Company Number 08287975

MCDC Fundco Limited

Annual Report and Financial Statements

Year ended

31 March 2019

MCDC Fundco Limited

Annual report and financial statements for the year ended 31 March 2019

Contents

Page:

Directors

F M Schramm
I Tayler
N G Ward
A McDonnell

Registered office

9th Floor Cobalt Square, 83-85 Hagley Road, Birmingham, B16 8QG

Company number

08287975

Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

MCDC Fundco Limited

Directors' report
for the year ended 31 March 2019

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

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

MCDC Fundco Limited ("MCDC") is a wholly owned subsidiary of MCDC Midco Limited ("Midco") and was formed to construct and hold the property at Walton. Midco was formed in November 2012 as an extension of the operations of Liverpool and Sefton Health Partnership Limited ("LSHP") a company formed as part of the Government's Local Improvement Finance Trust Initiative ("LIFT"). MCDC was incorporated in November 2012 to develop a scheme at Walton and to hold it as an investment.

Work commenced on site in March 2013 and completed in December 2014. Since completion the building has operated effectively.

Dividends

Dividends of £136,000 (2018: £85,000) were paid during the year. No further dividends are proposed.

Directors

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

F M Schramm	
A H Naafs	(resigned 1 November 2018)
I Tayler	
N G Ward	
A McDonnell	(appointed 17 April 2019)

Qualifying third party indemnity provisions

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- 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.

Disclosure of information to auditors

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

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

This report was approved by the board on 27 September 2019 and signed on its behalf.

I Tayler
Director

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF MCDC FUNDCO LIMITED

Opinion

We have audited the financial statements of MCDC Fundco Limited ("the Company") for the year ended 31 March 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the statement of cash flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

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

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Stephen Hale (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK 30/9/19

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

MCDC Fundco Limited

Statement of comprehensive income
for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Continuing operations			
Revenue	4	**836**	704
Cost of sales		**(498)**	(389)
Gross profit		**338**	315
Administrative expenses		**(219)**	(208)
Operating profit	5	**119**	107
Finance income	6	**1,705**	1,717
Finance costs	7	**(1,414)**	(1,446)
Profit before tax		**410**	378
Tax charge	8	**(109)**	(25)
Profit and total comprehensive income for the year attributable to equity holders		**301**	353

The notes on pages 10 to 25 form part of these financial statements.

MCDC Fundco Limited

Statement of financial position
at 31 March 2019

Company number 08287975	Note	2019 £'000	As restated 2018 £'000
Assets			
Non-current assets			
Finance receivables	9	**25,601**	25,906
		25,601	25,906
Current assets			
Trade receivables	10	**-**	127
Other receivables	11	**363**	335
Cash and cash equivalents	12	**758**	576
		1,121	1,038
Liabilities			
Current liabilities			
Trade and other payables	13	**543**	501
Current portion of long-term borrowings	14	**641**	641
		1,184	1,142
Net current liabilities		**(63)**	(104)
Non-current liabilities			
Non-current borrowings	14	**22,787**	23,428
Deferred income	13	**623**	520
Deferred tax	15	**462**	353
		23,872	24,301
Net assets		**1,666**	1,501
Equity			
Ordinary shares	16	**-**	-
Share premium		**10**	10
Retained earnings		**1,656**	1,491
Total equity		**1,666**	1,501

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 September 2019.

I Tayler
Director

The notes on pages 10 to 25 form part of these financial statements.

MCDC Fundco Limited

Statement of changes in equity
at 31 March 2019

	Share capital £'000	Share Premium reserve £'000	Retained earnings £'000	Total equity £'000
	Attributable to equity holders			
Balance at 1 April 2018	**-**	**10**	**1,491**	**1,501**
Changes in equity for 2018-2019				
Profit and total comprehensive income for the year attributable to equity holders	-	-	**301**	**301**
Dividends paid	-	-	**(136)**	**(136)**
Balance at 31 March 2019	**-**	**10**	**1,656**	**1,666**
Balance at 1 April 2017	-	10	1,223	1,233
Changes in equity for 2017-2018				
Profit and total comprehensive income for the year attributable to equity holders	-	-	353	353
Dividends paid	-	-	(85)	(85)
Balance at 31 March 2018	-	10	1,491	1,501

Dividends of £136,000 were paid during the year (2018: £85,000).

The notes on pages 10 to 25 form part of these financial statements.

MCDC Fundco Limited

Statement of cash flows
for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit before tax		410	378
Adjustments for:			
Decrease in trade and other receivables		127	3
Increase in trade and other payables		145	195
Finance Income		(1,705)	(1,717)
Finance Costs		1,414	1,446
Net cash generated from operating activities		391	305
Cash Flows from investing activities			
Receipts on finance receivables		1,981	1,969
Bank interest received		1	-
Net Cash from investing activities		1,982	1,969
Cash flows from financing activities			
Interest paid		(1,414)	(1,446)
Repayment of bank loans		(630)	(606)
Repayment of loan notes		(11)	(10)
Dividends paid		(136)	(85)
Net cash used in financing activities		(2,191)	(2,147)
Net increase in cash and cash equivalents		182	127
Cash and cash equivalents at the beginning of the period		576	449
Cash and cash equivalents at the end of the period	12	758	576

The notes on pages 10 to 25 form part of these financial statements.

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

1 Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out in note 2. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in pound sterling, which is also the company's functional currency.

These financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

1.1 Standards issued and applied for the first time this year, and prior year adjustments

New standards impacting the company adopted in the annual financial statements for the year ended 31 March 2019, and which have given rise to changes in the company's accounting policies are:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'

The company has assessed that the adoption of IFRS 9 and IFRS 15 has had no material impact on the financial statements for either the current year or prior years.

In evaluating the presentation of contract deferred income that is required under IFRS 15 it was identified that the ageing profile of deferred income at 31 March 2018 did not include all potential spend that could arise within less than one year, and this altered the classification of the deferred income falling due within and after one year. The prior year comparatives have been corrected for this with an amount of £136,000 reclassified from amounts fully due over one year to amounts fully due within one year.

1.2 Standards and interpretations issued but not yet applied

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

- IFRS 16 'Leases' (mandatorily effective for periods beginning on or after 1 January 2019)
- IFRIC 23 'Uncertainty over Income Tax Positions' (effective 1 January 2019)

The directors are evaluating the impact of the adoption of IFRS 16 and IFRIC 23, and it is not practicable to provide an estimate of the effect of these standards until a detailed review has been completed.

2 Accounting policies

2.1 Financial instruments

2.1.1 Financial assets

The company classifies its financial assets as held at amortised cost and the company's accounting policy for this category of asset is as follows:

These assets arise principally from the provision of services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the company elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the statement of comprehensive income (operating profit).

The company's financial assets measured at amortised cost comprise trade and other receivables, finance receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

2 Accounting policies *(continued)*

2.1 Financial instruments (continued)

2.1.2 Financial liabilities

The company classified its financial liabilities as held at amortised cost, for which the accounting policy is as follows:

Bank and other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

2.2 Revenue

2.2.1 Public to private concession arrangements

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

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

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

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

2.2.2 'Financial asset model'

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

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

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

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

Pursuant to IFRS 9, an impairment loss is measured at an amount equal to the 12-month expected credit losses.

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

2 Accounting policies *(continued)*

2.2 Revenue (continued)

2.2.2 'Financial asset model' (continued)

Pursuant to IFRS 15, revenue associated with this financial model in the case of the construction of operating financial assets and service remuneration comprises revenue determined on an over time basis. This is because the contracts would require payment to be received for the time and effort spent by the company on progressing the contracts in the event of the customer cancelling the contract prior to completion for any reason other than the group's failure to perform its obligations under the contract. The stage of completion of construction is determined by comparing independently certified costs incurred to date to total contracted costs.

Determining the transaction price
The company's revenue on over time sales is generally based on fixed price contracts but these are subject to more variability as a result of the nature of the contract. Any variable consideration is constrained in estimating contract revenue in order that it is highly probable that there will not be a future reversal in the amount of revenue recognised when the final amounts of any variations has been determined.

Allocating amounts to performance obligations
For some contracts including ad hoc property related services income, there is a fixed unit price for each service provided. Therefore, there is no judgement involved in allocating the contract price in such contracts. The core service concession contracts include multiple deliverables. Where the contracts include multiple performance obligations, which are determined to be separate performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin, which is a key judgement (see note 3).

2.3 Other revenue items

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

Property management and related services revenue relates to lifecycle maintenance and facilities management income and ad hoc property related services income. The former relates to work performed by the company under concession arrangements to maintain and repair the primary care centres that it operates. Consideration received in respect of property management and related services revenue is recognised over time as the services are delivered, and revenue attributable to costs in future periods is deferred.

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

Other income is sundry income and is recognised at a point in time when the company has performed the work.

2 Accounting policies *(continued)*

2.4 Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

2.5 Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders.

2.6 Reserves

The following describes the nature and purpose of each reserve within equity:

Retained earnings – All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

3 Accounting estimates and judgements

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

3.1 Key sources of estimation uncertainty

(a) Finance receivables (note 9) - 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 has been based on the residual value allocated to the contract in the financial models, which form the basis for the calculation of rent charged to the lessees.

(b) Construction and operating revenue (notes 4 & 9) - Where properties are constructed by the company and are disposed of on finance receivables, construction and operating revenue is recognised at the estimated fair value of those services in the context of these arrangements. The proportion of receipts attributed to operating services is based on the original modelled costs to which no profit mark up was applied based on the directors' assessment of the nature of subcontract arrangements in place.

(c) RPI Index (note 9) – The finance debtors predict a level of RPI increases for future receipts. This represents a degree of judgement and uncertainty given the nature of RPI. Where RPI differs from the estimated rate of 2.5%, this will impact future receipts and thus increase/reduce the floating rate of interest on finance debtors, which affects the amount of income recognised in any given period.

(d) Lifecycle revenue and costs (notes 4 & 13) – For lifecycle revenue and costs there is uncertainty over the level of lifecycle works recorded in any given year and as such the amount of deferred income at the year-end date. Due to the arrangements arising with the lifecycle provider, the company is reliant upon the information supplied by the provider as to the actual level of works completed in the year and therefore estimates based on work schedules during periods between formal work updates.

3.2 Critical judgements

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

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

4 Revenue

Disaggregation of revenue

The company derives revenue (all of which is in the UK) from the transfer of services in the following major classes of business within the UK:

	2019 £'000	2018 £'000
Property management and related services	**679**	704
Rental income	**151**	-
Other income	**6**	-
	836	704

4 Revenue *(continued)*

Contract deferred income

	2019 £'000	2018 £'000
At 1 April	**710**	517
Amounts included in contract deferred income that was recognised as revenue during the year	**(13)**	(15)
Cash received in advance of performance and not recognised as revenue during the year	**195**	208
At 31 March	**892**	710

Contract deferred income is included within "payables" on the face of the statement of financial position. They arise from contracts that span the year-end, because cumulative payments received from customers at each balance sheet date do not necessarily equal the amount of revenue recognised on the contracts.

Remaining performance obligations

The majority of the company's property management and related services revenue is in respect of the service concession arrangements as set out in the accounting policies. A proportion of the annual receipts under those arrangements relate to lifecycle obligations and revenue on these services is recognised as the work is done. The allocations of receipts to such activities is based on the overall proportion of total costs over the contract relating to lifecycle and to the extent the amount allocated exceeds the revenue recognised to date, this is included within contract deferred income.

The amount of revenue, including the deferred contract income above, that will be recognised in future periods on these contracts when those remaining performance obligations are satisfied. The timing of this is uncertain as it depends on when such lifecycle expenditure is incurred by the lifecycle provider. The analysis below shows the modelled phasing, with this phasing assuming that income deferred due to underspend to date on the original model will be utilised in the following year:

	2019 £'000
Within one year	**269**
Within one to two years	**90**
Within two to five years	**426**
After five years	**7,293**
	8,078

The above amounts only relate to lifecycle expenditure, and not in respect of facilities management services for which the practical expedient in paragraph 121(b) of IFRS 15 applies as the right to consideration corresponds with the value to the customer as the service is delivered.

The company has applied the exemption in paragraph C5(d) of the transitional rules in IFRS 15 and therefore has not disclosed the amount of revenue that will be recognised in future periods for the comparative period.

5 Operating profit

	2019 £'000	2018 £'000
This is arrived at after charging:		
Fees payable to the company's auditor for the audit of the company's annual financial statements	6	6

There were no employees during the year (2018: none).

6 Finance income

	2019 £'000	2019 £'000
Interest on short-term deposits	1	-
Interest income on finance receivables	1,704	1,717

7 Finance costs

	2019 £'000	2018 £'000
Interest on borrowings	1,414	1,446

8 Tax charge

	2019 £'000	2018 £'000
Deferred tax (note 15)		
Current year	**78**	72
Change in tax rate	**(8)**	(7)
Prior year	**39**	(40)
	109	25

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

	2019 £'000	2018 £'000
Profit before tax	**410**	378
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**78**	72
Change in tax rate	**(8)**	(7)
Adjustment in respect of prior years	**39**	(40)
Tax charge	**109**	25

The main rate of UK corporation tax for the year commencing 1 April 2018 was 19% (year commencing 1 April 2017: 19%). The Finance Act 2016, enacted on 15 September 2016, reduced the main rate of Corporation tax to 17% for the year commencing 1 April 2020. These changes have been reflected in the carrying value of the deferred tax liability at the balance sheet date.

9 Finance receivables

	2019 £'000	2018 £'000
Net finance receivables:		
Current assets		
Due not later than 1 year (note 11)	**305**	277
Non current assets		
Due later than 1 year and no later than 5 years	**1,542**	1,409
Due later than 5 years	**24,059**	24,497
	25,601	25,906
	25,906	26,183

9 Finance receivables *(continued)*

The company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for finance receivables. To measure expected credit losses on a collective basis, finance receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the company's historical credit losses. The historical loss rates are then adjusted by reference to past default experience of the customer and an analysis of the customer's current financial position. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the company's customers.

During the year ended 31 March 2019, there was no expected credit loss recognised on the finance receivable (2018 – £Nil).

10 Trade receivables

The company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the company's historical credit losses. The historical loss rates are then adjusted by reference to past default experience of the customer and an analysis of the customer's current financial position. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the company's customers.

As at 31 March 2019 and 31 March 2018, the expected loss provision for trade receivables is as follows:

	Gross 2019 £'000	Provision 2019 £'000	Gross 2018 £'000	Provision 2018 £'000
Current	-	-	126	-
Past due 0-30 days	-	-	1	-
Past due 31-60 days	-	-	-	-
Past due more than 60 days	-	-	-	-
	-	-	127	-

There was no movement on the provision against trade receivables in the current or prior year.

In determining the recoverability of a trade receivable the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The ageing of impaired receivables is shown above.

11 Other receivables

	2019 £'000	2018 £'000
Prepayments	**58**	58
Finance receivables (note 9)	**305**	277
	363	335

12 Cash and cash equivalents

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

	2019 £'000	2018 £'000
Cash on hand and balances with banks	**758**	576
Cash and cash equivalents	**758**	576

Included within cash and cash equivalents is an amount of £432,000 (2018: £206,000), which is held for the settlement of repairs under the lifecycle maintenance agreement.

13 Trade and other payables

Due within one year:	2019 £'000	As restated 2018 £'000
Trade payables	**67**	38
Social security and other taxes	**128**	135
Amounts due to group companies	**-**	6
Contract deferred income	**269**	190
Accruals and other deferred income	**79**	132
	543	501
Due after more than one year:		
Contract deferred income	**623**	520

14 Borrowings

	2019 £'000	2018 £'000
Bank loans due within 1 year	**630**	630
Amounts owed to group undertakings	**11**	11
Current portion of long term borrowings	**641**	641
Non-current bank loans – Aviva Commercial Finance Limited	**20,238**	20,868
Amounts owed to group undertakings	**2,549**	2,560
Non-current borrowings	**22,787**	23,428

Bank loans are secured by a first mortgage over the land and buildings, legally held by the company, but treated as having been sold under finance receivables in accordance with IFRIC 12.

Bank loans are repayable by quarterly instalments over a period of 30 years. The interest rate is fixed at a rate of 5.03% per annum. There have been no defaults or breaches of interest payment terms during the current year.

Interest accrues daily on loan notes at rates between 10% during construction phase of the related property and then at a rate of 13.41% per annum and is payable half yearly in arrears, on 31 March and 30 September each year. Interest shall cease to accrue on the principal amount of the loan note from the date it is due for redemption.

Amounts owed to group undertakings rank pari passu with all other unsecured obligations of the company.

15 Deferred tax

The deferred tax liabilities are comprised of:

	2019 £'000	2018 £'000
Finance receivables timing differences	**419**	555
Accelerated capital allowances	**605**	486
Tax losses	**(562)**	(688)
At 31 March	**462**	353

The only movement in the total deferred tax liability during the period was the tax charge (2018: tax charge) as shown in note 8.

16 Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1 ordinary share of £1	**1**	1

17 Related parties

MCDC Midco Limited is the company's immediate controlling party by virtue of its 100% shareholding. Liverpool and Sefton Health Partnership Limited is MCDC Midco Limited's immediate and ultimate controlling party by virtue of its 51% shareholding.

	Loans due to related parties		Amounts due by related parties		Amounts due to related parties	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Parent company	-	-	-	-	-	-
Entities with joint control over the parent company	**2,560**	2,571	-	-	-	6
Entities with significant influence over the parent company	-	-	-	-	-	5

	Interest paid		Sales of services and receipts of rent		Purchase of services	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Parent company	-	-	-	-	-	-
Entities with joint control over the parent company	345	346	-	-	**90**	69
Entities with significant influence over the parent company	-	-	-	-	**94**	125

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

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

18 Financial instruments

18.1 Categories of financial assets and liabilities

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

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

Financial assets	2019 £'000	2018 £'000
Loans and receivables:		
Cash and cash equivalents	**758**	576
Finance receivables	**25,906**	26,183
Trade receivables	**-**	127
	26,664	26,886

Financial liabilities	2019 £'000	2018 £'000
Amortised cost:		
Bank loans	**20,868**	21,498
Long term borrowings from parent company	**2,560**	2,571
Other payables	**77**	72
	23,505	24,141

18.2 Financial risk management

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

Credit risk

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

Finance receivables primarily comprise of amounts due from Merseycare NHS Trust. Management considers that the credit quality of this debtor to be good in respect of the amounts outstanding, due to them being a government body. Therefore credit risk is considered to be low. Cash and cash equivalents comprise balances held with banks. To reduce the risk of counterparty default the company only uses approved high quality banks.

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

18 Financial instruments *(continued)*

18.2 Financial risk management *(continued)*

Liquidity risk

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

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

The table below summarises the maturity profile of the company's financial liabilities, on an undiscounted basis, at 31 March 2019 and 31 March 2018:

2019	**Less than 3 months £'000**	**3 to 12 months £'000**	**1 to 5 years £'000**	**More than 5 years £'000**	**Total £'000**
Financial liabilities					
Bank loans	428	1,277	6,317	27,844	**35,866**
Long term borrowings from parent company	85	270	1,422	7,461	**9,238**
Trade and other payables	77	-	-	-	**77**
	590	**1,547**	**7,739**	**35,305**	**45,181**

2018	**Less than 3 months £'000**	**3 to 12 months £'000**	**1 to 5 years £'000**	**More than 5 years £'000**	**Total £'000**
Financial liabilities					
Bank loans	424	1,275	6,607	29,259	37,565
Long term borrowings from parent company	86	270	1,422	7,816	9,594
Trade and other payables	72	-	-	-	72
	582	1,545	8,029	37,075	47,231

18 Financial instruments *(continued)*

Interest rate risk

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

Capital management

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

19 Other commitments

On completion of the buildings, under terms of contracts made, the company is committed to fixed payments for Facilities Management and Lifecycle Maintenance for a 30 year period. The average annual payment for the buildings (excluding indexation) amounts in total to £431,000. The charges to the statement of comprehensive income for the year ended 31 March 2019 were £354,000 (2018: £318,000).

Under the terms of management agreements with Liverpool and Sefton Health Partnership Limited, the company is committed to the payment of fixed and variable fees based on services provided in the contract term, which includes services provided during the period of construction. The charges to the statement of comprehensive income for the year ended 31 March 2019 were £61,000 (2018: £59,000).