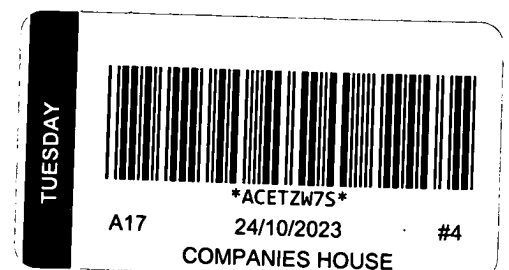


Company Registration No. 04772219 (England and Wales)

**SANDWELL FUNDCO 1 LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**



# **SANDWELL FUNDCO 1 LIMITED**

## **CONTENTS**

---

	<b>Page</b>
Directors' report	1 - 2
Independent auditor's report	3 - 5
Statement of comprehensive income	6
Balance sheet	7
Statement of changes in equity	8
Notes to the financial statements	9 - 21

---

# SANDWELL FUNDCO 1 LIMITED

## COMPANY INFORMATION

---

<b>Directors</b>	Charlotte Douglass Mark Grinonneau Simon Murphy Julian Sutcliffe Matthew Hartland	(Appointed 20 June 2022)
<b>Company number</b>	04772219	
<b>Registered office</b>	9th Floor Cobalt Square 83-85 Hagley Road Birmingham B16 8QG	
<b>Auditor</b>	Goodman Jones LLP 29/30 Fitzroy Square London W1T 6LQ	

---

# **SANDWELL FUNDCO 1 LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2023**

---

The directors present their annual report and financial statements for the year ended 31 March 2023.

This directors' report has been prepared in accordance with the provisions applicable to small companies entitled to the small companies' exemption and the company has taken advantage of the exemption from the requirement to prepare a strategic report.

#### **Principal activities**

The company manages four health centres under the Government's LIFT Initiative.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £591,000 (2022: £296,000).

The directors do not recommend the payment of a dividend (2022: £Nil).

#### **Directors**

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

Charlotte Douglass

Daniel Vermeer

(Resigned 1 November 2022)

Mark Grinonneau

Simon Murphy

Julian Sutcliffe

Matthew Hartland

(Appointed 20 June 2022)

#### **Qualifying third party indemnity provisions**

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

#### **Going concern**

At the year end, the company has net assets of £5,538,000 (2022: £4,367,000), which includes the negative fair value of interest rate and RPI swaps, net of related deferred tax, of £2,111,000 (2022: £2,691,000), which are on long term agreements as part of the overall financial model of the business. The company has net current assets (excluding debtors due after more than one year) of £694,000 (2022: £1,235,000), including cash of £1,723,000 (2022: £1,855,000).

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

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

#### **Auditor**

In accordance with the company's articles, a resolution proposing that Goodman Jones LLP be reappointed as auditor of the company will be put at a General Meeting.

# **SANDWELL FUNDCO 1 LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2023**

---

### **Statement of directors' responsibilities**

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

### **Statement of disclosure to auditor**

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

On behalf of the board



.....  
Charlotte Douglass  
**Director**

Date: 19-10-23 .....

# **SANDWELL FUNDCO 1 LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF SANDWELL FUNDCO 1 LIMITED**

---

#### **Opinion**

We have audited the financial statements of Sandwell Fundco 1 Limited (the 'company') for the year ended 31 March 2023 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

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

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

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

#### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

# **SANDWELL FUNDCO 1 LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF SANDWELL FUNDCO 1 LIMITED**

---

#### **Matters on which we are required to report by exception**

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

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

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to industry sector regulations and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK Tax Legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls). Appropriate audit procedures in response to these risks were carried out. These procedures included:

# **SANDWELL FUNDCO 1 LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF SANDWELL FUNDCO 1 LIMITED**

---

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading minutes of meetings of those charged with governance;
- Obtaining and reading correspondence from legal and regulatory bodies including HMRC;
- Identifying and testing journal entries;
- Challenging assumptions and judgements made by management in their significant accounting estimates.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members; and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

#### **Use of our report**

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

*Goodman Jones LLP*

**Paul Bailey (Senior Statutory Auditor)**  
**For and on behalf of Goodman Jones LLP**

19-10-23  
Date: .....

**Chartered Accountants**  
**Statutory Auditor**

29/30 Fitzroy Square  
London  
W1T 6LQ



# SANDWELL FUNDCO 1 LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

		2023	2022
	Notes	£000	as restated £000
Turnover	3	1,304	1,222
Cost of sales		(1,127)	(945)
<b>Gross profit</b>		<b>177</b>	<b>277</b>
Administrative expenses		(61)	(69)
<b>Operating profit</b>		<b>116</b>	<b>208</b>
Interest receivable and similar income	7	1,269	1,220
Interest payable and similar charges	8	(688)	(720)
<b>Profit before taxation</b>		<b>697</b>	<b>708</b>
Tax on profit	9	(106)	(412)
<b>Profit for the financial year</b>		<b>591</b>	<b>296</b>
<b>Other comprehensive income</b>			
Cash flow hedges gain/(loss) arising in the year		774	(260)
Tax relating to other comprehensive income		(194)	265
<b>Total comprehensive income for the year</b>		<b>1,171</b>	<b>301</b>

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

The notes on pages 9 - 21 form part of these financial statements.

# SANDWELL FUNDCO 1 LIMITED


## BALANCE SHEET

AS AT 31 MARCH 2023

	Notes	2023 £000	£000	2022 £000	£000
<b>Current assets</b>					
Debtors falling due after more than one year	10	16,466		16,105	
Debtors falling due within one year	10	370		487	
Cash at bank and in hand	13	1,723		1,855	
		18,559		18,447	
<b>Creditors: amounts falling due within one year</b>	14	(1,399)		(1,107)	
<b>Net current assets</b>			17,160		17,340
<b>Creditors: amounts falling due after more than one year</b>	15		(11,043)		(12,661)
Provision for liabilities	12		(579)		(312)
<b>Net assets</b>			5,538		4,367
<b>Capital and reserves</b>					
Hedging reserve			(2,111)		(2,691)
Profit and loss reserves			7,649		7,058
<b>Total equity</b>			5,538		4,367

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

The financial statements were approved by the board of directors and authorised for issue on 19-10-23 and are signed on its behalf by:

  
Charlotte Douglass  
Director

Company Registration No. 04772219

# SANDWELL FUNDCO 1 LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	<b>Hedging reserve</b>	<b>Profit and loss reserves</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2021</b>	(2,696)	6,762	4,066
<b>Year ended 31 March 2022:</b>			
Profit for the year	-	296	296
Other comprehensive income:			
Cash flow hedges gains	(260)	-	(260)
Tax relating to other comprehensive income	265	-	265
Total comprehensive income for the year	5	296	301
<b>Balance at 31 March 2022</b>	(2,691)	7,058	4,367
<b>Year ended 31 March 2023:</b>			
Profit for the year	-	591	591
Other comprehensive income:			
Cash flow hedges gains	774	-	774
Tax relating to other comprehensive income	(194)	-	(194)
Total comprehensive income for the year	580	591	1,171
<b>Balance at 31 March 2023</b>	(2,111)	7,649	5,538

The directors do not recommend the payment of a dividend (2022: £Nil).

The notes on pages 9 - 21 form part of these financial statements.

# **SANDWELL FUNDCO 1 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

---

### **1 Accounting policies**

#### **Company information**

Sandwell Fundco 1 Limited is a private company limited by shares incorporated in England and Wales. The registered office is 9th Floor Cobalt Square, 83-85 Hagley Road, Birmingham, B16 8QG. The nature of the company's operations and its principal activities are set out in the directors' report.

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.

#### **1.1 Accounting convention**

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

The functional currency is pounds sterling and rounded to the nearest £'000.

In preparing the separate financial statements, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the company;
- The company has taken advantage of exemption, not to disclose related party transactions between members wholly owned member of the group.

#### **1.2 Going concern**

At the year end, the company has net assets of £5,538,000 (2022: £4,367,000), which includes the negative fair value of interest rate and RPI swaps, net of related deferred tax, of £2,111,000 (2022: £2,691,000), which are on long term agreements as part of the overall financial model of the business. The company has net current assets (excluding debtors due after more than one year) of £694,000 (2022: £1,235,000), including cash of £1,723,000 (2022: £1,855,000).

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

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

# SANDWELL FUNDCO 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

---

### 1 Accounting policies

(Continued)

#### 1.3 Revenue

##### ***Public to private concession arrangements***

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

In order to fall within the scope of FRS 102 s34. 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 FRS 102 s34. 14, such infrastructures are not recognised in assets of the operator as property, plant and equipment but in financial assets ('financial asset model').

##### ***'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 FRS 102 s34. 14 are recorded in the balance sheet under the heading finance debtors and measured at amortised cost.

Pursuant to section 23 of FRS 102, revenue associated with this financial asset model comprises service remuneration which relates to facilities management, lifecycle maintenance and ad hoc property related income. Service remuneration is recognised as services are delivered.

Costs recognised in respect of service remuneration activities in advance of the work being undertaken are recognised as an asset within 'Other debtors' where the asset can be reliably measured and it is considered probable that those costs give rise to future revenue under the concession arrangements.

##### ***Other revenue items***

Cost recoveries income is recognised to off set costs as those costs are incurred.

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

#### 1.4 Cash and cash equivalents

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

#### 1.5 Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, financial debtors, amounts due from group undertakings and related parties, other debtors and accrued income.

# SANDWELL FUNDCO 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

### 1 Accounting policies

(Continued)

#### 1.6 Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Financial liabilities measured at amortised cost comprise bank and loans, amounts due to related parties, trade creditors, other creditors and accruals.

#### 1.7 Hedge accounting

The company has entered into variable to fixed rate interest swaps to manage its exposure to interest rate cash flow risk on its variable rate debt. The company has also entered into RPI swaps to hedge the potential variability in future revenue cash flows arising from movements in RPI. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective; movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the period.

#### 1.8 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

##### **Current tax**

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

##### **Deferred tax**

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

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

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

#### 1.9 Provisions

The company has recognised provisions for liabilities of uncertain timing or amount in respect of lifecycle obligations existing at the reporting date. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. Discounting, to reflect current market assessment of the time value of money and risks specific to the liability, is considered immaterial given the company expects to settle the obligations within the next financial year.

#### 1.10 Reserves

The company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Cash flow hedge reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective, net of relevant tax charges.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

# SANDWELL FUNDCO 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

---

### 2 Judgements and key sources of estimation uncertainty

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

#### **Critical judgements**

##### ***Concession arrangements***

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

#### **Key sources of estimation uncertainty**

##### ***Financial assets (note 11)***

The calculation of the amortised cost of finance receivables requires an estimate of the residual value of the property at the end of the lease term. This estimate is based on the residual value allocated to the property in the financial models, which form the basis for the calculation of rent charged to the lessee and which were assessed according to latest third party valuation of the property assets based on continued existing use at the end of the current project agreement.

The directors' have applied their judgement in determining the valuation policy and estimate, and are of the opinion that the values and assumptions currently used in the financial model continue to be appropriate. They continue to take a regular review of these assumptions, and will review and update this assessment as the position becomes less uncertain in future periods.

##### ***Financial assets interest rate (note 7)***

The financial assets interest income is based on the weighted average cost of debt of the project and is applied to the carrying value of the financial assets on a quarterly basis. The interest rate used in 2023 is 7.59% (2022: 7.59%) per annum.

##### ***RPI index (note 11)***

The finance debtors predict a level of RPI increases for future receipts and expenditure. This represents a degree of judgement and uncertainty given the nature of RPI. Where RPI differs from the estimated rate of 4.0%, this will impact future receipts/expenditure and thus increase/reduce the service margin (see below), which affects the amount of revenue recognised in any given period.

##### ***Service margin (note 3)***

After the property is constructed, the company provides property management services. The remuneration for these services is recognised at cost plus an estimated mark up for profit on property management services. The service margin rate used in 2023 is 20.78% (2022: 40.73%) per annum. It is the policy of the directors that the service margin is reviewed annually on 1 April each year to generate a new service margin rate, which is to be applied in the proceeding financial year.

##### ***Derivative valuation (note 18)***

Derivatives are professionally valued annually. The estimated value of derivative transactions is the valuation at the reporting date and this valuation can change significantly even over a very short space of time. The valuation of derivative transactions is complex and such transactions can be calculated in a number of different ways and using a variety of methods. There are a number of factors that can affect the value of a transaction and which may not be taken into account in the valuation estimate provided. This may result in the transaction having an actual value which is higher or lower than the estimate included in these financial statements.

# SANDWELL FUNDCO 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

### 3 Turnover and other revenue

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

	2023 £000	2022 £000
Service remuneration	1,083	797
Rental income	69	67
Cost recoveries	152	358
	<u>1,304</u>	<u>1,222</u>

### 4 Operating profit

Auditor's remuneration is borne by the parent company, Sandwell Estates Partnership Limited.

### 5 Employees

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

### 6 Directors' remuneration

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

### 7 Interest receivable and other income

	2023 £000	2022 £000
Bank interest receivable	42	2
Financial asset interest receivable	1,227	1,218
	<u>1,269</u>	<u>1,220</u>

### 8 Interest payable and similar expenses

	2023 £000	2022 £000
<b>Interest on financial liabilities measured at amortised cost:</b>		
Bank loan interest payable	500	544
Loan note interest payable to group undertakings	185	173
Amortisation of loan issue costs	3	3
	<u>688</u>	<u>720</u>



# SANDWELL FUNDCO 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

### 9 Taxation

	2023 £000	2022 £000
<b>Corporation Tax</b>		
Current tax on profits for the year	33	-
Adjustments in respect of prior periods	-	(22)
Total current tax	33	(22)
<b>Deferred tax</b>		
Origination and reversal of timing differences	73	116
Changes in tax rates	-	290
Adjustment in respect of prior periods	-	28
Total deferred tax	73	434
Total tax charge	106	412

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

	2023 £000	2022 £000
Profit before taxation	697	708
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	132	135
Tax effect of income not taxable in determining taxable profit	(44)	(19)
Adjustments in respect of prior years	-	6
Change in tax rate	18	290
Taxation charge for the year	106	412
Taxation charge in the financial statements	106	412
Deferred tax charge recognised in other comprehensive income:		
Relating to cash flow hedges	194	(265)
Total tax recognised in other comprehensive income	194	(265)

#### Factors that may affect future tax charges

The Finance Bill 2021, published on 11 March 2021, increases the main rate of Corporation tax to 25% for the year commencing 1 April 2023. This finance bill was substantively enacted on 24 May 2021 and therefore the deferred tax asset/liability has been calculated based on this rate.

# SANDWELL FUNDCO 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

### 10 Debtors

	2023 £000	2022 £000
<b>Amounts falling due within one year:</b>		
Trade debtors	30	29
Corporation tax recoverable	46	39
Amounts owed by related undertakings	17	25
Financial assets (note 11)	244	375
Prepayments and accrued income	33	19
	<u>370</u>	<u>487</u>
<b>Amounts falling due after more than one year:</b>		
Financial assets (note 11)	<u>16,466</u>	<u>16,105</u>
<b>Total debtors</b>	<u>16,836</u>	<u>16,592</u>

### 11 Financial assets

	2023 £000	2022 £000
Balance at 1 April	16,480	16,455
<b>Income recognised in the income statement</b>		
- services remuneration (note 3)	1,083	797
- interest income (note 7)	<u>1,227</u>	<u>1,218</u>
	2,310	2,015
<b>Other movements</b>		
-cash payments on RPI swap	104	30
-cash received	<u>(2,184)</u>	<u>(2,020)</u>
<b>Balance at 31 March</b>	<u>16,710</u>	<u>16,480</u>
<b>Analysis of expected net receipts timing:</b>		
Within one year	244	375
After more than one year	<u>16,466</u>	<u>16,105</u>
<b>Balance at 31 March</b>	<u>16,710</u>	<u>16,480</u>

# SANDWELL FUNDCO 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

### 12 Deferred taxation

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

	Liabilities 2023 £000	Liabilities 2022 £000
<b>Balances:</b>		
Fixed asset timing differences	1,282	1,229
Losses and other deductions	-	(20)
Cash flow hedge reserve	(703)	(897)
	<u>579</u>	<u>312</u>
<b>Movements in the year:</b>		<b>2023 £000</b>
Liability at 1 April 2022		312
Credit to profit or loss		73
Charge to other comprehensive income		194
Liability at 31 March 2023		<u>579</u>

### 13 Cash at bank in hand

	2023 £000	2022 £000
Cash at bank and in hand	1,723	1,855

Included in cash at bank and in hand are bank balances totalling £1,301,000 (2022: £1,692,000) which are restricted for use in pre described circumstances by the bank.

### 14 Creditors: amounts falling due within one year

	Notes	2023 £000	2022 £000
Bank loans	16	575	574
Loan notes owed to group undertakings	16	268	48
Trade creditors		157	62
Amounts owed to group undertakings		65	7
Amounts owed to undertakings in which the company has a participating interest		137	270
Taxation and social security		53	66
Accruals and deferred income		144	80
		<u>1,399</u>	<u>1,107</u>

# SANDWELL FUNDCO 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

### 15 Creditors: amounts falling due after more than one year

	Notes	2023 £000	2022 £000
Bank loans	16	6,886	7,462
Loan notes owed to group undertakings	16	1,343	1,612
Derivative financial instruments		2,814	3,587
		<u>11,043</u>	<u>12,661</u>

### 16 Loans and overdrafts

#### a) Bank loans

	2023 £000	2022 £000
<b>The bank loans are repayable as follows:</b>		
Within one year	575	574
Between one and two years	574	575
Between two and five years	1,726	1,592
After more than five years	4,586	5,295
	<u>7,461</u>	<u>8,036</u>

Bank loans relate to a Senior Debt Facility. £2,358,000 of the facility is repayable at the end of the term (2030-2031). The remaining amounts drawn under the Facility are repayable on an agreed repayment profile of six monthly instalments that commenced on 15 January 2004 and are due to end in July 2032.

Interest charges on amounts drawn down under both the current and previous facility are based on a margin of 1.00% and 1.15% for the amortising and bullet loans respectively plus SONIA. The company has entered into an interest rate swap agreement whereby it pays fixed rates of 5.18% and 5.16% per annum in respect of amounts drawn under the Amortising Senior Debt Facility, and receives SONIA. The company has also entered into an interest rate swap agreement whereby it pays fixed rates of 5.13% and 5.11% per annum in respect of amounts drawn under the Bullet Senior Debt Facility, and receives SONIA.

The swaps expire on 31 March 2031, 30 September 2030 and 30 September 2029 respectively. The Senior Facility is secured by a first floating charge over the assets of the company.

Issue costs of £24,000 (2022: £27,000) are offset against the bank loans and will be amortised over the duration of the facilities.

#### b) Subordinated loan notes due to related parties

	2023 £000	2022 £000
<b>The subordinated loan notes are repayable as follows:</b>		
Within one year	216	-
Between one and two years	114	109
Between two and five years	284	293
After more than five years	417	630
	<u>1,031</u>	<u>1,032</u>

# SANDWELL FUNDCO 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

### 16 Loans and overdrafts

(Continued)

The loan notes carry a coupon of 12% and are repayable in the quarter ending December 2030. The loan notes are unsecured.

#### c) Mezzanine loans due to related parties

	2023 £000	2022 £000
<b>The mezzanine loan notes are repayable as follows:</b>		
Within one year	52	48
Between one and two years	58	52
Between two and five years	210	191
After more than five years	260	337
	<u>580</u>	<u>628</u>

The loan notes carry a coupon of SONIA plus 4.75% and are repayable in the predetermined semi-annual instalments ending June 2030. The company has entered into an interest rate swap agreement whereby it pays fixed rates of 5.14% and 5.16% per annum in respect of amounts drawn under the Mezzanine Debt Facility. The aforementioned swaps on the Mezzanine Debt Facility, means the effective interest paid on the two tranches of this loan are 9.96% and 9.98% per annum. The loan is unsecured.

### 17 Share capital

	2023 Number	2022 Number	2023 £	2022 £
<b>Ordinary share capital</b>				
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

### 18 Financial instruments

	2023 £000	2022 £000
<b>Financial assets</b>		
Financial assets measured at amortised cost	<u>18,496</u>	<u>18,398</u>
<b>Financial liabilities</b>		
Derivative financial instruments designated as hedges of variable interest rate and RPI risk	<u>2,814</u>	<u>3,587</u>
Financial liabilities measured at amortised cost	<u>9,581</u>	<u>10,124</u>
	<u>12,395</u>	<u>13,711</u>

# **SANDWELL FUNDCO 1 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 MARCH 2023**

---

#### **18 Financial instruments**

**(Continued)**

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

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

To hedge the potential volatility in future interest cash flows arising from movements in SONIA, the company has entered into floating to fixed interest rate swaps with a nominal value equal to that initial borrowings, the same term as the loans and interest re-pricing dates identical to those of the variable rate loans. These result in the company paying 5.18%, 5.16%, 5.13%, 5.11%, 5.21% and 5.23% per annum, for the Amortising, Bullet and Mezzanine loans (see note 15), respectively, and receiving SONIA (though cash flows are settled on a net basis). The company pays SONIA, plus margins of 1% and 1.15%, on the Amortising and Bullet loans, respectively, effectively fixing the total interest cost on loans and interest rates swaps at 6.18% and 6.16% per annum on the Amortising loan and 6.28% and 6.26% per annum on the Bullet loans. The Mezzanine swaps, the loans of which are in two separate tranches, both with margins of 4.75%, have effectively fixed the interest rates at 9.96% and 9.98% per annum.

The derivatives are accounted for as a hedge of variable rate interest rate risks, in accordance with FRS 102 and had a negative fair value of £439,000 (2022: £1,442,000) at the reporting date. The cash flows arising from the interest rate swaps will continue until their maturity in 2031, coincidental with the repayment of the term loans. The swaps were 100% effective hedges.

Between 2004 and 2005, the company entered into eight LPA agreements having fixed contractual terms which caused their turnover to increase with RPI on a yearly basis.

To hedge the potential volatility in future revenue cash flows arising from movements in RPI, the company has entered into RPI swaps with a nominal value below that of the LPA contracts but having the same term as the contracts and RPI re-pricing dates identical to those of the LPA contracts. These result in the company paying 2.60% and 2.86% per annum and receiving actual RPI and effectively fixing the inflation on a determined portion of the LPA contract.

The derivatives are accounted for as a hedge of variable rate RPI rate risks, in accordance with FRS 102 and had a negative fair value of £2,375,000 (2022: £2,146,000) at the reporting date. The cash flows arising from the RPI swaps will continue until their maturity in 2031, coincidental with the LPA contractual terms. The swaps were 100% effective hedges.

#### **19 Other commitments**

On completion of the buildings, under terms of contracts made, the company is committed to fixed payments, which increase by indexation, for Facilities Management for a 25 year period. The current year payment for these services amounted to £163,000 (2022: £150,000).

Under the terms of management agreements with its parent company, the company is committed to the payment of fixed and variable fees based on services provided in the contract term. The current year payment for these services amounted to £176,000 (2022: £163,000).

# SANDWELL FUNDCO 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

### 20 Ultimate controlling party

The company is controlled by Sandwell Estates Partnership Limited, a company registered in England and Wales. As at 31 March 2023, Sandwell Estates Partnership Limited was owned by Primary Plus Holdings Limited (60%) and Community Health Partnerships Limited (40%), which are both registered in England and Wales.

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

### 21 Related party transactions

#### Transactions with related parties

The company has taken advantage of the exemption provided in FRS 102 not to disclose transactions with companies within the group of which it is a member, where the transactions occur between entities which are wholly owned members of that group.

Key management personnel include all directors who together have authority and planning, directing and controlling the activities of the company. See note 6 for details of directors' remuneration.

The directors consider the material transactions undertaken by the company during the year with related parties were as follows:

Name of related party	Nature of relationship
Community Health Partnerships Limited	Joint control shareholder
Primary Plus Holdings Limited	Joint control shareholder

	2023	Income 2022
	£000	£000
Community Health Partnerships Limited	2,317	2,705
Primary Plus Holdings Limited	-	-
	<u>2,317</u>	<u>2,705</u>

	Interest charged by related parties	
	2023	2022
	£000	£000
Community Health Partnerships Limited	57	70
Primary Plus Holdings Limited	85	104
	<u>142</u>	<u>174</u>

#### Balances with related parties

	Amounts owed by related parties	
	2023	2022
	£000	£000
Community Health Partnerships Limited	17	25
	<u>17</u>	<u>25</u>

# SANDWELL FUNDCO 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

### 21 Related party transactions

(Continued)

	Amounts owed to related parties	
	2023 £000	2022 £000
Community Health Partnerships Limited	700	772
Primary Plus Holdings Limited	1,050	1,158
	<u>          </u>	<u>          </u>

### 22 Prior year adjustment

The directors have noted that the allocation of management services fees has been incorrectly split between administrative expenses and cost of sales. The comparatives have consequently been amended to reflect this, moving £163,000 from administrative expenses to cost of sales. This adjustment has had no impact on the prior period profit and net assets.