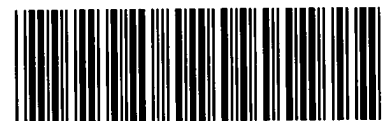


Company Registration No. 05192076 (England and Wales)

MEDWAY FUNDCO LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

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MEDWAY FUNDCO LIMITED

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MEDWAY FUNDCO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the year ended 31 March 2019.

Principal activities

The principal activity of the company is the provision of facilities under the NHS LIFT scheme.

Directors

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

A. West	
D. Foot	
R. Driver	
B. Ravi Kumar	
R. Turnbull	(Resigned 25 October 2018)
A. Wickings	(Appointed 27 April 2018)
J. Heath	(Appointed 25 October 2018)

Auditor

The auditor, Rouse Audit LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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

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

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

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

MEDWAY FUNDCO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor are unaware. Additionally, the directors 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 auditors are aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



J. HEATH

Date: 27.09.19

MEDWAY FUNDCO LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MEDWAY FUNDCO LIMITED

Opinion

We have audited the financial statements of Medway Fundco Limited (the 'company') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of 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 2019 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.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effect are subject to unprecedented levels of uncertainty to outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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.

MEDWAY FUNDCO LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MEDWAY FUNDCO LIMITED

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 our audit:

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

Matters on which we are required to report by exception

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

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

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

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.

MEDWAY FUNDCO LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MEDWAY FUNDCO LIMITED

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 on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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.

Rouse Audit LLP

Susan Drummond (Senior Statutory Auditor)
for and on behalf of Rouse Audit LLP

30th September 2019

Chartered Accountants
Statutory Auditor

55 Station Road
Beaconsfield
Bucks
HP9 1QL

MEDWAY FUNDCO LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

		2019 £	2018 £
Turnover	Notes 3	1,022,990	957,499
Administrative expenses		(804,755)	(735,520)
Operating profit		218,235	221,979
Interest receivable and similar income	5	1,434,284	1,468,035
Interest payable and similar expenses	6	(1,587,878)	(1,565,786)
Profit before taxation		64,641	124,228
Taxation	7	(10,989)	8,277
Profit for the financial year		53,652	132,505
Other comprehensive income			
Cash flow hedge on interest rate (loss)/gain		(7,185)	1,088,722
Cash flow hedge on inflation (loss)/gain		(117,076)	311,370
Total comprehensive income for the year		(70,609)	1,532,597

The Profit and Loss Account has been prepared on the basis that all operations are continuing operations.

MEDWAY FUNDCO LIMITED

BALANCE SHEET

AS AT 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Financial assets	9	21,023,612		21,569,570	
Current assets					
Debtors	11	22,225		3,351	
Cash at bank and in hand		1,997,642		1,912,293	
		<u>2,019,867</u>		<u>1,915,644</u>	
Creditors: amounts falling due within one year	12	<u>(785,834)</u>		<u>(696,424)</u>	
Net current assets		<u>1,234,033</u>		<u>1,219,220</u>	
Total assets less current liabilities		<u>22,257,645</u>		<u>22,788,790</u>	
Creditors: amounts falling due after more than one year	13	(30,480,859)		(30,881,137)	
Provisions for liabilities	16	(531,838)		(520,849)	
Net liabilities		<u>(8,755,052)</u>		<u>(8,613,196)</u>	
Capital and reserves					
Called up share capital	17	1,000		1,000	
Cash flow hedge on interest rate reserve		(6,123,845)		(6,116,660)	
Cash flow hedge on inflation reserve		(3,336,468)		(3,219,392)	
Profit and loss reserves		704,261		721,856	
Total equity		<u>(8,755,052)</u>		<u>(8,613,196)</u>	

The financial statements were approved by the board of directors and authorised for issue on 27.09.19 and are signed on its behalf by:



Director J. HEATH

Company Registration No. 05192076

MEDWAY FUNDCO LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Share capital £	Cash flow hedge on inflation reserve £	Cash flow hedge on interest rate reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2017		1,000	(3,530,762)	(7,205,382)	2,084,756	(8,650,388)
Year ended 31 March 2018:						
Profit for the year		-	-	-	132,505	132,505
Other comprehensive income:						
Cash flow hedges gains /(losses)		-	311,370	1,088,722	-	1,400,092
Total comprehensive income for the year		-	311,370	1,088,722	132,505	1,532,597
Dividends	8	-	-	-	(1,495,405)	(1,495,405)
Balance at 31 March 2018		1,000	(3,219,392)	(6,116,660)	721,856	(8,613,196)
Year ended 31 March 2019:						
Profit for the year		-	-	-	53,652	53,652
Other comprehensive income:						
Cash flow hedges gains /(losses)		-	(117,076)	(7,185)	-	(124,261)
Total comprehensive income for the year		-	(117,076)	(7,185)	53,652	(70,609)
Dividends	8	-	-	-	(71,247)	(71,247)
Balance at 31 March 2019		1,000	(3,336,468)	(6,123,845)	704,261	(8,755,052)

MEDWAY FUNDCO LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from operations	20	748,675		748,553	
Interest paid		(1,587,878)		(1,565,786)	
Net cash outflow from operating activities		<u>(839,203)</u>		<u>(817,233)</u>	
Investing activities					
Interest received		<u>1,434,284</u>		<u>1,468,035</u>	
Net cash generated from investing activities		1,434,284		1,468,035	
Financing activities					
Repayment of bank loans		(438,485)		(445,616)	
Dividends paid		<u>(71,247)</u>		<u>(1,495,405)</u>	
Net cash used in financing activities		<u>(509,732)</u>		<u>(1,941,021)</u>	
Net increase/(decrease) in cash and cash equivalents		85,349		(1,290,219)	
Cash and cash equivalents at beginning of year		<u>1,912,293</u>		<u>3,202,512</u>	
Cash and cash equivalents at end of year		<u><u>1,997,642</u></u>		<u><u>1,912,293</u></u>	

MEDWAY FUNDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

Company information

Medway Fundco Limited is a company limited by shares domiciled and incorporated in England and Wales. The registered office is 55 Station Road, Beaconsfield, Buckinghamshire, HP9 1QL. The principal place of business is Suite A, 30A Church Road, Tunbridge Wells, TN1 1JP.

1.1 Accounting convention

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

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

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

The company has net liabilities of £8,755,052 (2018: net liabilities of £8,613,196) which includes the fair value of the interest rate swaps of £6,123,845 (2018: £6,116,660) and the fair value of the inflation rate swaps of £3,336,468 (2018: £3,219,392) within liabilities. If these are excluded then the company has net assets. These swaps continue until 2031 and the derivative liabilities have no direct cash flows, other than the payment for the swaps which are included in the cash flow forecasts of the company.

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 after making enquiries, the directors have a reasonable expectation that the company will be able to meet its liabilities as they fall due and 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 financial statements.

MEDWAY FUNDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

1.3 Turnover

a. Public to private concession arrangements

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

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

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

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

b. Financial asset model

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

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

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

Financial assets resulting from the application of section 34 of FRS 102 are recorded in the statement of financial position under the heading financial assets and measured at amortised cost.

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

1.4 Cash and cash equivalents

Cash at bank and in hand 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 instruments

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

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

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

MEDWAY FUNDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

Financial assets

The financial asset is stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of 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 asset.

Loan arrangement fees

Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument. The capitalised fees are then released to the statement of comprehensive income on a straight line basis over the term of the loan.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial liabilities

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.6 Equity instruments

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

MEDWAY FUNDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

1.7 Derivatives

Derivatives including interest rate swaps and inflation rate swaps are not basic financial instruments. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

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. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in the statement of comprehensive income for the period.

The company has entered into fixed inflation swaps to manage its exposure to inflation cash flow risk on its income. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in the statement of comprehensive income for the period.

1.8 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

MEDWAY FUNDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods. The main estimates and assumptions are listed below:

Financial asset - The calculation of the amortised cost of the financial asset requires an estimate of the residual value of the property at the end of the lease term. This estimate has been based on the residual value allocated to the contract in the financial models, which form the basis for the calculation of service remuneration charged to the grantor.

Financial asset interest rate - The financial asset interest income is based on the WACC of the project and is applied to the carrying value of the financial asset on a quarterly basis. The interest rate used in 2019 is 6.95%.

Service margin - After the property is constructed, the company provides property management services. The remuneration for these services is recognised at cost plus an estimated mark up for profit on property management services. The service margin rate used in 2019 is 12.83%.

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

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019 £	2018 £
Turnover analysed by class of business		
Service remuneration	978,106	831,799
Pass through income	44,884	75,700
Other income	-	50,000
	<u>1,022,990</u>	<u>957,499</u>
	2019 £	2018 £
Other significant revenue		
Interest income	<u>1,434,284</u>	<u>1,468,035</u>

MEDWAY FUNDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

3	Turnover and other revenue	(Continued)	
		2019	2018
		£	£
	Turnover analysed by geographical market		
	UK	1,022,990	957,499
		<u> </u>	<u> </u>
4	Auditor's remuneration	2019	2018
		£	£
	Fees payable to the company's auditor and associates:		
	For audit services		
	Audit of the financial statements of the company	6,274	5,879
		<u> </u>	<u> </u>
	For other services		
	Taxation compliance services	1,786	1,808
	All other non-audit services	1,940	1,772
		<u> </u>	<u> </u>
		3,726	3,580
		<u> </u>	<u> </u>
5	Interest receivable and similar income	2019	2018
		£	£
	Interest income		
	Bank interest receivable	9,476	6,705
	Financial asset interest receivable	1,424,808	1,461,330
		<u> </u>	<u> </u>
	Total income	1,434,284	1,468,035
		<u> </u>	<u> </u>
	Investment income includes the following:		
	Interest on financial assets not measured at fair value through profit or loss	1,434,284	1,468,035
		<u> </u>	<u> </u>
6	Interest payable and similar expenses	2019	2018
		£	£
	Interest on financial liabilities measured at amortised cost:		
	Interest on bank overdrafts and loans	1,252,749	1,223,023
	Other interest	335,129	342,763
		<u> </u>	<u> </u>
		1,587,878	1,565,786
		<u> </u>	<u> </u>

MEDWAY FUNDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

7 Taxation

	2019 £	2018 £
Deferred tax		
Origination and reversal of timing differences	10,989	(8,277)

The actual charge/(credit) 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:

	2019 £	2018 £
Profit before taxation	64,641	124,228
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	12,282	23,603
Gains not taxable	(92,812)	(95,752)
Unutilised tax losses carried forward	90,872	158,976
Fixed asset differences	12,929	(71,501)
Utilisation of tax losses brought forward	(12,282)	(23,603)
Taxation charge/(credit) for the year	10,989	(8,277)

The company has estimated losses of £4,844,447 (2018: £5,378,990) available to carry forward against future trading profits.

8 Dividends

	2019 £	2018 £
Final paid	71,247	1,495,405

MEDWAY FUNDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

9 Financial assets

	2019 £	2018 £
Balance at 1 April	21,569,570	22,122,458
Income recognised in Profit and loss account		
Service remuneration	978,106	831,799
Interest income	1,424,808	1,461,330
Other movements		
Cash received	(2,948,872)	(2,846,017)
Balance at 31 March	<u>21,023,612</u>	<u>21,569,570</u>

10 Financial instruments

	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>21,041,796</u>	<u>21,569,570</u>
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	9,460,313	9,336,052
Measured at amortised cost	<u>21,638,474</u>	<u>22,094,378</u>

Financial assets measured at amortised cost comprise trade debtors and service concession financial assets.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors and other creditors.

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

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

In 2005, the company initially borrowed funds of £24,246,808 which are repayable in 2031. The balance outstanding at 31 March 2019 is £19,058,453.

In addition, there is a bank margin charge applied to the outstanding loan balance. This margin is charged as follows:

1.05% (2018: 1.05%) for the Tranche B element of the senior loan balance. At 31 March 2019, this was £8,577,923 (2018: £8,577,923). 1% (2018: 1%) for the Tranche A element of the senior loan balance. At 31 March 2019, this was £10,480,530 (2018: £10,919,014).

MEDWAY FUNDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

10 Financial instruments

(Continued)

To hedge the potential volatility in future interest cash flows arising from movements in LIBOR, the company has entered into a floating to fixed interest rate swap with a nominal value equal to the initial borrowing, the same term as the loan and interest re-pricing dates identical to that of the variable rate loan, resulting in the nominal value of the swap equalling the senior debt outstanding amount at every 6 months. This results in the company paying 4.74% per annum and receiving LIBOR (though cash flows are settled on a net basis) and effectively fixing the total interest cost on loans and interest rate swaps at 4.74% per annum.

To hedge the potential volatility in future income cash flows arising from movements in RPI, the company has entered into a floating to fixed inflation rate swap in 2005 with a nominal value of £686,548. This results in the company receiving income inflating at 2.57% per annum, and paying out at inflation of RPI (though cash flows are settled on a net basis), and effectively fixing the inflation to 2.57% per annum.

The derivatives are accounted for as a hedge of variable rate interest rate and inflation risks, in accordance with FRS 102 and had fair values of £6,123,845 (2018: £6,116,660) and £3,336,468 (2018: £3,219,392) respectively as at the year end date. The cash flows arising from the interest rate and inflation swaps will continue until their maturity in 2031, coincidental with the repayment of the term loans. The changes in fair value in the period were a decrease of £7,185 (2018: increase of £1,088,722) and a decrease of £117,076 (2018: increase of £311,370) respectively with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

11 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	18,184	-
Prepayments and accrued income	4,041	3,351
	<u>22,225</u>	<u>3,351</u>

12 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Bank loans and overdrafts	14	463,535	438,207
Trade creditors		92,011	53,521
Amounts due to group undertakings		60,496	57,190
Other taxation and social security		107,599	111,922
Other creditors		1,886	375
Accruals and deferred income		60,307	35,209
		<u>785,834</u>	<u>696,424</u>

MEDWAY FUNDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

13 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Bank loans and overdrafts	14	18,594,917	19,058,730
Amounts due to group undertakings		2,425,629	2,486,355
Derivative financial instruments		9,460,313	9,336,052
		<u>30,480,859</u>	<u>30,881,137</u>

Amounts included above which fall due after five years are as follows:

Payable by instalments	18,594,917	19,058,730
Payable other than by instalments	11,885,942	11,822,407
	<u>30,480,859</u>	<u>30,881,137</u>

14 Loans and overdrafts

	2019 £	2018 £
Bank loans	19,058,452	19,496,937
	<u>19,058,452</u>	<u>19,496,937</u>
Payable within one year	463,535	438,207
Payable after one year	18,594,917	19,058,730
	<u>19,058,452</u>	<u>19,058,730</u>

The bank loan bears interest at the fixed rate of 5.763% (2018: 5.763%) per annum. The loan is secured on the assets of the company.

15 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	16	531,838	520,849
		<u>531,838</u>	<u>520,849</u>

MEDWAY FUNDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

16 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
Accelerated capital allowances	1,512,266	1,499,337
Tax losses	(823,556)	(914,428)
Short term timing differences	(156,872)	(64,060)
	<u>531,838</u>	<u>520,849</u>
		2019
Movements in the year:		£
Liability at 1 April 2018		520,849
Charge to profit or loss		10,989
Liability at 31 March 2019		<u>531,838</u>

17 Share capital

	2019 £	2018 £
Ordinary share capital		
Allotted, issued and fully paid		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

The company has one class of ordinary share which carries the right to one vote per share and no right to fixed income.

18 Related party transactions

At the year ended 31 March 2019, an amount of £2,486,125 (2018: £2,543,544) was owed to the immediate parent company, Medway Community Estates Limited and the company made loan repayments of £57,190 (2018: £58,157). During the year the company paid the immediate parent £240,450 (2018: £232,063) in respect of management fees and £335,129 (2018: £342,763) in respect of debt interest.

During the year ended 31 March 2019, the company made sales of £1,022,990 (2018: £901,499) to Community Health Partnerships Limited, a related party by virtue of being a shareholder of the immediate parent company. At the year ended 31 March 2019, there was an amount of £16,566 (2018: £2,242 due to) due from Community Health Partnerships Limited. Also, during the year the company charged interest of £1,424,808 (2018: £1,461,330) and received cash from Community Health Partnerships Limited of £2,948,872 (2018: £2,846,017) in relation to the financial asset. The value of the financial asset at 31 March 2019 was £21,023,612 (2018: £21,569,570).

During the year there was no remuneration of directors or key management personnel (2018: £Nil).

MEDWAY FUNDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

19 Controlling party

The immediate parent company is Medway Community Estates Limited, a company registered in England and Wales.

The ultimate parent company in the current and preceding year is HICL Infrastructure Company Limited, a company registered in Guernsey. On 1 April 2019, HICL Infrastructure Company Limited transferred all of its assets to HICL Infrastructure Plc. As a result, the ultimate beneficial owner of the company changed from HICL Infrastructure Company Limited to HICL Infrastructure Plc, a company listed on the London Stock Exchange and registered at 12 Charles II Street, London, SW1Y 4QU.

There is no ultimate controlling party in either the current or preceding year.

20 Cash generated from operations

	2019 £	2018 £
Profit for the year after tax	53,652	132,505
Adjustments for:		
Taxation charged/(credited)	10,989	(8,277)
Finance costs	1,587,878	1,565,786
Investment income	(1,434,284)	(1,468,035)
Movements in working capital:		
Decrease in debtors	527,084	860,506
Increase/(decrease) in creditors	3,356	(333,932)
Cash generated from operations	748,675	748,553