Mersey Care Development Company 1 Limited

Directors' Report and Financial Statements

Year Ended

31 March 2019

Company Number 08287986

Mersey Care Development Company 1 Limited

Contents

Company Information

Directors	A H Naafs I Tayler
Registered number	08287986
Registered office	9th Floor Cobalt Square 83-85 Hagley Road Birmingham B16 8QG
Independent auditors	BDO LLP Two Snowhill Birmingham B4 6GA

Mersey Care Development Company 1 Limited

Directors' Report
For the Year Ended 31 March 2019

The directors present their report and the financial statements for the year ended 31 March 2019. In preparing this report, the directors have taken advantage of the small companies' exemption from the requirement to prepare a strategic report provided by section 414B of the Companies Act 2006 and the small companies' exemptions provided by section 415A of the Companies Act 2006.

Principal activity

The company's sole function is to act as an intermediate holding company.

Results and dividends

The profit for the year, after taxation, amounted to £62,627 (2018 - £36,225). At 31 March 2019, the company had net assets of £6,075 (2018 - £7,828).

Dividends of £64,380 were paid during the year (2018 - £35,000). There were no further dividends proposed.

Directors

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

A H Naafs
I Tayler

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 Company 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 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 to 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.

Mersey Care Development Company 1 Limited

Directors' Report (continued)
For the Year Ended 31 March 2019

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 the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the 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 23RD DECEMBER 2019 and signed on its behalf.

I Tayler
Director

Mersey Care Development Company 1 Limited

Independent Auditor's Report to the Members of Mersey Care Development Company 1 Limited

Opinion

We have audited the financial statements of Mersey Care Development Company 1 Limited ("the Company") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and 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 Directors 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 Strategic report and Directors' 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 statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.

Stephen Hale (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham
United Kingdom

30 December 2019

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

Mersey Care Development Company 1 Limited

Statement of Comprehensive Income
For the Year Ended 31 March 2019

	Note	2019 £	2018 £
Continuing operations			
Revenue	3	**5,418**	5,229
Administrative expenses		**(9,431)**	(10,654)
Operating loss	4	**(4,013)**	(5,425)
Finance income	5	**342,267**	318,351
Finance costs	6	**(275,627)**	(276,701)
Profit before tax		**62,627**	36,225
Tax charge	7	**-**	-
Profit and total comprehensive income for the year attributable to equity holders		**62,627**	36,225

The notes on pages 10 to 21 form part of these financial statements.

Mersey Care Development Company 1 Limited
Registered number:08287986

Statement of Financial Position
As at 31 March 2019

	Note	2019 £	2018 £
Assets			
Non-current assets			
Investments	8	4,900	4,900
Other receivables	9	2,038,185	2,048,230
		2,043,085	2,053,130
Current assets			
Other receivables	9	10,677	9,349
Cash and cash equivalents	10	5,586	6,858
		16,263	16,207
Current liabilities			
Creditors: amounts falling due within one year	11	(15,088)	(13,279)
Net current (liabilities)/assets		1,175	2,928
Total assets less current liabilities		2,044,260	2,056,058
Non-current liabilities			
Creditors: amounts falling due after more than one year	12	(2,038,185)	(2,048,230)
Net assets		6,075	7,828
Equity attributable to equity holders of the parent company			
Ordinary shares	15	100	100
Share premium account		4,800	4,800
Retained earnings		1,175	2,928
Total equity		6,075	7,828

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
23RD DECEMBER 2019

I Tayler
Director

The notes on pages 10 to 21 form part of these financial statements.

Mersey Care Development Company 1 Limited

Statement of Changes in Equity
For the Year Ended 31 March 2019

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2017	**100**	**4,800**	**1,703**	**6,603**
Changes in equity for 2017-2018				
Profit and total comprehensive income for the year	-	-	**36,225**	**36,225**
Dividends paid	-	-	**(35,000)**	**(35,000)**
At 1 April 2018	**100**	**4,800**	**2,928**	**7,828**
Changes in equity for 2018-2019				
Profit and total comprehensive income for the year	-	-	**62,627**	**62,627**
Dividends paid	-	-	**(64,380)**	**(64,380)**
At 31 March 2019	**100**	**4,800**	**1,175**	**6,075**

Dividends of £64,380 (£6,438 per share) were paid during the year (2018 - £35,000 (£3,500 per share)).

The notes on pages 10 to 21 form part of these financial statements.

Mersey Care Development Company 1 Limited

Statement of Cash Flows
For the Year Ended 31 March 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	**62,627**	36,225
Adjustments for:		
Finance costs	**275,627**	276,701
Finance income	**(342,267)**	(318,351)
(Increase) in trade and other receivables	**(105)**	(16)
Increase/(decrease) in trade and other payables	**586**	(145)
Net cash used in operating activities	**(3,532)**	(5,586)
Cash flows from investing activities		
Loan note interest receivable	**275,627**	276,701
Dividends received	**66,640**	41,650
Net cash from investing activities	**342,267**	318,351
Cash flows from financing activities		
Repayment of loan notes	**(8,822)**	(7,748)
Loans repaid by associates	**8,822**	7,748
Dividends paid	**(64,380)**	(35,000)
Interest paid	**(275,627)**	(276,701)
Net cash used in financing activities	**(340,007)**	(311,701)
Net (decrease)/increase in cash and cash equivalents	**(1,272)**	1,064
Cash and cash equivalents at beginning of year	**6,858**	5,794
Cash and cash equivalents at the end of year	**5,586**	6,858
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**5,586**	6,858
	5,586	6,858

The notes on pages 10 to 21 form part of these financial statements.

1. Accounting policies

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 periods presented, unless otherwise stated.

1.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity and areas where assumptions or estimates are significant to the financial statements are disclosed in note 2.

The functional currency is pounds sterling.

Standards issued and applied for the first time this period

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' (effective from 1 January 2018)
- IFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2018)

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.

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 are:

- 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.

1.2 Investments

Investments in associates are valued at cost less provision for impairment.

1. Accounting policies (continued)

1.3 Financial instruments

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on trade date when the company becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are derecognised on trade date when the company is no longer a party to the contractual provisions of the instrument.

1.4 Other receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus any 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.

1.5 Cash and cash equivalents

Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term.

1.6 Interest-bearing borrowings

Interest-bearing borrowings are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

1. Accounting policies (continued)

1.7 Revenue

Revenue comprises management fees receivable. Consideration received in respect of management and related services revenue is only recorded as revenue to the extent that the company has performed its contractual obligations in respect of that consideration.

1.8 Deferred tax

Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the statement of financial position. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

1.9 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved in accordance with the shareholders' agreement.

1.10 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.

2. 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:

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty affecting the financial statements.

Critical judgements

- Determine whether there are indicators of impairment of the company's other receivables due from associates. Factors taken into consideration in reaching such a decision include the current financial position of the entities and their expected future financial performance.

3. Revenue

	2019	2018
	£	£
Revenue comprises:		
Management and related services	5,418	5,229

4. Operating loss

The operating loss is stated after charging:

	2019	2018
	£	£
Fees payable to the company's auditor for the audit of the company's annual financial statements	2,890	2,890

There were no employees during the year (2018 - None).

5. Finance income

	2019	2018
	£	£
Interest on loans due from associates	**275,627**	276,701
Dividends received	**66,640**	41,650
	342,267	318,351

6. Finance costs

	2019	2018
	£	£
Interest on loans due to shareholders	**275,627**	276,701

7. Taxation

	2019	2018
	£	£
UK Corporation tax:		
Current tax on profits for the year	-	-
Total current tax	-	-

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	62,627	36,225
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	**11,899**	6,883
Effects of:		
Dividend income not taxable	**(12,662)**	(7,914)
Movement in deferred tax asset not recognised (see note 14)	**682**	923
Effect of difference in current and deferred tax rates	**81**	108
Total tax charge for the year	**-**	-

Factors that may affect future tax charges

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.

8. Investments

	Shares in associates £
Cost	
At 1 April 2018 and 31 March 2019	4,900

The company holds a 49% non-controlling interest in the share capital in MCDC Midco Limited, a company incorporated in the United Kingdom and engaged in the activities of an intermediary holding company. MCDC Midco Limited owns 100% of the share capital in MCDC Fundco Limited, a company incorporated in the United Kingdom and engaged in the activities of property development. All companies share the same registered office as the company.

	MCDC Midco Limited £	MCDC Fundco Limited £
As at 31 March 2019:		
Current assets	100	1,121,000
Non-current assets	10,000	25,601,000
Current liabilities	(100)	(1,184,000)
Non-current liabilities	-	(23,872,000)
Year ended 31 March 2019:		
Revenues	-	836,000
Profit and total comprehensive income	136,000	301,000

9. Other receivables

	2019 £	2018 £
Amounts due from associates	**2,038,185**	2,048,230
Current assets		
Trade debtors	**7**	-
Amounts due from parent company	**49**	49
Amounts due from associates	**10,045**	8,822
Other debtors	**576**	478
	2,048,862	2,057,579

The company applies a forward looking expected credit loss model to measure expected credit losses from other receivables including amounts due from related parties. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in the credit risk since initial recognition of the other receivable. Given the very low level of credit losses the directors have concluded that no provision is required and therefore an expected credit loss table has not been presented in the financial statements.

10. 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 £	2018 £
Cash on hand and balances with banks	**5,586**	6,858
Cash and cash equivalents	**5,586**	6,858

11. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade payables	**3,454**	2,868
Amounts due to associates	**49**	49
Unsecured loan notes (see note 13)	**10,045**	8,822
Accruals and deferred income	**1,540**	1,540
	15,088	13,279

12. Creditors: Amounts falling due after more than one year

	2019	2018
	£	£
Unsecured loan notes (see note 13)	2,038,185	2,048,230

13. Borrowings

	2019	2018
	£	£
Current portion of long term borrowings		
Unsecured loan notes	**10,045**	8,822
	10,045	8,822
Non-current borrowings		
Unsecured loan notes	**2,038,185**	2,048,230
	2,038,185	2,048,230

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.

14. Deferred tax

The company had no deferred tax liability as at the end of the year and did not recognise deferred income tax assets of £5,050 (2018 - £4,368) in respect of losses amounting to £29,705 (2018 - £25,692) that can be carried forward against future taxable income.

15. Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
1,000 Ordinary shares of £0.10 each	100	100

16. Related party transactions

BBGI Investments SCA, a company incorporated in Luxembourg, is the company's immediate controlling party. BBGI SICAV S.A., a company incorporated in Luxembourg, is the company's ultimate controlling party.

	2019	2018
	£	£
Dividends received/(paid)		
Shareholders, and their associates	**(64,380)**	(35,000)
Associate entities	**66,640**	41,650
Interest receivable/(payable)		
Shareholders, and their associates	**(275,627)**	(276,701)
Associate entities	**275,627**	276,701
Amounts owed to related parties		
Shareholders, and their associates	**2,048,230**	2,057,052
Associate entities	**49**	49
Amounts owed by related parties		
Shareholders, and their associates	**49**	49
Associate entities	**2,048,230**	2,057,052
Sales of services		
Shareholders, and their associates	**5,418**	5,229
Associate entities	**-**	-
Purchase of services		
Shareholders, and their associates	**5,418**	-
Associate entities	**-**	-

Amounts owed by and to related parties, except for loans due to related parties ("unsecured loan notes" in note 13) and amounts due from associates (note 9), 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 year 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 associate entities. The directors do not believe it is possible to accurately apportion their remuneration between the many entities they are directors of.

17. Financial instruments

Categories of financial assets and liabilities

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

	2019 £	2018 £
Financial assets		
Loans and receivables:		
Cash and cash equivalents	**5,586**	6,858
Other receivables	**2,048,230**	2,057,052
	2,053,816	2,063,910

	2019 £	2018 £
Financial liabilities		
Amortised cost:		
Unsecured loan notes	**2,048,230**	2,057,052
Trade and other payables	**5,043**	4,457
	2,053,273	2,061,509

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.

Other receivables primarily comprise of amounts due from the company's associate entities. 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.

17. Financial instruments (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 cashflow 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:

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	£	£	£	£	£
2019					
Financial liabilities					
Long term borrowings from parent company	-	284,448	1,137,797	5,970,660	7,392,905
Trade and other payables	5,043	-	-	-	5,043
	5,043	284,448	1,137,797	5,970,660	7,397,948

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	£	£	£	£	£
2018					
Financial liabilities					
Long term borrowings from parent company	68,789	215,660	1,137,797	6,252,920	7,675,166
Trade and other payables	4,457	-	-	-	4,457
	73,246	215,660	1,137,797	6,252,920	7,679,623

Interest rate risk

The company's exposure to market risk for changes in interest rates is considered to be very small, as all 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 therefore not incur interest on overdue balances.

17. Financial instruments (continued)

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 in the associates and the related loan repayments from associates 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.