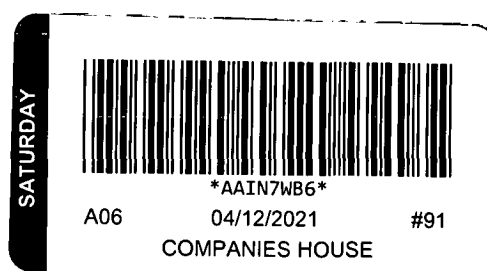


MCDC Fundco Limited

Annual Report and Financial Statements

Year ended

31 March 2021



MCDC Fundco Limited

Annual report and financial statements for the year ended 31 March 2021

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Directors

F M Schramm
I Tayler
G Shopov
J R Andrews

Registered office

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

Company number

08287975

Auditors

Goodman Jones LLP, 29/30 Fitzroy Square, London, W1T 6LQ

MCDC Fundco Limited

Directors' report for the year ended 31 March 2021

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

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 £384,000 (2020: £126,000) 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
I Tayler
N G Ward (resigned 7 December 2020)
G Shopov
J R Andrews (appointed 7 December 2020)

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.

Going Concern

At the year-end, the company has net assets of £1,752,000 (2020: £1,801,000). The company has net current assets of £172,000 (2020: £133,000), including cash of £684,000 (2020: £841,000).

The COVID 19 pandemic is continuing to have a significant impact on the UK economy which creates uncertainty in respect of all future business plans. At the time of writing, the Directors continue to believe that there is limited going concern risk to the company, as its major Tenant, Community Health Partnerships (CHP) has continued to follow the Government's procurement policy ensuring all lease payments were made during the year and will continue to be paid going forward.

MCDC Fundco Limited

Directors' report for the year ended 31 March 2021 (continued)

Going concern (continued)

There is a small possibility that the FM service provider struggles to comply with its contractual obligations as a result of the pandemic due to a shortage of maintenance staff or issues in their materials supply chain. This situation has been closely monitored during the year and has not presented any significant issues. The Directors continue to monitor the situation closely and are fully up to date with any developments that may impact on their service delivery and that their Business Continuity Plan is regularly reviewed and updated as necessary.

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

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

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 judgements 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.

MCDC Fundco Limited

Directors' report for the year ended 31 March 2021 *(continued)*

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 01-10-21 and signed on its behalf.



I Tayler
Director

MCDC Fundco Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF MCDC FUND CO LIMITED

Opinion

We have audited the financial statements of MCDC Fundco Limited ("the company") for the year ended 31 March 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, 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 2021 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

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 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.

MCDC Fundco Limited

Independent auditor's report (*continued*)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities, 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:

MCDC Fundco Limited

Independent auditor's report (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

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

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

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

Use of our report

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

Goodman Jones LLP

01-10-21

Paul Bailey (Senior Statutory Auditor)
For and on behalf of Goodman Jones LLP, Statutory Auditor
London
United Kingdom

Goodman Jones LLP is a limited liability partnership registered in England and Wales (with registered number OC313156).

MCDC Fundco Limited

Statement of comprehensive income for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Continuing operations			
Revenue	4	771	788
Cost of sales		(428)	(451)
Gross profit		343	337
Administrative expenses		(217)	(225)
Operating profit	5	126	112
Finance income	6	1,631	1,659
Finance costs	7	(1,344)	(1,380)
Profit before tax		413	391
Tax charge	8	(78)	(130)
Profit and total comprehensive income for the year attributable to equity holders		335	261

The notes on pages 11 to 27 form part of these financial statements.

MCDC Fundco Limited

Statement of financial position at 31 March 2021

Company number 08287975	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Finance receivables	9	24,797	25,210
		<u>24,797</u>	<u>25,210</u>
Current assets			
Trade receivables	10	17	3
Other receivables	11	498	425
Cash and cash equivalents	12	684	841
		<u>1,199</u>	<u>1,269</u>
Liabilities			
Current liabilities			
Trade and other payables	13	316	421
Current portion of long-term borrowings	14	711	715
		<u>1,027</u>	<u>1,136</u>
Net current assets		<u>172</u>	<u>133</u>
Non-current liabilities			
Non-current borrowings	14	21,324	22,033
Deferred income	13	1,223	917
Deferred tax	15	670	592
		<u>23,217</u>	<u>23,542</u>
Net assets		<u>1,752</u>	<u>1,801</u>
Equity			
Ordinary shares	16	-	-
Share premium		10	10
Retained earnings		1,742	1,791
		<u>1,752</u>	<u>1,801</u>
Total equity		<u>1,752</u>	<u>1,801</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 01-10-21

I Tayler
Director



The notes on pages 11 to 27 form part of these financial statements.

MCDC Fundco Limited

Statement of changes in equity at 31 March 2021

	Attributable to equity holders			
	Share capital £'000	Share Premium reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2020	-	10	1,791	1,801
Changes in equity for 2020-2021				
Profit and total comprehensive income for the year attributable to equity holders	-	-	335	335
Dividends paid	-	-	(384)	(384)
Balance at 31 March 2021	-	10	1,742	1,752
Balance at 1 April 2019	-	10	1,656	1,666
Changes in equity for 2019-2020				
Profit and total comprehensive income for the year attributable to equity holders	-	-	261	261
Dividends paid	-	-	(126)	(126)
Balance at 31 March 2020	-	10	1,791	1,801

Dividends of £384,000 (£384,000 per share) were paid during the year (2020: £126,000 (£126,000 per share)).

The notes on pages 11 to 27 form part of these financial statements.

MCDC Fundco Limited

Statement of cash flows for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit before tax		413	391
Adjustments for:			
(Increase) in trade and other receivables		(43)	(7)
Increase in trade and other payables		200	172
Finance income		(1,631)	(1,659)
Finance costs		1,344	1,380
Net cash generated from operating activities		283	277
Cash Flows from investing activities			
Receipts on finance receivables		2,000	1,990
Bank interest received		1	2
Net Cash from investing activities		2,001	1,992
Cash flows from financing activities	20		
Interest paid		(1,344)	(1,380)
Repayment of bank loans		(698)	(668)
Repayment of loan notes		(15)	(12)
Dividends paid		(384)	(126)
Net cash used in financing activities		(2,441)	(2,186)
Net (decrease)/increase in cash and cash equivalents		(157)	83
Cash and cash equivalents at the beginning of the period		841	758
Cash and cash equivalents at the end of the period	12	684	841

The notes on pages 11 to 27 form part of these financial statements.

MCDC Fundco Limited

Notes forming part of the financial statements for the year ended 31 March 2021

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, International Accounting Standards and Interpretations (collectively IFRSs) as adopted by the European Union.

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

New standards impacting the company adopted in the annual financial statements for the year ended 31 March 2021, and which have given rise to changes in the company's accounting policies are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material) (effective 1 January 2020);
- IFRS 3 Business Combinations (Amendment – Definition of Business) (effective 1 January 2020);
- Revised Conceptual Framework for Financial Reporting;
- Interest Rate Benchmark Reform – Libor 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2021, however, the company has adopted them early for the current reporting period. The amendments provide relief to company in respect of certain loans (note 14) whose contractual terms are affected by interest benchmark reform. See the applicable notes for further details on how the amendments affected the company.

The company has assessed that the adoption of new standards have had no material impact on the financial statements for either the current year or prior years.

1.2 New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The following amendments are effective for periods beginning on or after 1 January 2021:

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) – effective 1 January 2023 (not endorsed);
- Reference to the Conceptual Framework (Amendments to IFRS 3) – effective 1 January 2022 (not endorsed);
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) – effective 1 January 2022 (not endorsed);
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) – effective 1 January 2022 (not endorsed);
- Annual Improvements to IFRS Standards 2018–2020 – effective 1 January 2022 (not endorsed);
- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) – effective 1 January 2021;

MCDC Fundco Limited

Notes forming part of the financial statements for the year ended 31 March 2021. *(continued)*

1 Basis of preparation *(continued)*

1.2 New standards, interpretations and amendments not yet effective *(continued)*

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – effective 1 January 2023 (not endorsed); and
- Definition of Accounting Estimates (Amendments to IAS 8) – effective 1 January 2023 (not endorsed).

The directors do not expect any of these standards, interpretations or amendments to have a material impact on the company.

2 Accounting policies

2.1 Going concern

At the year-end, the company has net assets of £1,752,000 (2020: £1,801,000). The company has net current assets of £172,000 (2020: £133,000), including cash of £684,000 (2020: £841,000).

The COVID 19 pandemic is continuing to have a significant impact on the UK economy which creates uncertainty in respect of all future business plans. At the time of writing, the Directors continue to believe that there is limited going concern risk to the company, as its major Tenant, Community Health Partnerships (CHP) has continued to follow the Government's procurement policy ensuring all lease payments were made during the year and will continue to be paid going forward.

There is a small possibility that the FM service provider struggles to comply with its contractual obligations as a result of the pandemic due to a shortage of maintenance staff or issues in their materials supply chain. This situation has been closely monitored during the year and has not presented any significant issues. The Directors continue to monitor the situation closely and are fully up to date with any developments that may impact on their service delivery and that their Business Continuity Plan is regularly reviewed and updated as necessary.

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

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

2.2 Financial instruments

2.2.1 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.

MCDC Fundco Limited

Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

2 Accounting policies (continued)

2.2 Financial instruments (continued)

2.2.1 Financial assets (continued)

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.

2.2.2 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.

MCDC Fundco Limited

Notes forming part of the financial statements for the year ended 31 March 2021 *(continued)*

2 Accounting policies *(continued)*

2.3 Revenue

2.3.1 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').

2.3.2 '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.

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.

MCDC Fundco Limited

Notes forming part of the financial statements for the year ended 31 March 2021 *(continued)*

2 Accounting policies *(continued)*

2.3 Revenue *(continued)*

2.3.2 'Financial asset model' *(continued)*

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).

2.4 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.

2.5 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).

2.6 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.

2.7 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.

MCDC Fundco Limited

Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

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.

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 2.3.1. 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 the end of the lease period.

(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:

	2021 £'000	2020 £'000
Property management and related services	695	701
Rental income	71	85
Other income	5	2
	<hr/>	<hr/>
	771	788
	<hr/>	<hr/>

MCDC Fundco Limited

Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

4 Revenue (continued)

	2021 £'000	2020 £'000 As restated
Contract deferred income		
At 1 April	1,014	892
Amounts included in contract deferred income that was recognised as revenue during the year	(26)	(49)
Cash received in advance of performance and not recognised as revenue during the year	235	171
	<hr/>	<hr/>
At 31 March	1,223	1,014
	<hr/>	<hr/>

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 reporting 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 depends on 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 evenly over the remaining period of the concession.

	2021 £'000	2020 £'000
Within one year	125	116
Within one to two years	147	127
Within two to five years	1,169	810
After five years	7,008	7,617
	<hr/>	<hr/>
	8,449	8,670
	<hr/>	<hr/>

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.

MCDC Fundco Limited

Notes forming part of the financial statements
for the year ended 31 March 2021 (*continued*)

5	Operating profit	2021 £'000	2020 £'000
	This is arrived at after charging:		
	Fees payable to the company's auditor for the audit of the company's annual financial statements	<u>9</u>	<u>6</u>
	There were no employees during the year (2020: none).		
6	Finance income	2021 £'000	2020 £'000
	Interest on short-term deposits	1	2
	Interest income on finance receivables	<u>1,630</u>	<u>1,657</u>
		<u>1,631</u>	<u>1,659</u>
7	Finance costs	2021 £'000	2020 £'000
	Interest on bank loans	1,003	1,037
	Interest on amounts owed to group undertaking	<u>341</u>	<u>343</u>
		<u>1,344</u>	<u>1,380</u>
8	Tax charge	2021 £'000	2020 £'000
	Deferred tax (note 15)		
	Current year	78	75
	Change in tax rate	<u>-</u>	<u>55</u>
		<u>78</u>	<u>130</u>

MCDC Fundco Limited

Notes forming part of the financial statements for the year ended 31 March 2021 (*continued*)

8 Tax charge (*continued*)

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

	2021 £'000	2020 £'000
Profit before tax	413	390
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	78	74
Expenses not deductible for tax purposes	-	1
Change in tax rate	-	55
Tax charge	78	130

The Finance Bill 2021, published on 11 March 2021, increases the main rate of Corporation tax to 25% for the year commencing 1 April 2023.

The deferred taxation liability has therefore been calculated at 19%, being the rate substantively enacted at the statement of financial position date.

Estimates and assumptions, including uncertainty over income tax treatments

No material uncertain tax positions exist as at 31 March 2021. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

9 Finance receivables

	2021 £'000	2020 £'000
Net finance receivables:		
Current assets		
Due not later than 1 year (note 11)	407	363
Non-current assets		
Due later than 1 year and no later than 5 years	1,999	1,806
Due later than 5 years	22,798	23,404
	24,797	25,210
	25,204	25,573

MCDC Fundco Limited

Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

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 2021, there was no expected credit loss recognised on the finance receivable (2020 – £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 2021 and 31 March 2020, the expected loss provision for trade receivables is as follows:

	Gross 2021 £'000	Provision 2021 £'000	Gross 2020 £'000	Provision 2020 £'000
Current	17	-	-	-
Past due 0-30 days	-	-	3	-
Past due 31-60 days	-	-	-	-
Past due more than 60 days	-	-	-	-
	<u>17</u>	<u>-</u>	<u>3</u>	<u>-</u>

There was no 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 receivables and any provision is shown above.

MCDC Fundco Limited

Notes forming part of the financial statements
for the year ended 31 March 2021 (continued)

11 Other receivables

	2021 £'000	2020 £'000
Prepayments and accrued income	91	62
Finance receivables (note 9)	407	363
	<u>498</u>	<u>425</u>

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:

	2021 £'000	2020 £'000
Cash on hand and balances with banks	684	841
	<u>684</u>	<u>841</u>

Included within cash and cash equivalents is an amount of £471,000 (2020: £681,000), which is held for the settlement of repairs under the lifecycle maintenance agreement.

13 Trade and other payables

	2021 £'000	2020 £'000 As restated
Due within one year:		
Trade payables	99	45
Social security and other taxes	112	117
Contract deferred income	-	97
Accruals and other deferred income	105	162
	<u>316</u>	<u>421</u>
Due after more than one year:		
Contract deferred income	1,223	917
	<u>1,223</u>	<u>917</u>

The split of contract deferred income and other deferred income has been changed where £19,000 has been taken out of contract deferred income (less than 1 year) and reallocated to other deferred income (less than 1 year).

MCDC Fundco Limited

Notes forming part of the financial statements
for the year ended 31 March 2021 (continued)

14 Borrowings

	2021 £'000	2020 £'000
Bank loans due within 1 year	695	698
Amounts owed to group undertakings	16	17
Current portion of long term borrowings	711	715
Non-current bank loans – Aviva Commercial Finance Limited	18,807	19,502
Amounts owed to group undertakings	2,517	2,531
Non-current borrowings	21,324	22,033

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 net deferred tax liability is comprised of:

	2021 £'000	2020 £'000
Finance receivables timing differences	336	406
Accelerated capital allowances	865	777
Tax losses	(531)	(591)
At 31 March	670	592

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

MCDC Fundco Limited

Notes forming part of the financial statements
for the year ended 31 March 2021 (continued)

16 Share capital

	2021 £	2020 £
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1 each	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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Entities with joint control over the parent company	2,533	2,548	-	-	-	-
	Interest paid		Sales of services and receipts of rent		Purchase of services	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Entities with joint control over the parent company	341	343	-	-	82	62
Entities with significant influence over the parent company	-	-	-	-	80	78

Loans due to related parties ("Amounts due to group undertakings" note 14), are unsecured, interest-free, have no fixed terms of repayment and are repayable on demand. 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.

MCDC Fundco Limited

Notes forming part of the financial statements
for the year ended 31 March 2021 (continued)

18 Financial instruments

18.1 Categories of financial assets and liabilities

All financial instruments disclosures of fair value are valued at reference to level three of the fair value hierarchy as set out in IFRS 7: Financial Instruments: Disclosures. The following table sets out the assets and liabilities for which fair values are disclosed and the unobservable inputs used to determine the fair values:

Item	Valuation technique	Significant unobservable Inputs
Trade receivables and payables	The carrying amount of short term (less than 12 months) trade receivable and payables approximates its fair values.	N/a
Finance receivables	The fair value of finance receivables in note 9, is estimated by discounting the future contractual cash flows at the estimated current rate of return for investors on similar projects.	Discount rate of 7%
Non-current borrowings	The fair value of non-current borrowings in note 13, is estimated by discounting the future contractual cash flows at the estimated current market interest rates.	Discount rate range 3.5% (bank loans) - 7% (other borrowings)

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

Financial assets

	Book value 2021 £'000	Estimated fair value 2021 £'000	Book value 2020 £'000	Estimated fair value 2020 £'000
Loans and receivables at amortised cost:				
Cash and cash equivalents	684	684	841	841
Finance receivables	25,204	24,272	25,573	24,559
Trade and other receivables	17	17	3	3
	<u>25,905</u>	<u>24,973</u>	<u>26,417</u>	<u>25,403</u>

Financial liabilities

	Book value 2021 £'000	Estimated fair value 2021 £'000	Book value 2020 £'000	Estimated fair value 2020 £'000
Amortised cost:				
Bank loans	19,502	22,500	20,200	23,394
Long term borrowings from parent company	2,533	4,017	2,548	4,051
Other payables	204	204	207	207
	<u>22,239</u>	<u>26,721</u>	<u>22,955</u>	<u>27,652</u>

MCDC Fundco Limited

Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

18 Financial instruments (continued)

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.

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 2021 and 31 March 2020:

2021	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	427	1,236	6,010	24,788	32,461
Long term borrowings from parent company	85	271	1,422	6,751	8,529
Trade and other payables	204	-	-	-	204
	<u>716</u>	<u>1,507</u>	<u>7,432</u>	<u>31,539</u>	<u>41,194</u>

MCDC Fundco Limited

Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

18 Financial instruments (continued)

18.2 Financial risk management (continued)

Liquidity risk (continued)

2020	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	429	1,272	6,072	26,388	34,161
Long term borrowings from parent company	85	270	1,422	7,105	8,882
Trade and other payables	207	-	-	-	207
	<u>721</u>	<u>1,542</u>	<u>7,494</u>	<u>33,493</u>	<u>43,250</u>

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 2021 were £365,000 (2020: £326,000).

Under the terms of management agreements with its parent company, 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 2021 were £64,000 (2020: £62,000).

MCDC Fundco Limited

**Notes forming part of the financial statements
for the year ended 31 March 2021 (*continued*)**

20 Note supporting statement of cash flows

Non-cash transactions from financing activities are shown in the reconciliation of liabilities from financing transactions:

	Non-current loans and borrowings £'000	Current loans and borrowings £'000	Total £'000
At 1 April 2020	22,033	715	22,748
Cash flows	-	(2,057)	(2,057)
Loans and borrowings classified as current at 31 March 2021	(709)	709	-
Interest accruing in period	-	1,344	1,344
At 31 March 2021	21,324	711	22,035
At 1 April 2019	22,787	641	23,428
Cash flows	-	(2,060)	(2,060)
Loans and borrowings classified as current at 31 March 2020	(754)	754	-
Interest accruing in period	-	1,380	1,380
At 31 March 2020	22,033	715	22,748