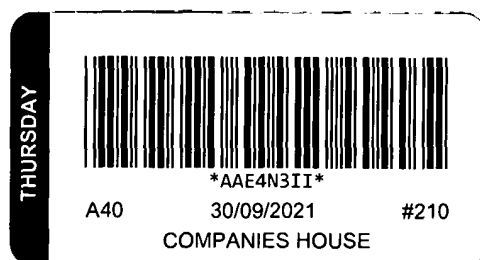


Company Registration No. 05192076 (England and Wales)

**MEDWAY FUNDCO LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2021**



# **MEDWAY FUNDCO LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	A. West D. Foot B. Ravi Kumar J. Heath
<b>Secretary</b>	N. Dodds
<b>Company number</b>	05192076
<b>Registered office</b>	55 Station Road Beaconsfield Buckinghamshire HP9 1QL
<b>Auditor</b>	Rouse Audit LLP 55 Station Road Beaconsfield Buckinghamshire HP9 1QL

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# **MEDWAY FUNDCO LIMITED**

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# MEDWAY FUNDCO LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 MARCH 2021**

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The directors present their annual report and financial statements for the year ended 31 March 2021.

### 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

(Resigned 15 June 2021)

B. Ravi Kumar

A. Wickings

(Resigned 24 August 2021)

J. Heath

### 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.

### 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

Director

Date: 27 September 2021

# MEDWAY FUNDCO LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF MEDWAY FUNDCO LIMITED

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#### Opinion

We have audited the financial statements of Medway Fundco Limited (the 'company') for the year ended 31 March 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity 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 2021 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.

# **MEDWAY FUNDCO LIMITED**

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

### **TO THE MEMBERS OF MEDWAY FUNDCO LIMITED**

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#### **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 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.

#### **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.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- Through discussions with the directors and other management and from our commercial knowledge and experience of the sector, we identified the laws and regulations applicable to the company; and
- Focusing on the specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, we assessed the extent of compliance with those laws and regulations identified above through making enquiries of management and inspecting relevant correspondence.

# **MEDWAY FUNDCO LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF MEDWAY FUNDCO LIMITED**

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We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates detailed in the accounting policies were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation; and
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or 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.

*Rouse Audit LLP*

**Joanna Lovatt (Senior Statutory Auditor)  
For and on behalf of Rouse Audit LLP**

**27 September 2021**  
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**Chartered Accountants  
Statutory Auditor**

55 Station Road  
Beaconsfield  
Buckinghamshire  
HP9 1QL

# MEDWAY FUNDCO LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

		2021	2020
	Notes	£	£
Turnover	3	1,140,506	2,700,641
Administrative expenses		(911,424)	(2,478,586)
<b>Operating profit</b>		<b>229,082</b>	<b>222,055</b>
Interest receivable and similar income	4	1,367,732	1,418,353
Interest payable and similar expenses	5	(1,505,402)	(1,549,950)
<b>Profit before taxation</b>		<b>91,412</b>	<b>90,458</b>
Taxation	6	(17,368)	(79,756)
<b>Profit for the financial year</b>		<b>74,044</b>	<b>10,702</b>
<b>Other comprehensive income</b>			
Cash flow hedge on interest rate gain/(loss)		1,433,579	(637,384)
Cash flow hedge on inflation gain		48,624	712,097
<b>Total comprehensive income for the year</b>		<b>1,556,247</b>	<b>85,415</b>



# MEDWAY FUNDCO LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2021

	Notes	2021 £	£	2020 £	£
<b>Fixed assets</b>					
Financial assets	8	19,795,429		20,416,346	
<b>Current assets</b>					
Debtors	10	2,879		82,005	
Cash at bank and in hand		2,487,014		3,251,687	
		2,489,893		3,333,692	
<b>Creditors: amounts falling due within one year</b>	11	(1,383,023)		(2,087,689)	
<b>Net current assets</b>		1,106,870		1,246,003	
<b>Total assets less current liabilities</b>		20,902,299		21,662,349	
<b>Creditors: amounts falling due after more than one year</b>	12	(27,461,584)		(29,751,679)	
<b>Provisions for liabilities</b>		(628,963)		(611,594)	
<b>Net liabilities</b>		(7,188,248)		(8,700,924)	
<b>Capital and reserves</b>					
Called up share capital	15	1,000		1,000	
Cash flow hedge on interest rate reserve		(5,327,650)		(6,761,229)	
Cash flow hedge on inflation reserve		(2,575,747)		(2,624,371)	
Profit and loss reserves		714,149		683,676	
<b>Total equity</b>		(7,188,248)		(8,700,924)	

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 27 September 2021 and are signed on its behalf by:

  
J. Heath  
Director

Company Registration No. 05192076

# MEDWAY FUNDCO LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Share capital £	Cash flow hedge on inflation reserve £	Cash flow hedge on interest rate reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 April 2019</b>		1,000	(3,336,468)	(6,123,845)	704,261	(8,755,052)
<b>Year ended 31 March 2020:</b>						
Profit for the year		-	-	-	10,702	10,702
Other comprehensive income:						
Cash flow hedges gains /(losses)		-	712,097	(637,384)	-	74,713
Total comprehensive income for the year		-	712,097	(637,384)	10,702	85,415
Dividends	7	-	-	-	(31,287)	(31,287)
<b>Balance at 31 March 2020</b>		1,000	(2,624,371)	(6,761,229)	683,676	(8,700,924)
<b>Year ended 31 March 2021:</b>						
Profit for the year		-	-	-	74,044	74,044
Other comprehensive income:						
Cash flow hedges gains		-	48,624	1,433,579	-	1,482,203
Total comprehensive income for the year		-	48,624	1,433,579	74,044	1,556,247
Dividends	7	-	-	-	(43,571)	(43,571)
<b>Balance at 31 March 2021</b>		1,000	(2,575,747)	(5,327,650)	714,149	(7,188,248)

# MEDWAY FUNDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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### 1 Accounting policies

#### Company information

Medway Fundco Limited is a private 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 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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 £7,188,248 (2020: net liabilities of £8,700,924) which includes the fair value of the interest rate swaps of £5,327,650 (2020: £6,761,229) and the fair value of the inflation rate swaps of £2,575,747 (2020: £2,624,371) within liabilities. If these derivative liabilities 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.

#### Impact of COVID-19 pandemic

Since 31 December 2019, the COVID-19 pandemic has severely impacted economies around the globe. In many countries, businesses have been forced to limit operations for long or indefinite periods of time.

During this financial year, the directors have continued to undertake a number of measures to combat any effects of the situation as they see it impacting the company. These measures have been summarised in a Business Continuity Plan which is used to help operational continuity for this company. The measures in this Plan are reviewed regularly and any relevant changes are implemented swiftly and effectively. Key stakeholders have also been kept informed of the steps that have been taken.

Consequently, there have been no direct adverse financial or operational implications for the company resulting from the pandemic to date. Nevertheless, the company takes the potential impact of the COVID-19 very seriously and it continues to monitor the situation accordingly.

# MEDWAY FUNDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2021

#### 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.

###### c. Pass through turnover

Pass through turnover represents amounts receivable in respect of recharged costs rendered net of VAT. These recharged costs are included within administrative expenses. Turnover and costs are recognised in the month to which they relate.

##### 1.4 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 2021

### 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 and loans from fellow group companies, 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.

### 1.5 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction 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 2021

### 1 Accounting policies

(Continued)

#### 1.6 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.

#### 1.7 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 2021

### 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 2021 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 2021 is 12.05%.

**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:

	2021 £	2020 £
<b>Turnover analysed by class of business</b>		
Service remuneration	1,113,159	1,010,173
Pass through income	27,347	1,690,468
	<u>1,140,506</u>	<u>2,700,641</u>
	2021 £	2020 £
<b>Other significant revenue</b>		
Interest income	<u>1,367,732</u>	<u>1,418,353</u>
	2021 £	2020 £
<b>Turnover analysed by geographical market</b>		
UK	<u>1,140,506</u>	<u>2,700,641</u>

# MEDWAY FUNDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 4 Interest receivable and similar income

	2021	2020
	£	£
<b>Interest income</b>		
Bank interest receivable	5,553	13,758
Financial asset interest receivable	1,362,179	1,404,595
<b>Total income</b>	<b>1,367,732</b>	<b>1,418,353</b>

Investment income includes the following:

Interest on financial assets measured at amortised cost	1,367,732	1,418,353
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### 5 Interest payable and similar expenses

	2021	2020
	£	£
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	1,186,324	1,222,489
Other interest	319,078	327,461
	<b>1,505,402</b>	<b>1,549,950</b>

### 6 Taxation

The company has estimated losses of £3,547,899 (2020: £4,209,089) available to carry forward against future trading profits.

### 7 Dividends

	2021	2020
	£	£
Interim paid	43,571	31,287



# MEDWAY FUNDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 8 Financial assets

	2021 £	2020 £
Balance at 1 April	20,416,346	21,023,612
<b>Income recognised in Profit and loss account</b>		
Service remuneration	1,113,159	1,010,173
Interest income	1,362,179	1,404,595
<b>Other movements</b>		
Cash received	(3,096,255)	(3,022,034)
Balance at 31 March	<u>19,795,429</u>	<u>20,416,346</u>

### 9 Financial instruments

	2021 £	2020 £
<b>Carrying amount of financial liabilities</b>		
Measured at fair value through profit or loss		
- Other financial liabilities	<u>7,903,397</u>	<u>9,385,600</u>

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 2021 is £18,015,859 (2020: 18,595,194).

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

1.05% (2020: 1.05%) for the Tranche B element of the senior loan balance. At 31 March 2021, this was £8,577,923 (2020: £8,577,923). 1.00% (2020: 1.00%) for the Tranche A element of the senior loan balance. At 31 March 2021, this was £9,437,936 (2020: £10,017,271).

# MEDWAY FUNDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 9 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 £5,327,650 (2020: £6,761,229) and £2,575,747 (2020: £2,624,371) 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 an increase of £1,433,579 (2020: decrease of £637,384) and an increase of £48,624 (2020: increase of £712,097) respectively with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

### 10 Debtors

	2021	2020
	£	£
Amounts falling due within one year:		
Trade debtors	792	78,668
Other debtors	2,087	3,337
	<u>2,879</u>	<u>82,005</u>

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

	2021	2020
	£	£
Bank loans	714,626	579,335
Trade creditors	64,933	143,995
Amounts owed to group undertakings	93,266	268,937
Taxation and social security	94,896	30,992
Other creditors	415,302	1,064,430
	<u>1,383,023</u>	<u>2,087,689</u>

# MEDWAY FUNDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2021

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

	2021 £	2020 £
Bank loans and overdrafts	17,301,233	18,015,859
Amounts due to group undertakings	2,256,954	2,350,220
Cash flow hedge on interest rate	5,327,650	6,761,229
Cash flow hedge on inflation	2,575,747	2,624,371
	<u>27,461,584</u>	<u>29,751,679</u>

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

	2021 £	2020 £
Payable by instalments	15,763,149	16,597,557
Payable other than by instalments	7,903,397	9,385,600
	<u>23,666,546</u>	<u>25,983,157</u>

#### 13 Loans and overdrafts

	2021 £	2020 £
Bank loans	<u>18,015,859</u>	<u>18,595,194</u>
Payable within one year	714,626	579,335
Payable after one year	<u>17,301,233</u>	<u>18,015,859</u>

The bank loan bears interest at the fixed rate of 5.764% (2020: 5.763%) per annum. The bank loan and other loans are secured on the assets of the company.

#### 14 Provisions for liabilities

	2021 £	2020 £
Deferred tax liabilities	<u>628,963</u>	<u>611,594</u>

# MEDWAY FUNDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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**15 Called up share capital**

	2021 £	2020 £
<b>Ordinary share capital</b>		
<b>Allotted, issued and fully paid</b>		
1,000 Ordinary shares of £1 each	1,000	1,000
	<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.

**16 Post balance sheet events**

During the year, an exercise to review the condition of and lifecycle profiles pertaining to the LIFT buildings was undertaken with assistance from external consultants.

The results of this process were finalised after the year end and, subject to a decision by the board, may result in the reduction of the ongoing cost estimates in the company's financial model and a resulting change in the discount factor used to recognise income.

The final net effect of this change will then be recognised over the remaining operational term until 2031.

**17 Parent company**

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