Company Number 07292038

FMH Fundco Limited

Annual Report and Financial Statements

Year ended

31 March 2018

FMH Fundco Limited

Annual report and financial statements
for the year ended 31 March 2018

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Directors

I Tayler
B S Conroy
C R Hollwey
J R Andrews
F M Schramm
A H Naafs

Registered office

15th Floor Cobalt Square, 83-85 Hagley Road, Birmingham, B16 8QG

Company number

07292038

Auditor

BDO LLP, Two Snowhill, Birmingham, B4 6GA

FMH Fundco Limited

Report of the directors
for the year ended 31 March 2018

The directors present their report and the financial statements for the year ended 31 March 2018. In preparing this report, the directors have taken advantage of the exemption from the requirement to prepare a strategic report.

Principal activities

The principal activity of the company was that of property development and investment.

The company is a subsidiary of North London Estate Partnerships Limited (formerly Elevate Partnerships Limited), a public private partnership established under the NHS Local Improvement Finance Trust (LIFT) directive to build and develop primary care health properties in the London Boroughs of Barnet, Enfield and Haringey.

The company was established in 2010 and commenced the construction of the Finchley Memorial Hospital in September 2010. The whole project was completed and operational in summer 2013.

Key debt service ratios must be met in order that borrowing covenants on the buildings are met, and this is controlled with the 6-monthly submissions of operational models to the lender to ensure progress is satisfactory. There have been no breaches in covenants in the period.

Principal risks and uncertainties

The effects of NHS reforms continue to have an impact on our assets' head tenant, Community Health Partnerships, who continue to establish their role as landlord. Our buildings have continued to be managed by our FM and MSA providers, fulfilling the company's obligations under the terms of the Land Retained Agreement. Whilst these agreements included financial penalties for non-performance on most projects, our robust oversight and collaboration with providers has resulted in no such deductions. These risk monitoring and management arrangements continue. There have been no material issues around Facilities Management. The RPI uplift for the current financial year and next financial year is above the original modelled rate.

The fire-related issues originally highlighted during 15/16 continued to be a key focus. The company was in an advanced proactive position ensuring all identified issues were being remedied effectively before the Grenfell Tower fire in June 2017 highlighted further fire related issues. The company continues to work closely with the contractor and FM provider to ensure that issues are remedied effectively and continually monitored and reviewed.

Matters relating to the initial construction of the hospital continue to be prevalent. The company is working with the main contractor to resolve these and continues to hold a small retention in relation to these issues.

Health and safety

The company is committed to maintain safe working environments and regularly undertakes programmes to identify, evaluate and eliminate risk in the workplace and on site. Risk reviews, supported by executive management reporting, are presented to the board on a regular basis.

Financial instruments

The company has a variety of financial instruments. The company's accounting policy in respect of financial instruments and details of the company's financial instruments are contained in the notes to the financial statements (Note 2.1 and Note 18).

Results and dividends

The company's operating results decreased by £30,000 (2017: decreased by £50,000) to an operating loss of £45,000 (2017: operating loss of £15,000) for the year. The company's net assets increased by £208,000 (2017: increased by £336,000) to £1,905,000 (2017: £1,697,000). Cash increased in the year by £18,000 (2017: increased by £394,000) to £979,000 (2017: £961,000).

The profit for the year, after taxation, amounted to £298,000 (2017: £336,000).

Dividends of £90,000 (2017: £Nil) were paid during the year. No further dividends are proposed.

Directors

The directors who served during the year and to the date of this report were:

I Tayler	
B S Conroy	
C R Hollwey	
J R Andrews	(resigned 8 August 2017 and appointed 30 May 2018)
F M Schramm	
A H Naafs	
T Dobrashian	(appointed 8 August 2017 and resigned 30 May 2018)

Qualifying third party indemnity provisions

The company has put in place qualifying third party indemnity provisions for all of the directors of the company which was in force at the date of approval of this report.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Provision of information to auditor

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

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing their report and to establish that the company's auditor is aware of that information.

This report was approved by the board 20/7/18 and signed on its behalf.

I Tayler
Director

TO THE MEMBERS OF FMH FUNDCO LIMITED

Opinion

We have audited the financial statements of FMH Fundco Limited ("the Company") for the year ended 31 March 2018 which comprise the statement of comprehensive income, the statement of financial position, the statements of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.; or

- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

BDO LLP

Stephen Hale (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom

Date: 9 August 2018

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

FMH Fundco Limited

Statement of comprehensive income
for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Continuing operations			
Revenue	4	**688**	851
Cost of sales		**(587)**	(752)
Gross profit		**101**	99
Administrative expenses		**(146)**	(114)
Operating loss	5	**(45)**	(15)
Finance income	6	**2,389**	2,351
Finance costs	7	**(1,969)**	(1,975)
Profit before tax		**375**	361
Tax charge	8	**(77)**	(25)
Profit and total comprehensive income for the year attributable to equity holders		**298**	336

The notes on pages 11 to 22 form part of these financial statements.

FMH Fundco Limited

Statement of financial position
at 31 March 2018

Company number 07292038	Note	2018 £'000	2017 £'000
Assets			
Non-current assets			
Finance receivables	9	**33,136**	32,976
		33,136	32,976
Current assets			
Trade receivables	10	**1**	43
Other receivables	11	**118**	-
Cash and cash equivalents	12	**979**	961
		1,098	1,004
Liabilities			
Current liabilities			
Trade and other payables	13	**646**	472
Current portion of long-term borrowings	14	**268**	365
		914	837
Net current assets		**184**	167
Non-current liabilities			
Non-current borrowings	14	**29,673**	29,875
Deferred income	13	**1,307**	1,136
Deferred tax	15	**435**	435
		31,415	31,446
Net assets		**1,905**	1,697
Equity			
Ordinary shares	16	**-**	-
Retained earnings		**1,905**	1,697
Total equity		**1,905**	1,697

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20/7/18

I Tayler
Director

The notes on pages 11 to 22 form part of these financial statements.

FMH Fundco Limited

Statement of changes in equity
at 31 March 2018

	Attributable to equity holders		
	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2017	**-**	**1,697**	**1,697**
Changes in equity for 2017-2018			
Profit and total comprehensive income for the year attributable to equity holders	**-**	**298**	**298**
Dividends paid	**-**	**(90)**	**(90)**
Balance at 31 March 2018	**-**	**1,905**	**1,905**
Balance at 1 April 2016	-	1,361	1,361
Changes in equity for 2016-2017			
Profit and total comprehensive income for the year attributable to equity holders	-	336	336
Balance at 31 March 2017	-	1,697	1,697

Dividends of £90,000 (£90,000 per share) were paid during the year (2017: £Nil).

The notes on pages 11 to 22 form part of these financial statements.

FMH Fundco Limited

Statement of cash flows
for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Profit before tax		**375**	361
Adjustments for:			
(Increase)/Decrease in trade and other receivables		**(76)**	113
Increase in trade and other payables		**268**	293
Finance income		**(2,389)**	(2,351)
Finance costs		**1,969**	1,975
Net cash generated from operating activities		**147**	391
Cash flows from investing activities			
Receipts on finance receivables		**2,229**	2,164
Bank interest received		**-**	1
Net cash from investing activities		**2,229**	2,165
Cash flows from financing activities			
Interest paid		**(1,903)**	(1,892)
Repayment of bank loans		**(365)**	(270)
Dividends		**(90)**	-
Net cash used in financing activities		**(2,358)**	(2,162)
Net increase in cash and cash equivalents		**18**	394
Cash and cash equivalents at the beginning of the period		**961**	567
Cash and cash equivalents at the end of the period	12	**979**	961

The notes on pages 11 to 22 form part of these financial statements.

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

1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity and areas where assumptions or estimates are significant to the financial statements are disclosed in note 3.

The functional currency is pounds sterling.

1.1 *Standards issued and applied for the first time this year*

There were no new standards or interpretations effective for the first time in the year ended 31 March 2018 that had a significant effect on the on the financial statements.

1.2 *Standards and interpretations issued but not yet applied*

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective in future accounting periods that the company has decided not to adopt early. The most significant of these are:

- IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers (both mandatorily effective for periods beginning on or after 1 January 2018); and
- IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019).

The directors do not consider that the adoption of IFRS 15 and IFRS 16 will have a material impact on the financial statements. For IFRS 9, it is not practical to provide a reasonable estimate of the effect of this standard until the detailed review has been completed.

2 Accounting policies

2.1 *Financial instruments*

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on trade date when the company becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are derecognised on trade date when the company is no longer a party to the contractual provisions of the instrument.

2.1.1 *Trade receivables*

Trade receivables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Trade receivables do not carry interest.

2 Accounting policies *(continued)*

2.1.2 *Cash and cash equivalents*

Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term.

2.1.3 *Trade payables*

Trade payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

2.1.4 *Interest-bearing borrowings*

Interest-bearing borrowings are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

2.2 *Revenue*

2.2.1 *Public to private concession arrangements*

A substantial portion of the company's assets are used within the framework of concession contracts granted by public sector customers ('grantors'). Under these contracts, the company has constructed a primary care centre that is leased to the NHS on a 30 year lease.

In order to fall within the scope of IFRIC 12, a contract must satisfy the following two criteria:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor controls the significant residual interest in the infrastructure at the end of the term of the arrangement.

Pursuant to IFRIC 12, such infrastructures are not recognised in assets of the operator as property, plant and equipment but in financial assets ('financial asset model').

2.2.2 *'Financial asset model'*

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

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

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

Financial assets resulting from the application of IFRIC 12 are recorded in the statement of financial position under the heading finance receivables and measured at amortised cost.

Pursuant to IAS 39, an impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate.

2 Accounting policies *(continued)*

2.2.2 *'Financial asset model'* (continued)

The portion falling due within less than one year is presented in current assets, while the portion falling due after more than one year is presented in the non-current heading.

Pursuant to IAS 18, revenue associated with this financial model comprises revenue determined on a completion basis in the case of the construction of operating financial assets (in accordance with IAS 11) and service remuneration. The stage of completion of construction is determined by comparing independently certified costs incurred to date to total contracted costs. Costs of construction include directly attributable borrowing costs.

2.2.3 *Other revenue items*

Other revenue items comprise 'Property management and related services income' and 'Rental income'.

Property management and related services revenue relates to lifecycle maintenance and facilities management income and ad hoc property related services income. The former relates to work performed by the company under concession arrangements to maintain and repair the primary care centres that it operates. Consideration received in respect of property management and related services revenue is only recorded as revenue to the extent that the company has performed its contractual obligations in respect of that consideration, and revenue attributable to costs in future periods is deferred.

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

2.3 *Deferred tax*

Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the statement of financial position. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position 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 asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

2.4 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved in accordance with the shareholders' agreement.

3 Accounting estimates and judgements

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

3.1 *Key sources of estimation uncertainty*

(a) Finance receivables (note 9):

RPI index – The finance receivables predict a level of RPI increases for future receipts. This represents a degree of judgement and uncertainty given the nature of RPI. Where RPI differs from the estimated rate, this will impact future receipts and thus increase/reduce the floating rate of interest on finance receivables, which affects the amount of income recognised in any given period.

(b) Construction and operating revenue (note 4) - Where properties are constructed by the group and are disposed of on finance receivables, construction and operating revenue is recognised at cost plus an estimated mark up for profit on those services.

3.2 Critical judgements

(a) Concession arrangements – The concession arrangements undertaken by the company are considered to fall within the scope of IFRIC 12, as described in note 2.2.1. This judgement has been based on a consideration of the nature and terms of the agreements and, in all of the contracts, the existence of an option for the grantor to purchase the properties at any time.

(b) Finance receivables – The lease agreements with Community Health Partnerships include provision for the annual uplift of rentals with reference to movements in the RPI index. As a result, the finance receivables have been treated as floating rate assets as defined in IAS 39.

4 Revenue

	2018 £'000	2017 £'000
Revenue (all of which is in the UK) comprises:		
Property management and related services	**664**	822
Rental income	**18**	17
Other income	**6**	12
	688	851

5 Operating loss

	2018 £'000	2017 £'000
This is arrived at after charging:		
Fees payable to the company's auditor for the audit of the company's annual financial statements	**5**	5

There were no employees during the year (2017: none).

6 Finance income

	2018 £'000	2017 £'000
Interest income on finance receivables	**2,389**	2,350
Bank interest received	**-**	1
	2,389	2,351

7 Finance costs

	2018 £'000	2017 £'000
Interest on borrowings	**1,969**	1,975

8 Tax charge

	2018 £'000	2017 £'000
Current tax – current year		
Current year	**71**	-
Adjustment in respect of prior periods	**6**	-
Total current tax charge	**77**	-
Deferred tax (note 15):		
Current year	**-**	66
Adjustment in respect of prior periods	**-**	(9)
Change in tax rate	**-**	(32)
Total deferred tax charge	**-**	25
Tax charge	**77**	25

The tax charge for the year can be reconciled to the profit for the year as follows:

	2018 £'000	2017 £'000
Profit before tax	**375**	361
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19 % (2017 - 20 %)	**71**	72
Change in tax rate	**-**	(32)
Adjustments to tax charge in respect of prior periods	**6**	(9)
Group relief claimed	**-**	(6)
Tax charge	**77**	25

The main rate of UK corporation tax for the year commencing 1 April 2017 was 19% (year commencing 1 April 2016: 20%). The Finance Act 2016, enacted on 15 September 2016, reduced the main rate of Corporation tax to 17% for the year commencing 1 April 2020. These changes have been reflected in the carrying value of the deferred tax liability at the balance sheet date.

9 Finance receivables

	2018 £'000	2017 £'000
Net finance receivables:		
Due later than 1 year and no later than 5 years	**113**	-
Due later than 5 years	**33,023**	32,976
Non current assets	**33,136**	32,976

Finance receivables are all due after more than 1 year because of the structure of the agreement. The capital element of the lease repayments increases by RPI each year until the end of the lease: in the initial years the interest costs incurred exceed the capital repayments, so on a net basis no amounts are due for repayment within 1 year.

10 Trade receivables

As at 31 March 2018 and 31 March 2017, the analysis of trade receivables that were past due but not impaired is as follows:

			Past due but not impaired			
	Total £'000	**Neither past due nor impaired £'000**	**More than 30 days £'000**	**More than 60 days £'000**	**More than 90 days £'000**	**More than 120 days £'000**
2018	**1**	**1**	**-**	**-**	**-**	**-**
2017	43	41	-	-	-	2

11 Other receivables

	2018 £'000	2017 £'000
Prepayments and accrued income	**12**	-
Amounts owed by parent company	**106**	-
	118	-

12 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2018 £'000	2017 £'000
Cash on hand and balances with banks	**979**	961
Cash and cash equivalents	**979**	961

Included within cash and cash equivalents is an amount of £136,000 (2017: £173,000), which is held for the settlement of repairs under the lifecycle maintenance agreement and £269,000 (2017: £189,000) held as a debt service reserve under the senior loan agreement.

13 Trade and other payables

	2018 £'000	2017 £'000
Due within one year:		
Trade payables	103	100
Amounts owed to group undertakings	-	123
Corporation tax	77	-
Accruals and deferred income	466	249
	646	472
Due after more than one year:		
Deferred income	1,307	1,136
	1,307	1,136

14 Borrowings

	2018 £'000	2017 £'000
Bank loans due within 1 year	268	365
Current portion of long term borrowings	268	365
Non-current bank loans - Aviva Commercial Finance Limited	26,166	26,434
Amounts owed to group undertakings	3,507	3,441
Non-current borrowings	29,673	29,875

Bank loans are secured by performance bonds and collateral warranties over the Land Retained Agreement site.

Bank loans are repayable by quarterly instalments over a period of 30 years. The interest rate is fixed at a rate of 5.76%. There have been no defaults or breaches of interest payment terms during the year.

Amounts owed to group undertakings are in respect of loan notes issued by FMH Fundco Limited's parent company, the proceeds of which are then passed down to FMH Fundco Limited on the same terms. Interest accrues daily on loan notes at a rate of 6.90% during the construction phase of the related properties and then at a rate of 12.50% per annum thereafter. Interest is payable half yearly in arrears on 31 March and 30 September each year. Interest shall cease to accrue on the principal amount of the loan note from the date it is due for redemption.

The loan notes rank pari passu with all other unsecured obligations of the company.

15 Deferred tax

The deferred tax liabilities are comprised of:

	2018 £'000	2017 £'000
Finance receivables timing differences	**435**	435
At 31 March	**435**	435

The only movement in the total deferred tax liability during the year was the deferred tax charge as shown in note 8.

16 Share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
1 ordinary share of £ 1	-	-

17 Related parties

North London Estate Partnerships Limited is the company's immediate and ultimate controlling party and the smallest and largest group of undertakings for which group financial statements are drawn up. North London Estate Partnerships Limited group financial statements are available from Companies House at Crown Way, Maindy, Cardiff, CF14 3UZ.

	Loans due to related parties		Amounts owed by related parties		Amounts owed to related parties	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Shareholders	**3,507**	3,441	**106**	-	**-**	123
Shareholders of the parent company	**-**	-	**1**	35	**-**	-
Shareholders, and their associates, of the ultimate parent company	**-**	-	**-**	-	**37**	8

	Interest paid		Sales of services and receipts of rent		Purchase of services	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Shareholders	**432**	422	**-**	-	**-**	-
Shareholders of the parent company	**-**	-	**2,904**	3,207	**-**	-
Shareholders, and their associates, of the ultimate parent company	**-**	-	**-**	-	**112**	87

Amounts owed by and to related parties, except for loans due to related parties ("Amounts owed to group undertakings" note 14), are unsecured, interest-free and have no fixed terms of repayment. The balances will be settled in cash. No guarantees have been given or received. No provisions for doubtful debts have been raised against amounts outstanding and no expense has been recognised during the period in respect of bad or doubtful debts due from related parties.

There were no directors to whom remuneration was paid or to whom retirement benefits were accruing. The directors are remunerated by shareholder companies and their associates. The directors do not believe it is possible to accurately apportion their remuneration between the many entities they are directors of. There were no other employees of the company.

18 Financial instruments

18.1 Categories of financial assets and liabilities

All financial instruments valued at fair value are valued with reference to level two of the fair value hierarchy as set out in IFRS7: Financial Instruments: Disclosures. Fair values are determined based on prices that are observable for the asset or liability, either directly or indirectly.

The categories of finance assets and financial liabilities are as follows:

Financial assets

	2018 £'000	2017 £'000
Loans and receivables:		
Cash and cash equivalents	**979**	961
Finance receivables	**33,136**	32,976
Trade and other receivables	**107**	43
	34,222	33,980

Financial liabilities

	2018 £'000	2017 £'000
Amortised cost:		
Bank loans	**26,434**	26,799
Long term borrowings from parent company	**3,507**	3,441
Trade and other payables	**164**	313
	30,105	30,553

18.2 Financial risk management

The company's operations expose it to a number of financial risks. The board regularly reviews and agrees policies for managing each of these risks and these are summarised below.

Credit risk

Credit risk is the risk of financial loss where counterparties are not able or are unwilling to meet their obligations.

Finance receivables and trade receivables primarily comprise of amounts due from Community Health Partnerships. Management considers the credit quality of this debtor to be good in respect of the amounts outstanding, due to them being a shareholder in the company's parent undertaking and being a government body. Therefore credit risk is considered to be low. Cash and cash equivalents comprise balances held with banks. To reduce the risk of counterparty default, the company only uses approved high quality banks.

The maximum credit risk exposure relating to the financial assets is represented by the carrying value as at the statement of financial position date.

18 Financial instruments *(continued)*

18.2 Financial risk management *(continued)*

Liquidity risk

Liquidity risk is the risk that the company has insufficient financial resources available to meet its obligations as they fall due. Management review cashflow forecasts on a regular basis to determine whether the company has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

The financial assets of the company are modelled so as to match the profile of the financial liabilities, the maturity analysis of which is set out below. Management closely monitor performance against the financial models and take action if necessary when performance is not in line with modelled expectations.

The table below summarises the maturity profile of the company's financial liabilities, on an undiscounted basis, at 31 March 2018 and 31 March 2017.

2018	**Less than 3 months £'000**	**3 to 12 months £'000**	**1 to 5 years £'000**	**More than 5 years £'000**	**Total £'000**
Financial liabilities					
Bank loans	**445**	**1,341**	**7,369**	**42,061**	**51,216**
Long term borrowings from parent company	**109**	**332**	**1,863**	**13,912**	**16,216**
Trade and other payables	**164**	**-**	**-**	**-**	**164**
	718	**1,673**	**9,232**	**55,973**	**67,596**

2017	**Less than 3 months £'000**	**3 to 12 months £'000**	**1 to 5 years £'000**	**More than 5 years £'000**	**Total £'000**
Financial liabilities					
Bank loans	464	1,438	7,264	43,952	53,118
Long term borrowings from parent company	107	325	1,825	14,391	16,648
Trade and other payables	313	-	-	-	313
	884	1,763	9,089	58,343	70,079

18 Financial instruments *(continued)*

18.2 Financial risk management *(continued)*

Interest rate risk

The company's exposure to market risk for changes in interest rates is considered to be very small, as all bank and other loans are at fixed rates. The risk for changes in interest rates is therefore restricted to the interest earned on bank deposits, which is immaterial to the company. It is the company's policy to settle trade payables within the credit terms allowed and the company does not therefore incur interest on overdue balances.

Capital management

The company seeks to match long term assets with long term funding and short term assets with short term funding. Borrowings are required primarily to finance construction activity and the related lease payments from customers are set at a level that will ensure that repayments of borrowings can be met as they fall due. Other expenses are met by cash balances generated from the company's ordinary activities.

19 Other commitments

On completion of the buildings, under terms of contracts made, the company is committed to fixed payments for Facilities Management and Lifecycle Maintenance for a 30 year period. The average annual payment for the buildings (excluding indexation) amounts in total to £427,000. The charges to the statement of comprehensive income for the year ended 31 March 2018 were £452,000 (2017: £336,000).