indemnity that commits the Department for Health to meeting the overall operating costs of the Company in relation to the new area of business arising after the transfer from Primary Care Trusts ensuring that the company has sufficient cash resources to meet its obligations.

As a consequence, the directors believe that the company is well placed to manage its business risks successfully and they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

1.3 Financial Instruments

Financial Assets

Financial assets are recognised when the company becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred. Financial assets are initially recognised at fair value.

Financial assets are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Income and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Income to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position when the company becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are initially recognised at fair value. Balances that have transferred from PCTs including finance leases are recognised at carrying value. All financial liabilities are classified as other financial liabilities.

1.3 Financial instruments *(continued)*

Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest.

1.4 Property, plant and equipment

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All land and buildings are measured subsequently at fair value with all other assets held at transferred value less depreciation.

Land and buildings used for the delivery of health services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. A full valuation of the LIFT portfolio was performed by the Valuations Office Agency as at 31 March 2015. With effect from and including the 2016 financial year a 3-year rolling valuation approach as at 31 March will be taken. On an annual basis, this entails one third of the portfolio obtaining a full valuation with the remaining two thirds receiving a desk top valuation only. This will be rotated annually, ensuring that 100% of the portfolio has received a full valuation by the end of 2018. This ensures that revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

The Company has adopted a policy in line with HM Treasury with a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated

1.4 Property, plant and equipment *(continued)*

depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 50 years
- Plant & Equipment 15 years
- Fixtures & Fittings 15 years

At each reporting period end, the company checks whether there is any indication that any of its tangible non-current assets have suffered an impairment loss. If there is an indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.5 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.6 Employee Benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. Where considered material, the cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

Defined Contribution Plans
Some employees are members of the group personal pension scheme established on behalf of its employees. This is a defined contribution plan. A defined

1.6 Employee benefits *(continued)*

contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

1.7 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.8 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

The Company as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in calculating the company's net operating profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are initially recognised as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

1.8 Leases *(continued)*

The Company as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.9 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the Treasury's published discount rates.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

1.10 Revenue

Revenue comprises the following income streams:

Lease income from sub-tenants is received as rental income from the company acting as lessor for the buildings held in the LIFT scheme companies. Income is also received from Commissioners in relation to the building where the company is acting as a lessor.

The other categories of revenue comprise revenue from the Company's procurement support activities, directors' fees received from LIFT companies, and income from other advisory services and grants.

All revenue arises from continuing activities and transferred in activities and is recognised in the period that revenue is earned. Rental income is recognised for the period in which it falls due under a rental agreement. Income from commissioners is recognised as the obligations of the finance lease falls due.

1.11 Expenses

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, and unwinding of the discount on provisions that are recognised in the income statement. Financing income comprise interest receivable on funds invested and dividend income.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Other Expenses

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.13 NHS LIFT Transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes (including NHS LIFT) where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The company therefore recognises the LIFT asset as an item of property, plant and equipment together with a finance lease liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

a) Payment for the fair value of services received;
b) Payment for the LIFT asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract ‘lifecycle replacement’.

a) Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within ‘operating expenses’.

b) LIFT assets, liabilities, and finance cost

LIFTs assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at the present value of the minimum lease payments in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance the principles of IAS 16."

A LIFT finance lease liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the present value of the minimum lease payments and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to ‘Finance Costs’ within the Statement of Comprehensive Income.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Income.

1.13 NHS LIFT transactions *(continued)*

c) Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the company's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Other assets contributed by the company to the operator

Assets contributed (e.g. cash payments, surplus property) by the company to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the company, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

1.14 Adopted IFRS not yet applied (only Endorsed standards and interpretations that would affect the company need be included in this disclosure –the latest status of standards and interpretations need to be confirmed prior to production of the accounts.)

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

- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (mandatory for year commencing on or after 1 January 2014).
- IFRS 11 Joint Arrangements and Amendments to IAS 28 (2008) Investments in Associates and Joint Ventures (mandatory for year commencing on or after 1 January 2014).
- IFRS 12 Disclosure of Interests in Other Entities (mandatory for year commencing on or after 1 January 2014).

1.14 Adopted IFRS not yet applied *(continued)*

- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2014).
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (mandatory for year commencing on or after 1 January 2014).
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (mandatory for year commencing on or after 1 January 2014).
- IFRS 9 Financial Instruments (mandatory for year commencing on or after 1 January 2015).

2.0 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

During the year ended 31 March 2015 the Company undertook a complete external revaluation of the portfolio of property and this was performed using the basis for valuation as modern equivalent asset value. The external valuation in 2016 has been carried out on a rolling basis on one third of the portfolio which is consistent with the Department of Health valuation policy. The residual value calculated was as at 25 years in line with the lease term however this differs from the accounting policy for depreciation with assets depreciated over 50 years. This leads to an estimate in the accounts regarding the value attributed to depreciation which could be increased if the residual value after 50 years was deemed significantly less.

The assumptions used by the directors recognise that after 25 years using the LIFT model and the associated lifecycle funds generated the building will be in 'day one' condition and should the company then opt to acquire the building it would continue to service the building in the same way and in doing so would deliver the lifecycle elements needed to maintain the building. Given the trend in annual increases in revaluation reserves and the commitment to maintain the property the directors estimate it is acceptable to use the residual value provided when calculating the depreciation charge and they judge this a more prudent calculation of depreciation.

The directors of the company continue to exercise judgement in relation to the recoverability of debtors. The yearend balance is material representing a large proportion of tenant income. However, the directors are confident that monies due are recoverable due to a large proportion of debtors being NHS bodies and a significant balance is also attributable to GP reimbursements funded by NHS England. A dedicated team of credit controllers is in place and they have ensured

2.0 Critical accounting judgements and key sources of estimation uncertainty *(continued)*

significant improvements in cash receipts with a noticeable fall in the year end debtor balance.

The directors also reviewed the level of provisions at the year end. In relation to provisions as at 31 March 2015 and 31 March 2016 these represented dilapidation provisions and have been classified as non-current.

Notes to the financial statements *(continued)*

3.0 Revenue

	2016 £000	2015 £000
Lease Income from Sub-tenants	**235,128**	181,558
Income – Commissioners	**112,178**	127,018
Directors Fees reimbursed by LIFT companies	**473**	947
	347,779	309,523

4.0 Other operating income

	2016 £000	2015 £000
Other Income	**1,381**	401
	1,381	401

5.0 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016 £000	2015 £000
Impairment loss on Property Plant And Equipment	**14,569**	26,389
Depreciation expense	**14,439**	5,950
Loss on De-recognition of Fixed Assets	**6,717**	-
Operating leases	**1,515**	1,530
	37,240	33,869

Auditor's remuneration:

	2016 £000	2015 £000
Audit of these financial statements	**50**	50

6.0 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Administration	**69**	54
Directors	**5**	5
	74	59

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	**4,391**	3,822
Social security costs	**462**	426
Contributions to defined contribution plans	**388**	319
Contractors	**3,863**	2,337
	9,104	6,904

7.0 Directors' remuneration

	2016	2015
	£000	£000
Renumeration of key management personnel		
Short-term employee benefits	**537**	654
Money purchase pension scheme	**49**	61
	586	715

	2016	2015
	£000	£000
Aggregate Director Remuneration		
Short-term employee benefits	**621**	727
Money purchase pension scheme	**49**	61
	670	788

The Executive Directors are considered the key management personnel of the company and all compensation is disclosed.

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £ 178,141 *(2015:£181,144)*, and company pension contributions of £ 16,209 *(2015:£16,049)* were made to a defined contribution pension scheme.

8.0 Finance income and expense
Recognised in Statement of comprehensive income

	2016	2015
	£000	£000
Finance Income		
LIFT: equity dividends receivable	**6,671**	6,229
Interest from subordinated debt	**11,523**	11,454
Bank Interest	**33**	16
Total finance income	**18,227**	17,699

	2016	2015
	£000	£000
Finance expense		
Interest		
Interest on obligations under LIFT contracts:		
- Main finance cost	**128,591**	128,502
- Contingent finance cost	**36,312**	34,517
Interest on unsecured loan facility	**1,400**	1,161
Total finance expense	**166,303**	164,180

9.0 Taxation

Recognised in the income statement

	2016 £000	2015 £000
Current tax expense / (credit)		
Current year	**307**	(495)
Adjustments for prior years	**-**	(361)
Current tax expense / (credit)	**307**	(856)
Deferred tax (credit)	**-**	(900)
Tax expense in income statement	**307**	(1,756)
Total tax expense / (credit)	**307**	(1,756)

Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit/(Loss) for the year	**1,148**	(11,467)
Total tax expense / (credit)	**307**	(1,756)
Profit/(Loss) excluding taxation	**1,455**	(13,223)
Tax using the UK corporation tax rate of 20% (2015: 21%)	**291**	(2,777)
Effects of:		
UK dividends received	**(1,334)**	(1,308)
Disallowed items	**1,350**	558
Losses for which no deferred tax has been recognised	**-**	2,132
Non-taxable adjustments on transfer	**-**	-
Prior year adjustment	**-**	(361)
Total tax expense / (credit) (including tax on discontinued operations)	**307**	(1,756)

The Government has announced that it intends to reduce the rate of corporation tax to 17% with effect from 1 April 2020. As this legislation was not substantively enacted as at year end the impact of the anticipated rate change is not reflected in the tax provisions reported in these accounts. Finance Act 2015 (No.2), which was substantively enacted in October 2015, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 18% from 1 April 2020. Accordingly, deferred tax balances have been revalued to the lower rate of 18% in these accounts which has resulted in a debit to reserves of £11.1m. To the extent that the deferred tax reverses before 1 April 2020 then the impact on the net deferred tax liability will be reduced.

Notes to the financial statements *(continued)*

10.0 Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Fixtures & fittings £000	Total £000
Cost or valuation				
Balance at 1 April 2014	1,731,913	4,698	3,465	1,740,076
Additions	50,222	-	-	50,222
Additions	275,971	-	-	275,971
Revaluations	(26,389)	-	-	(26,389)
Impairment charge for the year	(8,393)	-	-	(8,393)
Balance at 31 March 2015	2,023,324	4,698	3,465	2,031,487
Balance at 1 April 2015	2,023,324	4,698	3,465	2,031,487
Additions	45,859	-	-	45,859
Revaluations	174,965	-	-	174,965
Impairment loss taken to profit/loss	(14,569)	-	-	(14,569)
Impairment loss taken to reserves	(372)	-	-	(372)
Disposals		(4,698)	(3,465)	(8,163)
Balance at 31 March 2016	2,229,207	-	-	2,229,207
Depreciation and impairment				
Balance at 1 April 2014	(13,424)	(230)	(506)	(14,160)
Depreciation charge for the year	(5,240)	(217)	(493)	(5,950)
Elimination of a/c depreciation on revaluation	18,664	-	-	18,664
Balance at 31 March 2015	-	(447)	(999)	(1,446)
Balance at 1 April 2015	-	(447)	(999)	(1,446)
Depreciation charge for the year	(14,439)	-	-	(14,439)
Disposals	-	447	999	1,446
Elimination of a/c depreciation on revaluation	14,439	-	-	14,439
Balance at 31 March 2016	-	-	-	-
Net book value				
At 1 April 2014	1,718,489	4,468	2,959	1,725,916
At 31 March 2015 and 1 April 2015	2,023,324	4,251	2,466	2,030,041
At 31 March 2016	**2,229,207**	**-**	**-**	**2,229,207**

Notes to the financial statements *(continued)*

10.0 Property, plant and equipment *(continued)*

	Land and buildings £000	Plant and equipment £000	Fixtures & fittings £000	Total £000
Asset Financing				
Owned	-	-	-	-
Held on Finance Lease	-	-	-	-
On-SOFP LIFT contract	2,229,207	-	-	-
Total	**2,229,207**	**-**	**-**	**-**

The Land and Building assets were revalued by the District Valuers on 31st March 2016 and the carrying value of the assets as at 31st March 2016 under historic cost valuation is £1,677m (2015 £1,675m).

Impairment losses in year are recognised in relation to the new buildings upon reaching practical completion and the resulting difference between the finance lease value and the direct replacement cost of the asset.

10.1 Property, plant and equipment

The amount of borrowing costs capitalised during the period was £nil (2015:£nil).

11.0 Investments in associates
NHS LIFT Investments

As at 31 March 2016, the Company had made equity investments in each of the LIFT companies listed below, including their project financing subsidiaries where applicable.

- Assemble Community Partnership Limited
- Barking Dagenham Havering Community Ventures Limited (formerly Barking & Havering Lift Limited)
- Barnsley Community Solutions Limited
- Bexley Bromley and Greenwich LIFT Company Limited
- BHH LIFT Company Limited
- Birmingham and Solihull Local Improvement Finance Trust Limited
- Bradford & Airedale Community Solutions Limited (formerly Bradford & Airedale Care Partnerships Limited)
- BRAHM LIFT Limited
- Bristol Infracare LIFT Limited
- Building Better Health – Lambeth Southwark Lewisham Limited
- Building Better Health – West London Limited
- Bury, Tameside & Glossop Community Solutions Limited
- Camden & Islington Community Solutions Limited
- Community 1st Cornwall Limited
- Community 1st Oldham Limited
- Community 1st Sheffield Limited
- Community Ventures Company (Leeds) Limited
- Coventry Care Partnership Limited
- Doncaster Community Solutions (LIFTCo) Limited
- Dudley Infracare Lift Limited
- Durham & Tees Community Ventures Limited (formerly Care Partnerships 25 Limited)
- East Lancashire Building Partnership Limited
- East London LIFT Accommodation Services Limited
- Elevate Partnerships Limited
- eLIFT Cumbria Limited
- Foundation for Life Limited
- GRT Nottingham LIFT Company Limited
- Healthcare Improvement Partnership (Wolverhampton City and Walsall) Limited
- Hull Citycare Limited
- Leicester Lift Company Limited
- Liverpool and Sefton Health Partnership Limited
- MAST LIFT Company Limited (formerly Liftco Topco (Mast) Limited)
- Medway Community Estates Limited (formerly Medway Liftco Limited)
- NNT LIFT Company Limited
- Norlife Limited
- North Nottinghamshire LIFT Company Limited
- Oxford Infracare LIFT Limited
- Prima 200 Limited

11.0 Investment in associates

NHS LIFT Investments *(continued)*

- Realise Health Limited
- Renova Developments Limited
- Resound (Health) Limited
- RWF Health and Community Developers Limited
- Sandwell LIFT Company Limited
- Solent Community Solutions Limited
- South East Essex LIFT Limited
- South West Hampshire LIFT Limited
- South West London Health Partnerships Limited
- Southern Derbyshire LIFT Company Limited
- West Sussex Community Solutions Limited

Each of the LIFT companies is engaged in providing community-based healthcare facilities and related services following the transfer and the resulting increase in shareholdings in LIFT companies the holding has changed from being classified as investments in the prior year to associates in the current year.

	Subordinated debt	Share Capital	Total
	£000	£000	£000
Balance at 1 April 2014	98,304	1,401	99,705
Additions	233	-	233
Interest income capitalised during the year	105	-	105
Loan Repayments	(1,112)	-	(1,112)
Balance at 31 March 2015	**97,530**	**1,401**	**98,931**
Balance at 1 April 2015	**97,530**	**1,401**	**98,931**
Additions	-	-	-
Interest income capitalised during the year	475	-	475
Loan Repayments	(1,047)	-	(1,047)
Balance at 31 March 2016	**96,958**	**1,401**	**98,359**

12.0 Investments in subsidiary

	2016	2015
	£	£
Investments in subsidiary – Partnerships For Health Limited	**1**	1

Investments above which represent a holding greater than 20% are as follows:

	Country of Incorpor-ation	**Class of shares held**	**Ownership 2016**	**Ownership 2015**
Partnerships for Health Limited	United Kingdom	Ordinary	**100%**	100%

On 11 November 2010, the Company acquired the whole of the equity share capital of Partnerships for Health Limited from the Secretary of State for Health for a cost of £1. Partnerships for Health Limited (Company number: 06019358) is a dormant company incorporated in the United Kingdom and has never traded.

13.0 Other financial liabilities

	2016	2015
	£000	£000
Non-current		
LIFT Financial Lease liabilities	**1,734,712**	1,725,240
Finance Lease Liability	**-**	-
	1,734,712	1,725,240
Current		
LIFT Financial Lease liabilities	**35,082**	33,305
Finance Lease Liability	**-**	-
	35,082	33,305

14.0 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2016	2015	**2016**	2015	**2016**	2015
	£000	£000	**£000**	£000	**£000**	£000
Property, plant and equipment	**-**	-	**(99,886)**	(73,607)	**(99,886)**	(73,607)
Tax loss	**-**	2,121	**-**	-	**-**	2,121
Tax losses not recognised	**-**	(1,221)	**-**	-	**-**	(1,221)
Brought Forward	**900**	-	**-**	-	**900**	-
Net tax assets / (liabilities)	**900**	900	**(99,886)**	(73,607)	**(98,986)**	(72,707)

Movement in deferred tax during the year

	1 April 2015	**Recognised in income**	**Recognised in equity**	**31 March 2016**
	£000	**£000**	**£000**	**£000**
Property, plant and equipment	**(73,607)**	**-**	**(26,279)**	**(99,886)**
Taxable loss	**900**	**-**	**-**	**900**
	(72,707)	**-**	**(26,279)**	**(98,986)**

Movement in deferred tax during the prior year

	1 April 2014	**Recognised in income**	**Recognised in equity**	**31 March 2015**
	£000	**£000**	**£000**	**£000**
Property, plant and equipment	-	-	(73,607)	(73,607)
Taxable Loss		900		900
	-	900	(73,607)	(72,707)

15.0 Trade and other receivables

	2016	2015
	£000	£000
Current:		
Trade receivables	**121,126**	161,113
Sub Debt interest receivable	**6,447**	6,087
VAT Receivables	**17,171**	16,239
Tax Receivable	**663**	971
Prepayments and accrued income	**27,281**	9,133
Finance lease receivables	**262**	231
Other receivables	**2,832**	2,489
Loans receivable from other bodies	**652**	-
Current part of LIFT and other PPP arrangements prepayments and accrued income	**40,199**	26,277
Current	**216,633**	222,540
Non-current		
Finance lease receivables	**7,740**	8,002
Other receivables	**9,826**	9,826
Non-current	**17,566**	17,828

16.0 Cash and cash equivalents/ bank overdrafts

	2016	2015
	£000	£000
Cash and cash equivalents per balance sheet	**51,609**	29,976
Cash and cash equivalents per cash flow statements	**51,609**	29,976

17.0 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2016 £000	2015 £000
Non-current liabilities		
Loan from Parent	**10,000**	10,000
	10,000	10,000
Current liabilities		
Loan from Parent	**210,400**	210,400
	210,400	210,400

Terms and debt repayment schedule

	Currency	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
				2016 £000	**2016 £000**	2015 £000	2015 £000
Unsecured loan facility	**£**	**4.73%**	**2033**	**10,000**	**10,000**	10,000	10,000
Working Capital Loan	**£**	**0.43%**	**On Demand**	**210,400**	**210,400**	210,400	210,400
				220,400	**220,400**	220,400	220,400

18.0 Trade and other payables

	2016	2015
	£000	£000
Current		
Trade payables	**12,174**	**5,149**
Other trade payables	**1,728**	**-**
Non-trade payables and accrued expenses	**35,710**	**33,077**
Interest payable	**923**	**400**
Social Security Costs	**150**	**12**
Deferred Income	**4,704**	**-**
	55,389	**38,638**
Non-current		
Other payables	**4,110**	**5,491**
	4,110	**5,491**

Notes to the financial statements *(continued)*

19.0 Employee benefits

Pension plans

The Company contributes to the group personal pension scheme established on behalf of its employees. During the year ended 31 March 2016 the company made contributions totalling £388,177 (2015: £319,141). As at 31 March 2016 the company owed Standard Life plc, the scheme managers, £50,073 (2015: £34,233).

20.0 Provisions

	Finchley provision	Dilapidation	SEP	uLPA Project Costs	Provider Engagement Programme	General	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2015	**2,500**	**1,023**	**915**	**1,032**	**-**	**97**	**5,567**
Provisions made during the year	-	-	-	-	900	232	1,132
Provisions used during the year	(1,297)	-	(541)	(832)	-	-	(2,670)
Unused Provisions released to I&E	(1,203)	-	-	-	-	-	(1,203)
Balance at 31 March 2016	**-**	**1,023**	**374**	**200**	**900**	**329**	**2,826**
Current	-	-	374	200	900	329	1,803
Non-current	-	1,023	-	-	-	-	1,023
	-	**1,023**	**374**	**200**	**900**	**329**	**2,826**

Dilapidation provisions were transferred from predecessor bodies and are not expected to be realised in the next 12 months.

The provision for SEP and the Provider Engagement Programme represent amounts committed to with regards to work taking place within the system by the LIFT companies with the expectation of completion by June 2016.

The uLPA provision relates to the legal costs associated with the underlease regularistaion work in progress and is expected to be utilised within 3 months and the general provision applies to other professional fees expected.

Notes to the financial statements *(continued)*

21.0 LIFT – additional Information

	31 March 2016 £000	31 March 2015 £000
Charges to operating expenditure and future commitments in respect of ON and OFF SOFP LIFT		
Total charge to operating expenses in year – OFF SOFP LIFT	**71**	70
Service element of on SOFP LIFT charged to operating expenses in year	**47,384**	46,774
Total	**47,455**	46,844

	31 March 2016 £000	31 March 2015 £000
Payments committed to in respect of off SOFP LIFT and the service element of on SOFP LIFT		
No later than one year	**48,859**	47,359
Later than one year, no later than five years	**209,389**	203,488
Later than five years	**826,572**	877,457
Total	**1,084,820**	1,128,304

The estimated annual payments in future years are expected to be materially different from those which the company is committed to make during the next year. The likely financial effect of this is:

	31 March 2016 £000	31 March 2015 £000
Estimated Capital Value of Project – off SOFP LIFT	**938**	938

	31 March 2016 £000	31 March 2015 £000
Imputed "finance lease" obligations for on SOFP LIFT contracts due		
No later than one year	**161,399**	161,336
Later than one year, no later than five years	**624,144**	622,673
Later than five years	**2,873,615**	2,989,400
Subtotal	**3,659,158**	3,773,409
Less: Interest Element	**(1,889,364)**	(2,014,864)
Total	**1,769,794**	1,758,545

LIFT contracts are subject to repricing in line with the contract terms over a horizon of up to 25 years.

The LIFT scheme arrangements give CHP the right to sub-let the LIFT properties. The LIFT contracts carry no further obligations in respect of provision of service or construction of assets; however they do convey the right to the reversionary interest in the LIFT properties at the end of the contract at which point a commercial decision will be taken in respect of each asset.

22.0 Capital and reserves
Share capital

	Ordinary shares 2016 No	2015 No
On issue at 1 April	**56,500,000**	49,500,000
Issued for cash	**-**	7,000,000
On issue at 31 March – fully paid	**56,500,000**	56,500,000

	2016 £000	2015 £000
Allotted, called up and fully paid		
Ordinary shares of £1 each	**56,500**	56,500
	56,500	56,500
Shares classified in shareholders' funds	**56,500**	56,500
	56,500	56,500

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Revaluation reserve

Where property, plant and equipment is revalued or reclassified as investment property, the cumulative increase in the fair value of the property at the date of reclassification in excess of any previous impairment losses is included in the revaluation reserve.

Merger reserve

This reserve picks up the results of the common control transfer of shareholdings in LIFT companies and the related head leases of buildings owned and operated by these companies. The reserve reflects the value of LIFT assets, financial liabilities, loan debt receivable and the investment value in the associate LIFT company.

23.0 Financial instruments

(a) Fair values of financial instruments

Investments in debt and equity securities

The fair value of held-to-maturity investments is determined by reference to their valuation of future returns at their present value as previously calculated by the Department for Health at the balance sheet date. The fair value of held-to-maturity investments after initial recognition is determined for disclosure purposes only. Fair value of investments in sub debt is categorised within level two of the financial hierarchy.

Trade and other receivables

The fair value of trade and other receivables, excluding construction contract debtors, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

23.0 Financial instruments *(continued)*
(a) Fair values of financial instruments *(continued)*

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	Carrying amount 2016 £000	**Fair value 2016 £000**	**Carrying amount** 2015 £000	**Fair value** 2015 £000
IAS 39 categories of financial instruments				
Held to maturity financial assets (note 11)				
Investments in subdebt	**98,359**	**121,777**	98,931	123,833
Loans and receivables				
Cash and cash equivalents (note 16)	**51,609**	**51,609**	29,976	29,976
Other loans and receivables (note 15)	**201,631**	**201,631**	170,652	170,652
Total financial assets	**351,599**	**375,017**	299,559	324,461

	Carrying amount 2016 £000	**Fair value 2016 £000**	**Carrying amount** 2015 £000	**Fair value** 2015 £000
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (note 17)	**220,400**	**220,400**	220,400	220,400
Trade and other payables (note 18)	**1,783,956**	**1,783,956**	1,802,630	1,802,630
Total financial liabilities measured at amortised cost	**2,004,356**	**2,004,356**	2,023,030	2,023,030
Total financial liabilities	**2,004,356**	**2,004,356**	2,023,030	2,023,030
Total financial instruments	**2,004,356**	**2,004,356**	2,023,030	2,023,030

23.0 Financial instruments *(continued)*

(b) Credit risk

Financial risk management
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

The company assesses the risk of non-payment to be minimal given the category of tenants but based on the transfer of historic data with regards to tenant billing a great deal of work has been carried out throughout the year to amend and correct tenant recharges. This has resulted in an overall credit note provision at the yearend as disclosed below. It is expected that in subsequent periods the level of provision will fall as the accuracy of billing improves and resulting queries diminish.

Credit quality of financial assets and impairment losses
The aging of trade receivables at the balance sheet date was:

	Gross	**Credit Note Provision**	**Gross**	**Credit Note Provision**
	2016	**2016**	2015	2015
	£000	**£000**	£000	£000
Not past due	**20,778**	**-**	51,646	-
Past due [0-30 days]	**8,554**	**-**	69,135	-
Past due [31-120 days]	**34,322**	**-**	1,026	-
More than 120 days	**69,442**	**10,438**	59,867	25,999
	133,096	**10,438**	181,674	25,999

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2016	2015
	£000	£000
Balance at 1st April	**25,999**	24,940
Release prior year provision	**-**	(24,940)
Utilised during the year	**(22,771)**	-
Released in year	**(3,228)**	-
Credit note provision	**10,438**	25,999
Balance at 31st March	**10,438**	25,999

The allowance account for trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

23.0 Financial instruments *(continued)*

(c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Following the transfer of assets and liabilities to the Company on 1st April 2013 the Department for Health requires the Company to operate this new area of business on a cost neutral basis (i.e. no profit and no loss) and the financial position is underpinned by a deed of indemnity that commits NHS England to meeting the overall operating costs and the Department for Health to ensuring that the company has sufficient cash resources to meet its obligations.

(d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments

The Company's exposure to market risk is limited due to the agreement of interest rates within the lease plus agreements.

24.0 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
	£000	£000
Less than one year	**1,333**	1,300
Between one and five years	**4,783**	5,270
More than five years	**5,704**	6,549
	11,820	13,119

As at 31 March 2016 the company has no significant operating lease arrangements.
During the year £1,515,000 was recognised as an expense in the income statement in respect of operating leases (2015: £1,530,000).

Leases as lessor

The LIFT properties are let under operating leases. The future minimum lease receipts under non-cancellable leases are as follows:

	2016	2015
	£000	£000
Less than one year	**33,653**	33,823
Between one and five years	**123,030**	121,376
More than five years	**370,117**	372,151
	526,800	527,350

During the year £235,128,000 (2015: £180,708,000) was recognised as rental income by the Company.

25.0 Commitments

Capital commitments
At the year end the Company had no capital commitments (2015: £nil).

26.0 Related parties

During the year none of the Company board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Community Health Partnerships Limited.

As at 31 March 2016, the Company owed the Department of Health £220,400,000 (2015: £220,400,000) in respect of the Unsecured Loan Facility and £923,356 (2015: £400,315) in respect of accrued interest.

During the financial year, the Department of Health provided accommodation and other services to the Company amounting to £174,000 (2015: £65,000). As at 31 March 2016, the Company owed £208,800 (2015: £78,000) in respect of these services.

As the ultimate parent of the Company, the Department of Health is regarded as a related party. During the year Community Health Partnerships Limited has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These include NHS Property Services Limited, NHS England, Clinical Commissioning Groups, NHS Trusts and NHS Foundation Trusts. The company has also had a significant number of material transactions with LIFT companies where the Company is both a shareholder and investor. These transactions have taken place in the normal course of business.

A summary of these related party transactions is detailed below:

	Income		**Expenditure**	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Department for Health	**-**	-	**1,555**	1,226
NHS Property Services Limited	**4**	-	**1,304**	16,416
NHS England	**46,430**	58,043	**-**	6
Clinical Commissioning Groups	**66,926**	72,798	**-**	1,643
NHS Trusts	**44,388**	63,635	**1,617**	1,911
NHS Foundation Trusts	**78,237**	64,007	**2,569**	1,685
LIFT Companies	**11,996**	12,401	**271,378**	290,916
	247,981	270,884	**278,423**	313,803

26.0 Related parties *(continued)*

	Receivables outstanding 2016 £000	2015 £000	Payables outstanding 2016 £000	2015 £000
Department for Health	**-**	-	**1,097**	78
NHS Property Services Limited	**5**	-	**7,112**	1,982
NHS England	**13,411**	10,574	**-**	-
Clinical Commissioning Groups	**20,360**	18,524	**1,028**	-
NHS Trusts	**18,049**	28,642	**721**	192
NHS Foundation Trusts	**26,775**	46,936	**1,332**	551
LIFT Companies	**6,637**	6,189	**-**	-
	85,237	110,865	**11,290**	2,803

27.0 Ultimate parent company and parent company of larger group

At the year-end, the Secretary of State for Health owned 100% of the share capital. The Directors regard the Secretary of State for Health as the ultimate controlling party.

As at 31 March 2016, the Company owed the Department of Health £220,400,000 (2015: £220,400,000) in respect of the Unsecured Loan Facility and £923,356 (2015: £400,315) in respect of accrued interest.

During the financial year, the Department of Health provided accommodation and other services to the Company amounting to £174,000 (2015: £65,000). As at 31 March 2016, the Company owed £208,800 (2015: £78,000) in respect of these services.

The largest group in which the results of the Company are consolidated is that headed by the Department of Health. These financial statements are produced under IFRS to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. No other group financial statements include the results of the Company.

28.0 Subsequent events

There are no known post balance date events that have occurred that would have a material impact on the financial statements outlined in this Annual report and financial statements.